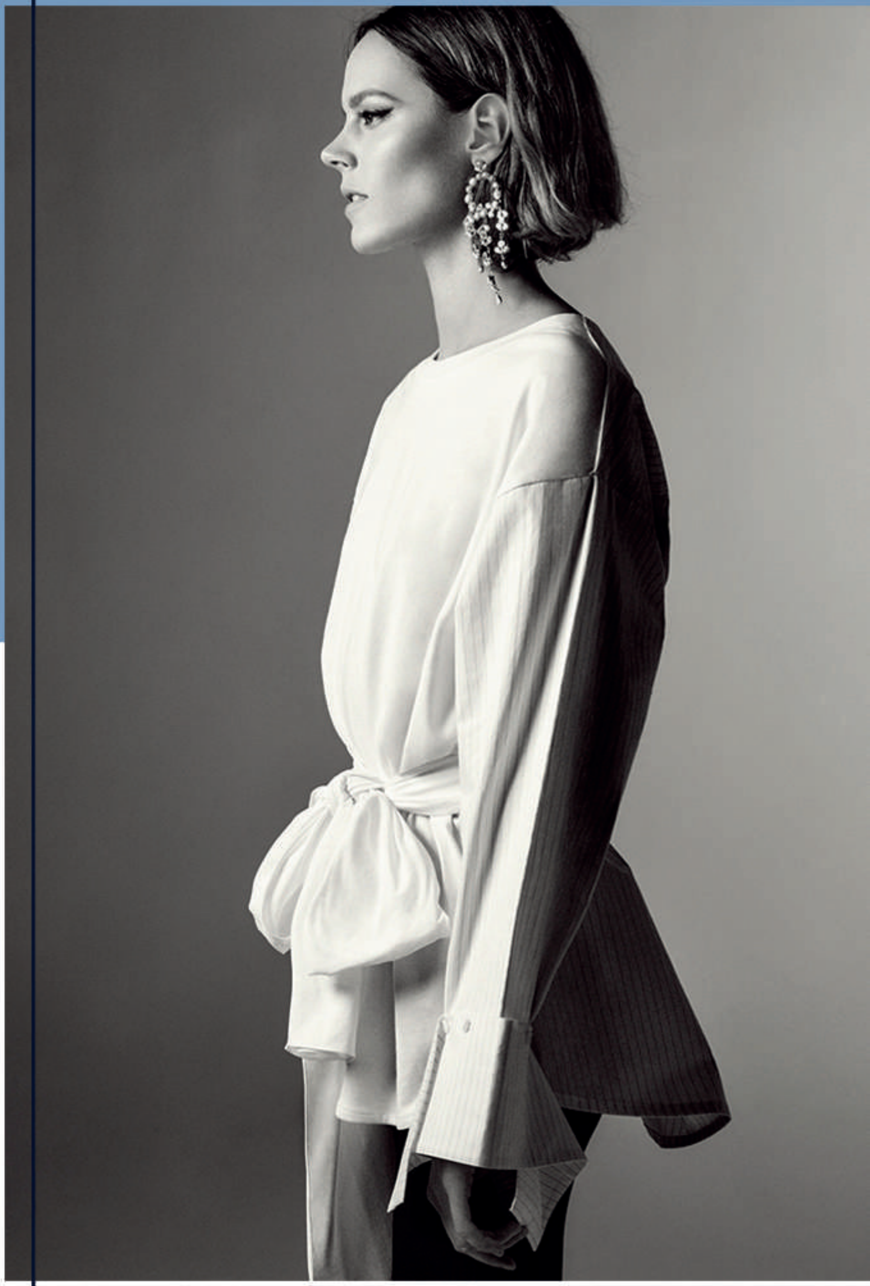
ANNUAL REPORT 2019



INDITEX

Contents


donate clothes you
no longer wear and
give them a new
lease on life.

About this report

This Annual Report presents the information on the Inditex Group's activities during 2019 and should be read in the context of said tax year, taking into account its nature and in response to the reporting expectations on key issues for our stakeholders as identified in the materiality analysis.

However, the subsequent covid-19 pandemic has been of such significant global scale that, in line with our commitment to transparency, we believe we must also reflect on its potential impact on our activities. It is not possible to make reliable predictions due to the current level of uncertainty, however, we will attempt to set forth herein some of the actions already undertaken in response to the pandemic.

This Annual Report is presented in the form of an integrated report with the goal of informing all our stakeholders about how Inditex creates value in the short, medium and long term. To provide this information in a transparent, fact-based, relevant and accurate manner, we incorporate best reporting practices, complemented by the information contained on our corporate website (www.inditex.com) and in the Non-Financial Information Statement included in Annex 4 of the Inditex Group Consolidated Annual Accounts, available on the corporate website and linked to in this Annual Report.

This Annual Report has been produced in line with a number of guidelines, including the GRI Sustainability Reporting Standards, which have been our principle frame of reference since their introduction. We are also members of the GRI Community, a universe of companies from different sectors that share knowledge and best practices around reporting.

In accordance with Disclosure 102-55 of Standard GRI 102: General Disclosures 2016, this report includes a GRI Content Index as its main navigation tool and the first point of reference for report users. It was approved by the GRI Content Index Service for the fifth year running, and the GRI Alignment Service Organisational Mark is displayed in said index as proof thereof.

More information on page 454 of this Annual Report.

We also follow the principles of the United Nations Global Compact, of which we have been members since 2001, and this Report therefore contains our Communication on Progress as included in the GRI index.

This is our **Communication on Progress** in implementing the Ten Principles of the **United Nations Global Compact** and supporting broader UN goals.

We welcome feedback on its contents.

As prescribed by the above-mentioned reporting standards, this report addresses all matters reflecting Inditex's significant economic, environmental and social impacts that could influence the assessments and decisions of its stakeholders. We have identified and prioritised these matters on the basis of a materiality analysis conducted involving the main internal and external stakeholders.

More information on pages 56 and 57 of this Annual Report.

Inditex has always strived to adopt the best and most up-to-date reporting techniques. To ensure accurate and comparable reporting of our contributions to the United Nations Sustainable Development Goals (SDGs), we have used for the third year running the Business Reporting on

This Annual Report presents information on the Inditex Group's activities in 2019.

PRINCIPLES UNDERPINNING INDITEX'S ANNUAL REPORT

GRI SUSTAINABILITY REPORTING STANDARDS	UNITED NATIONS GLOBAL COMPACT PRINCIPLES	INTERNATIONAL <IR> FRAMEWORK PRINCIPLES	AA1000 APS (2018) ACCOUNTABILITY PRINCIPLES STANDARD
/ This report has been prepared in accordance with the GRI Standards: Comprehensive option. / A GRI reporter since 2007. / GRI Community member.	/ This Report includes the Communication on Progress contained in the GRI index. / The most recent Communication on Progress (COP) was rated 'GC Advanced' (the highest level awarded by the Global Compact). / Global Compact member since 2001.	/ This report follows the criteria prescribed in the Integrated Reporting Framework. / Member of the International Integrated Reporting Council (IIRC) Business Network.	/ This report follows the recommendations of the accountability principles standard AA1000 APS (2018).

the SDGs: An Analysis of Goals and Targets guide. This guide was drawn up by the Action Platform for Reporting on the Sustainable Development Goals, which we have been involved with since its creation and which is jointly organised by the United Nations Global Compact and Global Reporting Initiative.

More information on pages 328 and 329 of this Annual Report.

In 2020, we showed our support to the *Task Force on Climate-Related Financial Disclosures* (TCFD). We made the commitment to implement their recommendations in order to be more transparent on the risks and opportunities for our company derived from climate change.

In 2019, we created a multifunctional working group to analyse, manage and adapt our framework of climate-related dissemination and management to the recommendations of the TCFD.

Beyond supporting this initiative, we announced our willingness to adhere to other reporting frameworks, such as the SASB, in line with our philosophy of continuous improvement in reporting and our commitment to transparency.

External assurance

This Annual Report has been reviewed by Deloitte, S.L. in accordance with the revised International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Review of Historical Financial Information, issued by the International Auditing and Assurance Standard Board (IAASB), and with Guideline no. 47 on attestation engagements of the Statement on Non-financial Information issued by the ICJCE (Institute of Certified Public Accountants of Spain). Based on both standards, a selection of 40 disclosures were reviewed. These indicators were selected on the basis of the materiality analysis carried out annually with our stakeholders.

The outcome of the external assurance process corroborates the appropriateness of the reported GRI standard application option (In-accordance-Comprehensive) for the disclosures reviewed.

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Letter from the Chairman

Dear friends of Inditex,

When I addressed all of the employees who make up the Inditex family and the media back in March 2020 in order to outline our response to the covid-19 pandemic, I called for three things: solidarity, composure and trust.

Solidarity first and foremost with all of the people affected by this pandemic. Composure so as to remain strong in the face of what is surely the most serious crisis in recent history on account of its global ramifications. And trust. Trust in the future, assured that this is a situation we are going to come through together.

My own confidence in the future has been powerfully bolstered by the attitudes I have observed among the entire Inditex workforce. I would like to personally thank each and every one of our professionals. Their unwavering commitment throughout the health crisis has been effective and, more than anything, inspiring: our people have once again given us a lesson in engagement, camaraderie, solidarity and dedication. You will have heard me say over and over again how people come before everything else here at Inditex and recent events demonstrate that.

> *“People have been the absolute priority in our response to covid-19"*

In spite of the current situation, this annual report must reflect on 2019. The truth is that, despite having been overshadowed by the events of 2020, ,2019 provides a vital snapshot of the continued resilience of our business model. Our financial performance was better than ever, even as we continued to deliver on our community and environmental ambitions.

Sales revenue grew 8% from the year prior year as customers responded enthusiastically to the creations of our design teams.

Underlying net profit was 12%, reduced to 6% only due to the decision to recognise an impairment provision of €287 million at the onset of the crisis in anticipation of the impact of covid-19. We reinforced the rollout of our store and online integrated platform, which now spans 200 markets worldwide, following €1.2bn in capital expenditure. Meanwhile our global tax contribution reached €6.75 billion, €1.87 billion of which in Spain, implying an effective tax rate of 22%.

It is worth underscoring our robust financial position at year-end 2019, namely net cash of €8.06 billion (+20% year-on-year), further evidencing that we are on the right strategic track, corroborating the effectiveness of our integrated stock management approach and endorsing our financial discipline.

We remain firmly committed to ensuring our business activities add value for society and the environment. At the last Annual General Meeting it was agreed to set up a Sustainability Committee within the Board of Directors and a raft of new sustainability targets were announced. Those targets include the elimination of single-use plastic from customer interfaces by 2023; the recycling of all waste generated in our facilities, also by 2023; and the use of only sustainable man-made cellulosic fibres such as viscose by 2023, and the use of only sustainable, organic or recycled cotton, sustainable linen and recycled polyester all by 2025.

By the end of 2020, all of the company's stores will have used-clothing collection containers. The clothing collected is being donated for reuse or recycling in collaboration with 45 local NGOs in the various markets, including Caritas, the Red Cross and Oxfam.

All of the Group's brands have undertaken important strategic initiatives related to this sustainability strategy and the garments distinguished by the Join Life label will account for 25% of the total by end of this year.

We also boosted our research effort in 2019, most notably with a €3.5 million collaboration with MIT covering the promotion of research driven by global sustainability challenges, including new recycling and upcycling techniques, among other aspects.

Our community engagement drove us to make the full force of our logistics capabilities available to assist with the health emergency in 2020. We set up an air traffic corridor with China which was initially used to get aid to that nation, the first to suffer from the epidemic, and later facilitated the transportation of over 120 million items of health equipment to Europe during the peak of the crisis.

That sense of responsibility similarly materialised in our commitments to our suppliers, such that we did not cancel orders and upheld our payment terms. With them in mind, we also backed an initiative jointly with the International Organisation of Employers, the International Labour Organization, IndustriALL Global Union, nternational Trade Union Confederation and major international apparel brands in support of garment workers, particularly in markets with less robust social protection systems.

Our commitments encompass and are guided by the United Nations 17 Sustainable Development Goals to ensure we have a positive impact on the societies in which we operate. We say so at a time when it is vital to reassert the United Nations Global Compact, to which we are adhered, and the UN Guiding Principles on Business and Human Rights, fully embedded into our conduct as an enterprise.

The past few months, during which virtually all of our stores around the world - 7,469 as of year-end - were closed for weeks, have enabled us to observe how some of the trends that shaped our integrated stores and online platform strategy have accelerated.

For that reason we have decided to commit even more decisively to our plans for fully integrating our stores and online business over the next two years. We will reinforce and expand the online presence and RFID technology across all eight of our brands.

In line with the strategy pursued in recent years, we will continue to open larger, high-tech stores, extend and modernise existing stores and absorb smaller stores less well positioned to offer our customers these new integrated services.

This strategy is transforming our Group and preparing us for emerging opportunities that are bound to emerge, moving us closer to our goal of becoming a fully integrated, fully sustainable and fully digital Company.

Many thanks.

P. Isla

Pablo Isla
Executive Chairman

INTRODUCING INDITEX

Introducing Inditex

milestones in the last five years

CREATIVITY

Inspiration and continuous adaptation to meet our customers' demands

DIVERSITY

We promote **diverse and inclusive** working environments

SUSTAINABILITY

We encourage respect for **human and labour rights,** and the use of **the most sustainable materials and processes** in our manufacturing processes

2015 2016 20

Green to Pack

We reuse boxes received for online deliveries

Payment by mobile

e-receipts

Paperless

Women play an essential role:

They account for **76% of employees** in the Group and **79% of management posts**

+ 218 million euros in investments in the community over the past five years

+ 8 million direct beneficiaries

Integrated store and online model

Over 13 million garments donated to social causes during the last five years

We increased the use of recycled materials in our products by 250% in 2019

Integrated vision of the supply chain

Récord (2019): +9.700 pedidos per minute

Impact of the community investment during the last five years:

258,000 young people have gained access to quality education

150,000 people have received professional training

3.3 million people have received healthcare

Over 58,000 jobs created through community activities

Traceability:

Raw materials and sustainable fibres

Identifying the links in our supply chain

Collaboration with **ZDHC**

Commitment to the Zero Discharge of Hazardous Chemicals Programme

WHERE

20

JOIN LIFE

Collections made using the most sustainable raw materials, manufactured using environmentally-friendly production processes

2017 FLEXIBILITY

We are committed to **better buying experiences** in our stores, based on eco-efficient criteria

2018 INNOVATION

We maintain **an innovative focus throughout our whole value chain,** promoting sustainability and circularity

2019 PROACTIVENESS

We involve our suppliers in our **social and environmental commitments**, encouraging a **collaborative spirit**

WE ARE 20

+1.4 million workers in our supply chain benefit from the programmes in our *Workers at the Centre strategy in 2019*

CLOSING THE LOOP PROGRAMME

In 2019:
Over 49,000 tons of garments collected

2,299 participating stores

2023 Commitment: Zero Waste in our stores, headquarters and logistics centres

We promote energy from clean sources

63% of the energy consumed on our premises is renewable

3,500 stores connected to Inergy

96% of stores are eco-efficient

+57,000 audits on our suppliers and manufacturers

+ 12,000 **traceability audits**

In the last five years

Over 428,000 hours spent by employees on social initiatives during work hours in 2019

Our **collections**, adapted to the two **hemispheres**, are available in **202 markets** on five **continents**

New collections **twice a week** at all of our stores

Seven product **health and safety standards** guaranteeing our items

FOR & FROM

Programme to help people with disabilities integrate in society and the workplace

15 stores

220 direct jobs

Over **five million euros in profits** in the last five years, fully reinvested in the partner entities

In 2019:
+ 4,000 million **visits to the websites** of the brands

+ 175 million **social media users**

WORKERS AT THE CENTRE 2019-2022

Strategy for social management of the supply chain

Key financial figures and performance indicators

01/ Five year performance indicators

	2019[1]	2018	2017	2016	2015
TURNOVER (€ MILLION)					
Net Sales	28,286	26,145	25,336	23,311	20,900
Like-for-like sales growth	6.5%	4%	5%	10%	8.5%
Online sales	14%	12%	10%	N.A.	N.A.
SALES BY BRAND (€ MILLION)					
Zara (Zara + Zara Home) [2]	19,564	18,021	17,449	16,168	14,294
Pull&Bear	1,970	1,862	1,747	1,566	1,417
Massimo Dutti	1,900	1,802	1,765	1,630	1,498
Bershka	2,384	2,240	2,227	2,012	1,875
Stradivarius	1,750	1,534	1,480	1,343	1,289
Oysho	604	585	570	509	452
Uterqüe	115	101	97	83	75
SALES BY GEOGRAPHIC AREA (% OF TOTAL)					
Spain	15.7%	16.2%	16.3%	16.9%	17.7%
Europe (excluding Spain)	46.0%	45.1%	44.9%	43.9%	44.0%
Americas	15.8%	15.5%	15.6%	15.3%	14.7%
Asia and Rest of the World	22.5%	23.2%	23.2%	23.9%	23.5%
TOTAL	**100%**	**100%**	**100%**	**100%**	**100%**
FINANCIAL STRUCTURE (€ MILLION)					
Equity attributable to the parent	14,913	14,653	13,497	12,713	11,410
Net financial position	8,060	6,705	6,387	6,090	5,300
PROFIT AND CASH FLOW (€ MILLION)					
EBITDA	7,598	5,457	5,277	5,083	4,699
EBIT	4,772	4,357	4,314	4,021	3,677
Net profit	3,639	3,448	3,372	3,161	2,882
Net profit attributable to the parent	3,639	3,444	3,368	3,157	2,875
Cash flow	6,695	4,378	4,411	4,406	3,897
FINANCIAL AND MANAGEMENT RATIOS					
ROE (Return on equity)	25%	24%	26%	26%	26%
ROCE (Return on capital employed)	32%	31%	33%	33%	34%
COMMERCIAL PRESENCE					
Number of stores	7,469	7,490	7,475	7,292	7,013
Number of markets	202	202	96	93	88
Average store area (in m²)	681	662	634	605	583
Total retail area (in m²)	5,086,732	4,962,081	4,739,427	4,410,896	4,086,904
HEADQUARTERS EFFECT					
Supplier invoices Spain (€ million)	5,140	5,248	5,177	4,629	4,129
Number of suppliers in Spain [3]	7,098	7,220	7,185	7,240	7,092

(1) During FY2019, Inditex adopted the new lease accounting standard, IFRS 16. The implementation of IFRS 16 does not affect the cash flow or business, but some lines of the income statement become non-comparable with 2018 reported figures.

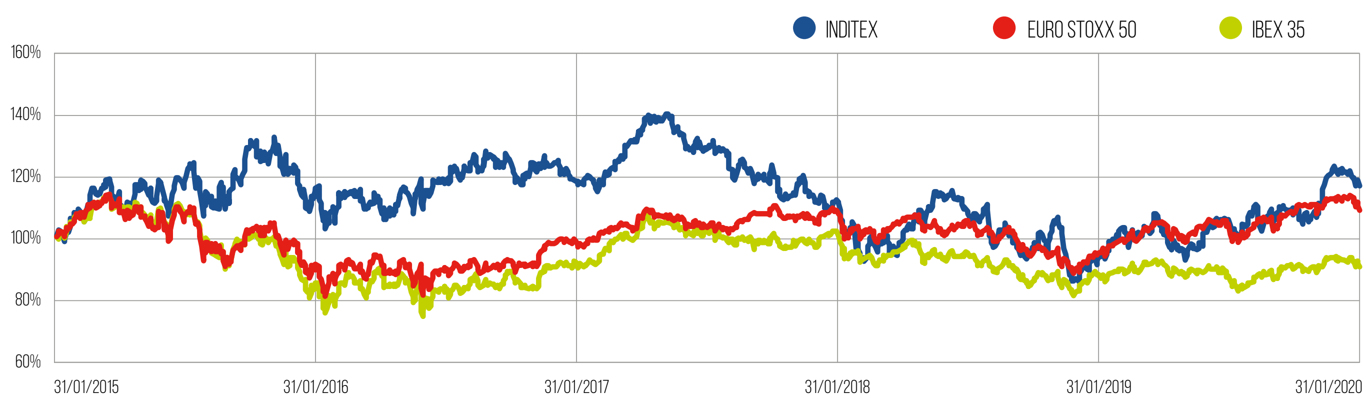
(2) Zara Home sales for all years are consolidated with Zara sales.

(3) Suppliers of both textiles and general services in Spain.

TAX CONTRIBUTION (€ MILLION)

	2019	2018	2017	2016	2015
TOTAL CONTRIBUTION INDITEX	**6,749**	**6,166**	**5,959**	**5,647**	**4,999**
Direct taxes	3,040	2,764	2,712	2,515	2,501
Taxes collected	3,709	3,402	3,247	3,132	2,498
TOTAL CONTRIBUTION SPAIN	**1,874**	**1,692**	**1,613**	**1,616**	**1,376**
Direct taxes	1,049	928	1,010	870	1,011
Taxes collected	825	764	603	746	365
TOTAL CONTRIBUTION EUROPE (EXCLUDING SPAIN)	**3,416**	**3,184**	**3,043**	**2,781**	**2,578**
Direct taxes	1,037	1,002	878	844	824
Taxes collected	2,379	2,182	2,165	1,937	1,754
TOTAL CONTRIBUTION AMERICA	**943**	**760**	**753**	**729**	**600**
Direct taxes	623	489	479	481	390
Taxes collected	320	271	274	248	210
TOTAL CONTRIBUTION ASIA AND REST OF THE WORLD	**516**	**530**	**550**	**521**	**445**
Direct taxes	331	345	345	320	276
Taxes collected	185	185	205	201	169

Stock market evolution



	2019	2018	2017	2016	2015
Dividends	0.35	0.88	0.75	0.68	0.6

Stock market information

Inditex shares closed at 30.37 euros per share on 31 January 2020, 24.7% higher than last financial year. The average daily trading volume was approximately 6.1 million shares in the year to that date. In the same period, the Dow Jones Stoxx 600 Retail rose by 17% while the Ibex 35 gained 3%. Inditex's market cap stood at 94.653 billion euros at the end of the period, up 933% on 23 May 2001, when its shares were admitted to trading, while the Ibex 35 fell by 3% in the same period.

Dividend policy

In May and November of 2019, dividend of 0.88 euros per share corresponding to FY2018 was distributed to shareholders.

Inditex's Board of Directors proposed to the Annual General Meeting an ordinary dividend for FY2019 of 35 cents per share to be paid on 2 November 2020.

Inditex maintains its dividend policy that combines a 60% ordinary payout and bonus dividends. The remainder of the bonus dividend for calendar 2020 and 2021 (78 cents per share) will be paid in calendar 2021 and 2022.

Key social and environmental data and performance indicators

	2019	2018	2017	2016	2015
PEOPLE, AT THE FOREFRONT OF OUR TRANSFORMATION					
Number of employees	176,611	174,386	171,839	162,450	152,854
Percentage of women / men	76% / 24%	75% / 25%	75% / 25%	76% / 24%	76% / 24%
Number of nationalities	172	154	153	147	90
Average employee age	28.9	28.7	28.7	28.4	30.6
Type of contract					
- Permanent	77%	73%	73%	80%	73% (1)
- Temporary	23%	27%	27%	20%	27% (1)
Type of working day					
- Full-time	47%	51%	50%	39%	42% (1)
- Part-time	53%	49%	50%	61%	58% (1)
Employees by activity					
- Stores	87%	87%	87%	87%	87%
- Logistics	6%	5%	5%	5%	5%
- Manufacture	1%	1%	1%	1%	1%
- Central Services	6%	7%	7%	7%	7%
PRODUCT HEALTH AND SAFETY					
Garments placed on the market (tons)	545,036	528,797	511,151	446,759	374,707
Join Life garments placed on the market (% of total)	19%	9%	5%	3%	3%
Audits of the *Green to Wear* Programme	412	289	346	325	404
Audits of the *Ready to Manufacture* Programme	1,373	2,008	1,735	1,702	311
Chemical products regulated by *The List, by Inditex* (2)	23,373	N/A	19,736	N/A	8,258
- Chemical product analyses	83,257	N/A	34,605	N/A	8,289
Picking Programme (3)					
- Inspections	56,532	63,420	59,687	51,619	48,716
- Garment analyses	899,046	933,980	756,265	619,854	803,336

(1) The 2015 type of contract and type of work day figures only refer to Spain.
(2) Data included in the Sustainability indicators annex, on pages 322 and 323 of this Annual Report.
(3) Until 2017, analysis and testing for Tempe items were not included.

	2019	2018	2017	2016	2015
SOCIAL MANAGEMENT OF THE SUPPLY CHAIN					
Workers at the Centre programmes	45	34	26	25	10
Number of workers benefiting from Workers at the Centre programmes	1,472,719	994,154	651,464	346,180	32,751
Product suppliers with purchase in the financial year (4) (5)	1,985	1,866	1,824	1,805	1,725
- Suppliers A	784	661	661	694	724
- Suppliers B	1,051	1,045	962	917	794
- Suppliers C	44	80	101	83	116
- Suppliers CAP	38	47	71	61	35
- Suppliers PR	68	33	29	50	56
Factories declared by suppliers	8,155	7,235	7,210	6,959	6,298
Rejected suppliers	56	50	64	76	65
Active suppliers	1,929	1,816	1,760	1,729	1,660
Audits of suppliers	12,215	12,064	11,247	10,883	10,977
- Pre-assessment audits	2,789	2,177	2,252	2,302	2,703
- Social audits	6,411	5,359	4,215	4,011	3,824
- Special audits	1,619	1,982	2,159	1,794	1,584
- Traceability audits	1,396	2,546	2,621	2,776	2,866
External audits	10,016	8,568	7,118	7,245	8,178
Internal audits	2,199	3,496	4,129	3,638	2,799
DECARBONISATION AND CIRCULARITY					
Global energy consumption (GJ)	6,814,610	7,088,858	6,845,665	6,674,201	6,542,018
Relative energy consumption (MJ/m²) (6)	854.86	942.76	966.92	997.58	1,024.03
Group energy needs covered with renewable energy (%)	63.29%	44.91%	40.73%	29.72%	10.43%
Scope 1 + 2 emissions (T CO_2eq)	350,100	508,012	490,459	561,001	645,875
Kg CO_2eq per m² (Scope 1 + 2) (6)	43.92	67.56	69.28	83.85	101.10
% of eco-efficient stores over total Group stores	92.67%	85.68%	78.94%	71.57%	61.88%
Stores connected to Inergy	3,587	3,191	2,981	2,246	1,444
Stores in the *Closing the Loop* Programme	2,299	1,382	598	394	37
Garments collected in the *Closing the Loop* Programme (in tons) (7)	15,321	14,825	12,231	7,071	31
Products recovered for recycling (in tons)	21,298	19,247	18,421	16,848	16,479
WORKING FOR THE COMMUNITY					
Corporate Community Investment (CCI) (in euros)	49,231,909	46,218,895	48,129,552	40,042,744	35,126,623
Number of direct beneficiaries	2,441,300	2,425,639	1,584,446	1,092,941	1,008,545
Number of community organisations supported	421	413	409	367	361
Number of CCI projects implemented	670	622	594	519	456
Number of garments donated to social causes	3,164,084	3,225,462	3,673,993	2,083,980	1,098,708
TOTAL SUSTAINABILITY TEAM	**6,404**	**4,925**	**4,901**	**5,131**	**3,510**
- External	6,204	4,774	4,756	4,996	3,397
- Internal	200	151	145	135	113
NUMBER OF HOURS SPENT BY EMPLOYEES ON CCI ACTIVITIES DURING WORKING HOURS	**122,284**	**118,077**	**73,457**	**64,327**	**49,967**

(4) In order to improve the scope of the information compiled, this year this scope has been extended to include information on non-textile item suppliers. This Extended Scope information is not comparable with that provided in previous years, but is included in this report as a reference for comparability in future reports.

(5) Suppliers of fashion items, with production volumes of over 20,000 units/year in the 2019 spring/summer and autumn/winter campaigns. In 2019, suppliers producing less than 20,000 units account for 0.27% of overall production.

Supplier A: Complies with the Code of Conduct. Supplier B: Does not comply with a non-material aspect of the Code of Conduct. Supplier C: Does not comply with a sensitive, but non-crucial, aspect of the Code of Conduct. Supplier CAP: Supplier in Corrective Action Plan. Breaches of the Code of Conduct triggering the immediate implementation of a Corrective Action Plan. Supplier PR: Undergoing an auditing process.

(6) The surface areas of the logistics centres, headquarters and own factories have been updated.

(7) Data for 2018, 2017, 2016 and 2015 have been updated regarding their respective Annual Reports, including data that were not available at the time of preparation of those Annual Reports.

RETAIL FORMATS IN 2019

Sustainability through the Join Life collections; partnerships and alliances with celebrities from the art, music and sporting worlds; and new product and service categories created to enhance and improve interaction with our customers were key features of our eight brands' activities in the year.

ZARA

Collections that focus on sustainability, such as **Join Life Care for Water** (in collaboration with the NGO Water.org) or **Denim for Denim** (making denim garments using recycled materials) were highlights in a year in which Zara also committed to partnerships with the art and culture world, leading to collections like **Becoming a work of art** to mark the Bicentenary of the El Prado Museum, and a capsule collection made in collaboration with the **Eduardo Chillida** Estate, featuring garments inspired by the artist's work. For its AW19 edition, **Zara SRPLS** extended its distinctive look to a collection for kids. and worked with British perfumer Jo Malone CBE on **Zara Emotions by Jo Loves,** a collection of unisex fragrances and candles, each with their own personality and unique story.

www.zara.com

19,564 (*)
net sales
(€ million)

2,270
stores

202
markets

3,000 million
web visits

(*) Includes Zara Home sales.

PULL&BEAR

A focus on urban culture, hip-hop, and surf, as well as collaborations with music and sports industry stars, such as the singer **Rosalía** and motorcyclist **Marc Márquez** continue to define the identity of Pull&Bear collections. In 2019 we introduced new concepts for girls -**Teen and Pull Girl**- and boys -**Originals and Urban**. To mark the launch of its online store in the United States, a partnership was agreed with **UCLA** (University of California Los Angeles) to open a **pop-up shop** on the campus and release a college-themed capsule collection.

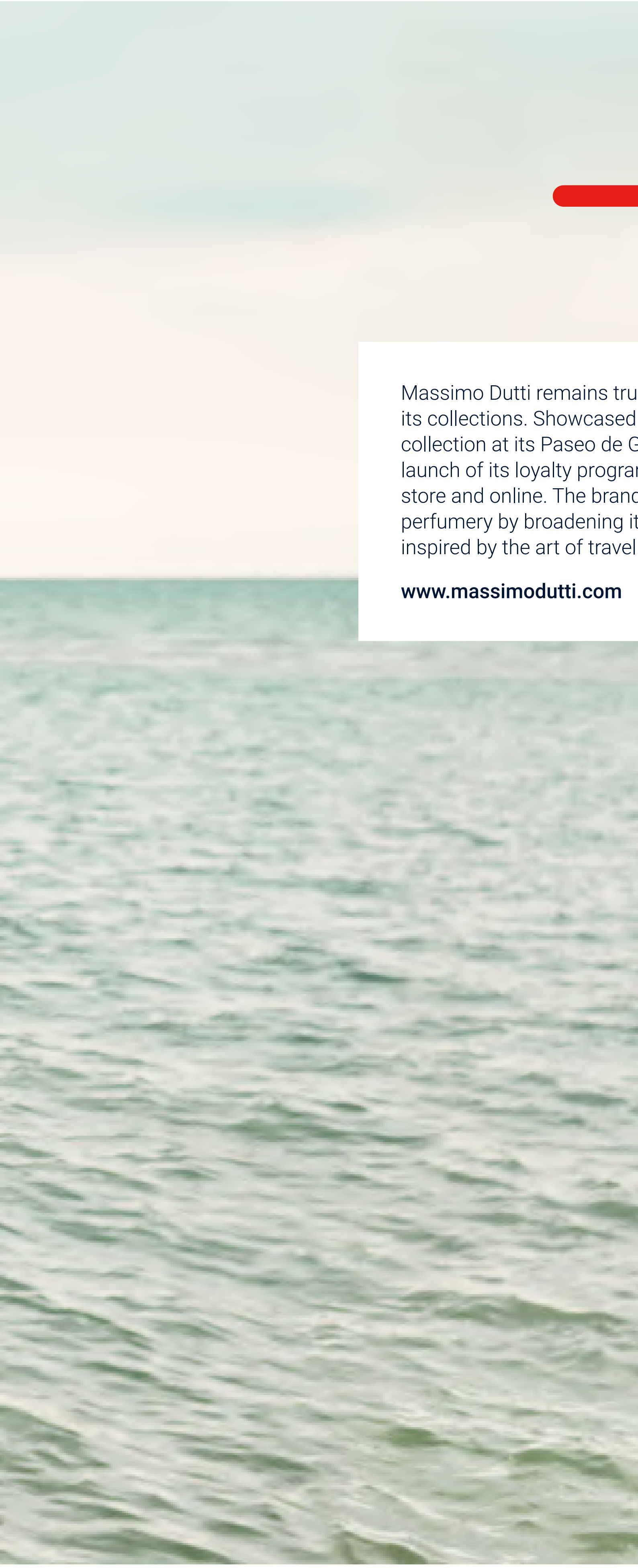
www.pullandbear.com

1,970
net sales
(€ million)

970
stores

184
markets

288 million
web visits



Massimo Dutti remains true to its aesthetic, with a refined contemporary look for all of its collections. Showcased at **The Runway Show**, Massimo Dutti presented its AW19 collection at its Paseo de Gracia premises in Barcelona, coinciding with the Spanish launch of its loyalty programme **Feel**, designed to enhance the customer experience in-store and online. The brand continues to promote the crossover between fashion and perfumery by broadening its **Massimo Dutti Scents** collection with two new scents, inspired by the art of travel.

www.massimodutti.com

1,900
net sales
(€ million)

754
stores

186
markets

185 million
web visits

102-2

Bershka

Music remains centre stage as part of Bershka's identity, through the **On Stage** gigs in Barcelona, Milan and Paris, and collaborations with the **Tidal** platform. This year has also featured a collection created in collaboration with singer **Billie Eilish**. The **Pantone Institute** and Bershka created a fun collection of monochrome garments featuring the colours of the season. And a Join Life collection was released in collaboration with **National Geographic**, inspired by nature and featuring recycled polyester and organic cotton garments.

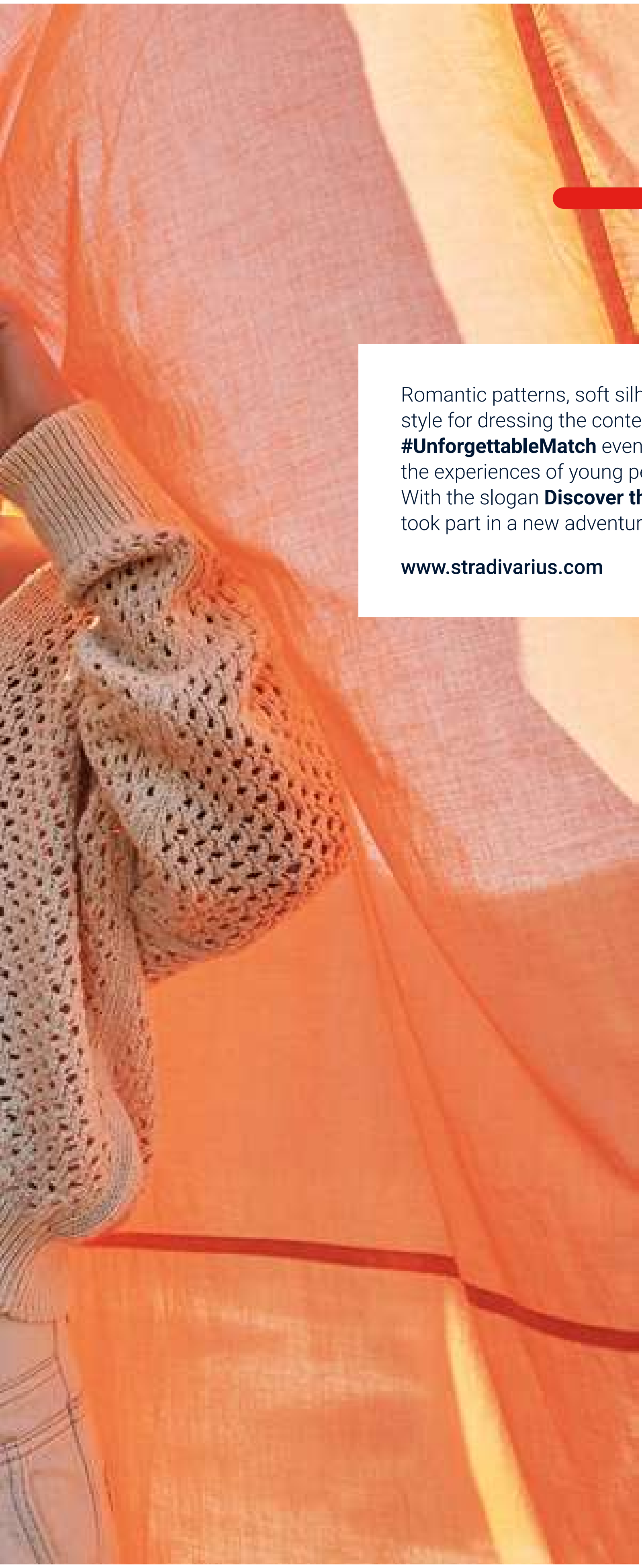
www.bershka.com

2,384
net sales
(€ million)

1,107
stores

185
markets

378 million
web visits



Romantic patterns, soft silhouettes and lace are the keynotes of the Stradivarius style for dressing the contemporary woman. In collaboration with Tinder, the **#UnforgettableMatch** event was held at the flagship store in London, giving voice to the experiences of young people all over the world who have connected with the brand. With the slogan **Discover the Magic of the World**, a group of international influencers took part in a new adventure and nature-filled STR trip along the south coast of Iceland.

www.stradivarius.com

1,750
net sales
(€ million)

1,006
stores

180
markets

250 million
web visits

OYSHO

Oysho's alliance with the world of sport continues to bear fruit in initiatives like **Oysho Sport Team**, an international team of sports ambassadors from disciplines like boxing, cycling, swimming and water sports, karate and cross fit, among others, and big names like **Joana Pastrana**, three-time world IBF champion, **Garazi Sánchez**, national surfing champion of Spain, or **Sandra Sánchez**, considered the best female karate expert in history. A focus on yoga, with activities held all over the world, and the **Join Life by Homewear** collections, with garments made from finely-woven recycled polyester, were also key features of the brand's activities in the year.

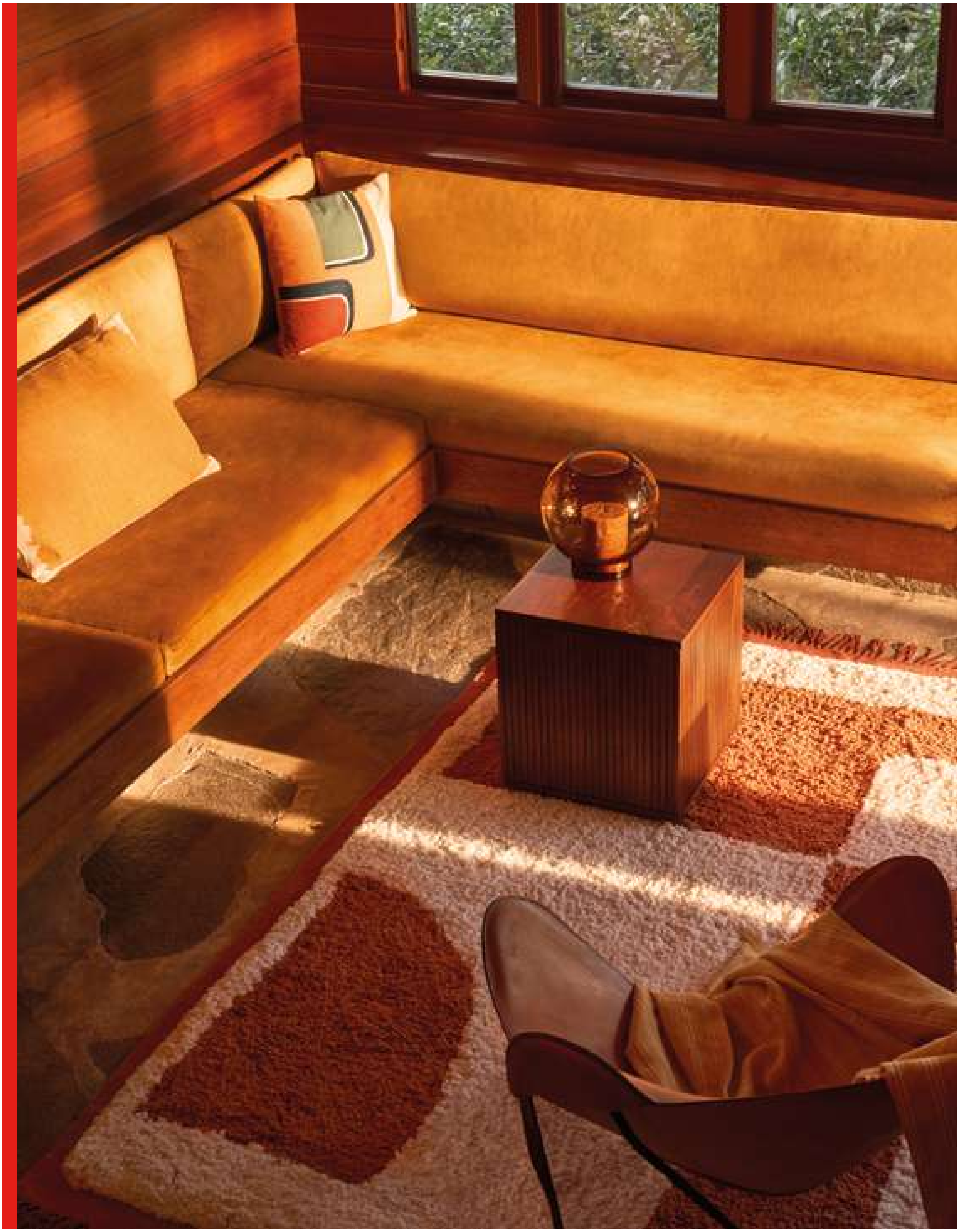
www.oysho.com

604
net sales
(€ million)

677
stores

176
markets

79 million
web visits



ZARA HOME

Zara Home's highlights this year centre around **new product categories** like small appliances and kitchenware in collaboration with iconic brands, as well as the expansion of its furniture options, fragrances and kid's collection. The brand also presented **Zara Home Business**, an interior design project offering customised pieces to professionals, alongside the entire product range. The **Join Life** collection has also been enhanced with recycled glass products and the most sustainable fabrics for the home.

www.zarahome.com

596
stores

183
markets

111 million
web visits

UTERQÜE

Uterqüe's character is defined by **the unique and the exquisite**, through collaborations with women of character, such as 90s model **Georgina Grenville**. Partnerships with cosmetic firms like **Bobbi Brown**, combining leather accessories with iconic make-up products, has been another of the brand's core moves, in a year in which the staging of the collections has gained an increasingly **runway-like** feel. This has been the case for the **AW19 collection**, where garments, accessories and staging fall perfectly into place.

www.uterque.com

115
net sales
(€ million)

89
stores

158
markets

24 million
web visits

Outlook for 2019

February 19

The Inditex brands included the **Top 100 most valuable brands in Spain** according to Brand Finance. **Zara** ranked 92nd **best valued Spanish brand**.

PULL&BEAR OPENS US ONLINE STORE.

MASSIMO DUTTI AND **UTERQÜE** LAUNCH THEIR GLOBAL ONLINE STORE.

March

Inditex signs an agreement with the **Massachusetts Institute of Technology (MIT)** to conduct research into the circular economy, textile recycling and data analysis.

The **Salta Programme** reaches Turkey with 1,000 new hires.

ZARA OPENS ITS STORE IN THE HUDSON YARDS SHOPPING MALL (NEW YORK) AND LAUNCHES ONLINE SALES IN BRAZIL.

UTERQÜE EXPANDS ITS ONLINE STORE INTO EIGHT NEW MARKETS.

April

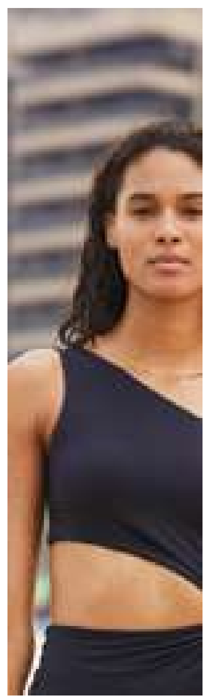
The **Ethical Fashion Report** by Baptiste World Aid Australia cites Inditex among the **leading companies in sustainability and workers' rights** in the supply chain.

BERSHKA LAUNCHES ITS FLAGSHIP STORE ON THE GRAN VÍA IN BILBAO.

MASSIMO DUTTI LAUNCHES ONLINE SALES IN SOUTH AFRICA AND ARUBA.

May

Summit meeting between the president of Inditex, **Pablo Isla**, and the mayor of Beijing, **Jining Chen**, about the plan for the Group to open eco-efficient stores in Beijing, the first city in China and the world to complete this project.



ZARA LAUNCHES ONLINE SALES IN SAUDI ARABIA, UNITED ARAB EMIRATES, LEBANON, MOROCCO, EGYPT, INDONESIA, SERBIA AND ISRAEL.

June

Inditex and **Universidad Pontificia Comillas** renew the **Chair in Forced Migrants and Refugees** to promote academic research and collaboration with organisations.

OYSHO AND **ZARA HOME** INCORPORATED INTO THE GLOBAL ONLINE STORE.

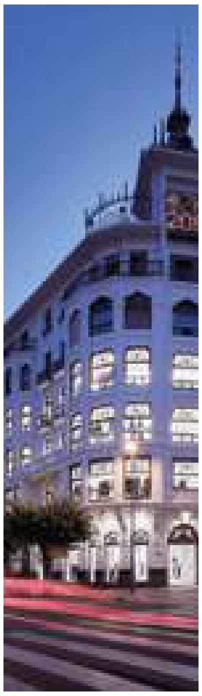
July

The General Shareholders' Meeting approves the appointment of **Carlos Crespo as CEO**; the creation of the **Sustainability Committee of the Board of Directors** and plans the strategy towards global sustainability.

PULL&BEAR AND **STRADIVARIUS** LAUNCH THEIR GLOBAL ONLINE STORE.

August

Inditex signs the **Fashion Pact** along with 31 other global fashion brands to combat climate change and the protection of oceans and biodiversity.



ZARA LAUNCHES ITS FLAGSHIP STORE IN PAMPLONA AND STARTS OFFERING ONLINE SALES TO KUWAIT, QATAR, JORDAN, OMAN AND BAHRAIN.

September

For the nineteenth consecutive year, the **Dow Jones Sustainability Index** lists Inditex as one of the most sustainable retail companies.

ZARA LAUNCHES THE FLAGSHIPS AT CEVAHIR MALL IN ISTANBUL AND DUBAI MALL. IT ALSO LAUNCHES ITS SHOP REMODEL IN PRECIADOS, MADRID.

BERSHKA LAUNCHES ITS GLOBAL ONLINE STORE.

October

Inditex and **UNI Global Union** celebrate the **10th Anniversary** of its Global Agreement.

The first **for&from** store outside Spain is opened in Como (Italy) providing employment for persons with disabilities.

ZARA LAUNCHES ONLINE SALES IN UKRAINE, PHILIPPINES, SOUTH AFRICA AND COLOMBIA.

STRADIVARIUS, **OYSHO** AND **UTERQÜE** COMMENCE ONLINE SALES IN THE US.

November

Inditex and IndustriALL Global Union renew their Global Framework Agreement and agree to set up the **Global Union Committee**.

Changing Markets recognises Inditex as a pioneer in the textile industry for its promotion of sustainable viscose.

ZARA BEGINS THE RENOVATION AND EXPANSION OF ITS EMBLEMATIC PASEO DE GRACIA STORE IN BARCELONA.

December

Inditex is included in the **Bloomberg Gender-Equality Index (GEI)**, which assesses the promotion of equality and transparency in relation to gender at businesses.

MASSIMO DUTTI AND **ZARA HOME** LAUNCH THEIR ONLINE STORE IN SAUDI ARABIA, LEBANON AND MOROCCO.

January 20

For the third consecutive year, Inditex renewed its **gold medal** in the **2019 Sustainability Yearbook**.

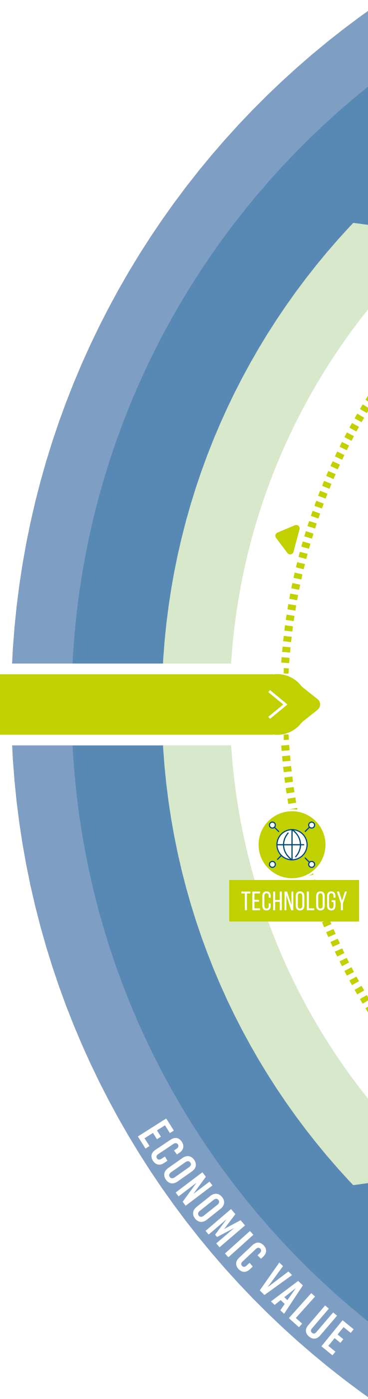
Inditex contributes 8.5 million euros to **Cáritas** for social employment and circular economy programmes in Spain.

ZARA HOME LAUNCHES ITS NEW STORE CONCEPT IN THE MIDDLE EAST WITH ITS FLAGSHIP STORE IN DUBAI MALL (DUBAI).

GETTING TO KNOW INDITEX

Business model

A business model founded on this value chain enables us to offer quality fashion products that meet the most demanding sustainability and health and safety standards. This is all based on our commitment to Human Rights, the Sustainable Development Goals and, especially, transparency and ongoing dialogue with our stakeholders.

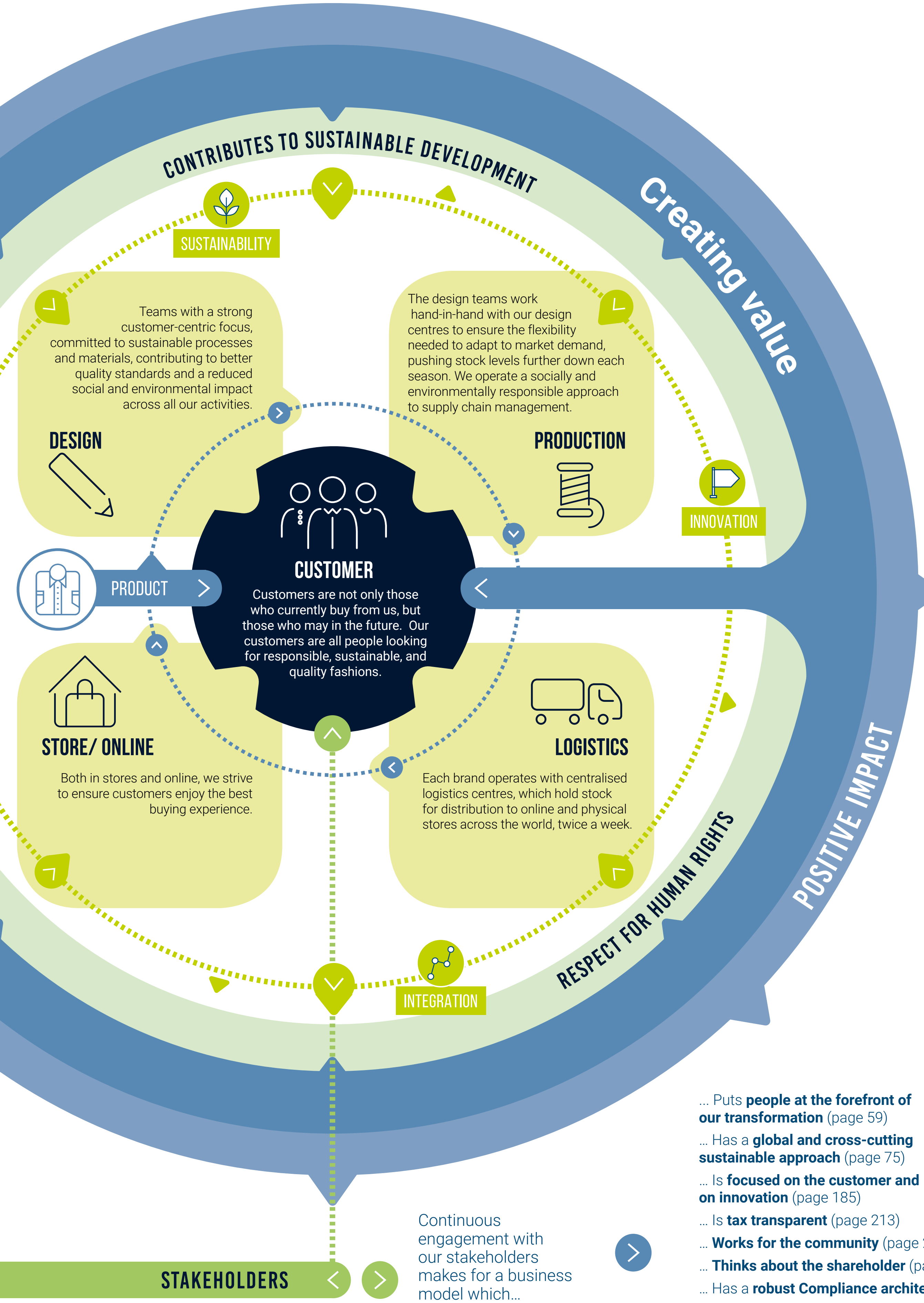


GUIDING PRINCIPLES

- Human Rights Policy
- Diversity & Inclusion Policy
- Corporate Citizenship Policy
- Procurement Policy
- Tax Strategy Policy
- Criminal Risk Prevention Policy
- Health and Safety Policy
- Sustainability Roadmap
- Code of Conduct for Manufacturers and Suppliers
- Code of Conduct and Responsible Practices

CORPORATE VALUES

- FLEXIBILITY
- PROACTIVENESS
- DIVERSITY
- CREATIVITY
- NONCONFORMITY
- ENVIRONMENTAL AWARENESS
- RESPECT FOR HUMAN RIGHTS
- CONTRIBUTION TO SUSTAINABLE DEVELOPMENT



Inditex aspires to generate a **positive impact** beyond purely **economic value,** for customers, society, the industry and **the environment**.

Continuous engagement with our stakeholders makes for a business model which...

... Puts **people at the forefront of our transformation** (page 59)

... Has a **global and cross-cutting sustainable approach** (page 75)

... Is **focused on the customer and on innovation** (page 185)

... Is **tax transparent** (page 213)

... **Works for the community** (page 221)

... **Thinks about the shareholder** (page 251)

... Has a **robust Compliance architecture** (page 255)

... Is based on **collaboration and partnerships** with civil society (page 309)

A model designed for people and the future

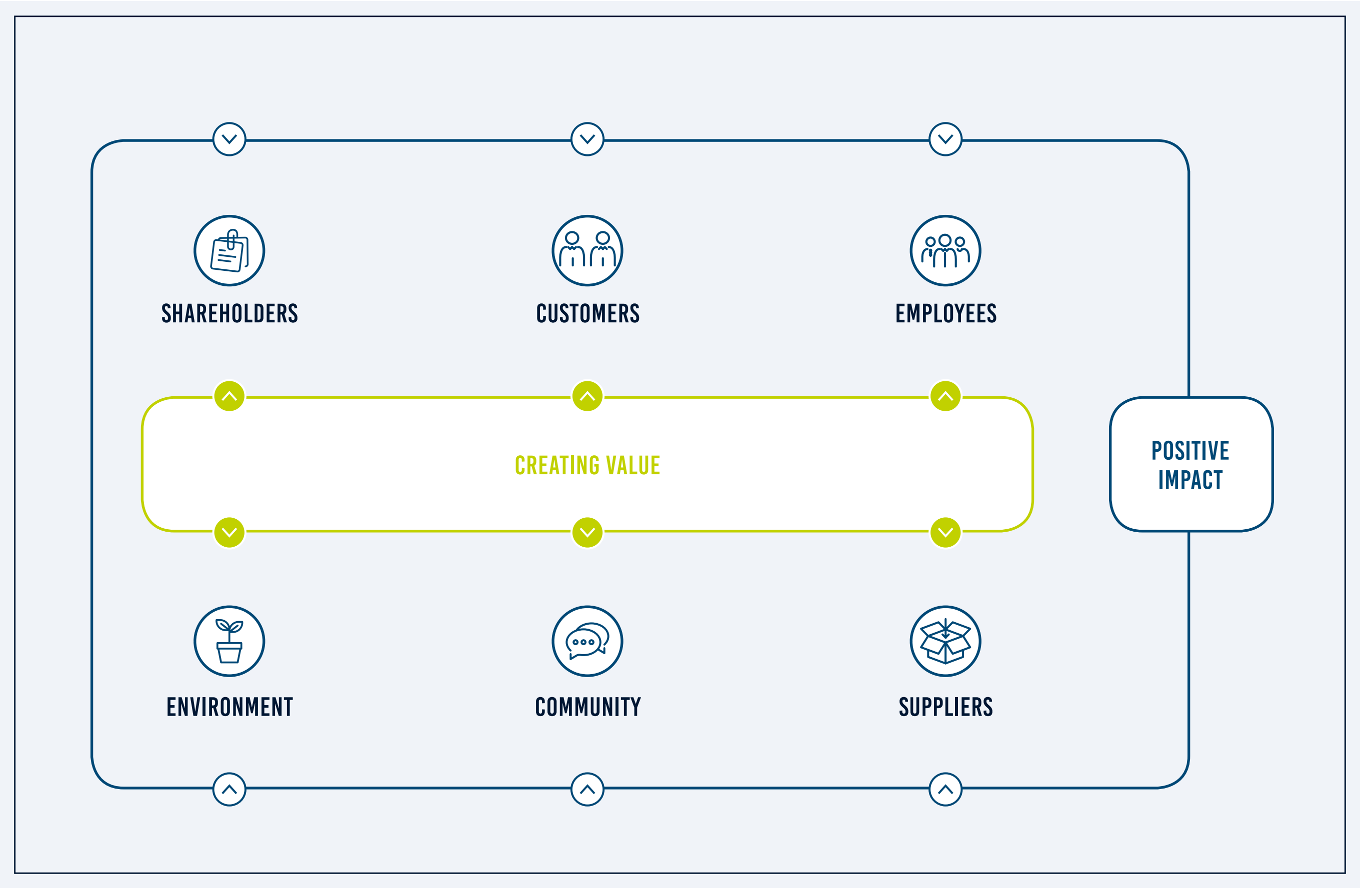
Inditex is a global fashion retail group operating in over 200 markets worldwide and in both hemispheres. Our group is made up of eight brands; Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each brand directly operates its physical and online stores in a seamlessly integrated way.

We aim to create value through the design of beautiful, ethically-produced, high-quality, trend-driven fashion products, which are accessible to everyone. At the same time, we are determined to maximise the life cycle of every item we sell and material used in production. To achieve this, we act carefully and responsibly at every stage of the fashion process.

It is the collaborative work of our 176,000 professionals which enables our design and sourcing teams to accurately anticipate our customers' needs. This way there is no excess at the end of the fashion season, taking us ever closer to our goal of complete circularity.

To achieve this, we have built a unique business model that is customer-centric. It is characterised by its flexibility, responsiveness, sustainability and innovation. These attributes permeate every link in the value chain from design and production to logistics and store operations, all of which are meticulously coordinated. This is made possible by having more than half of the factories used for our production close to our headquarters in Spain.

The objective shared by all these teams is to create economic, social and environmental value so as to maximise our positive impact on all of our stakeholders:



The company's economic growth objectives are thereby fused with ambitious social and environmental objectives, all with the common aspiration of making progress towards a circular economy. That is where our Sustainability Roadmap comes to the fore. Unveiled by the company's executive chairman, Pablo Isla at our Annual General Meeting in July 2019, it maps out an ambitious series of milestones and commitments which the organisation is working towards between now and 2025. These targets include the use of only certified sustainable materials and processes, with the goal of reaching net zero emissions by 2050.

Our engagement model is inspired by people and for people, because our people are the most important part of the company. We believe strongly in a series of values and principles articulated around the motivation and development of our team. The principles of an entrepreneurial mindset, a refusal to conform and relentless thirst for improvement have been part of our culture from the outset. And our core values of innovation, humility, creativity, diversity and inclusion are as relevant today as they were when Inditex started.

The Inditex family works tirelessly to develop this sustainable model on an ongoing basis. We are a team of professionals of 172 different nationalities and highly diverse cultures, religions, ethnicities and tastes, but we all share these values.

These foundations are essential for Inditex to succeed in today's intensely competitive conditions in the fashion retail sector, which have only intensified with the rise of new technology.

It is a sector that, as with all areas of the economy and society all over the world, has suffered the impacts of the covid-19 pandemic in early 2020. We are glad to have been able to work collaboratively with the International Labour Organization and others - to find ways of supporting the supply chain, play our part in manufacturing protective equipment, and dedicating our logistics capabilities to support the covid-19 effort.

While we have only experienced a few months of its impact, it is obvious that covid-19 has been a pivotal moment for the sector. During the post-pandemic phase we will need innovative solutions to adapt to changes in shopping habits so that we remain by our customers' side when they make their purchasing decisions. In tandem, this new phase offers a unique opportunity to redouble our efforts to become a more sustainable business with circularity at its core.

Now more than ever, Inditex's broad international footprint, diverse group of brands, focus on sustainable production, strong commitment to integrating our store and online operations and constant investment in new technology constitute the best strategies for approaching the future firmly and with conviction.

Steps of the value chain

Design stage. The design process is driven by more than 700 designers who are the foundation of the creativity that differentiates the Inditex model. They work alongside our global sales professionals with a focus on analysing customer preferences and solidifying our commitment to sustainability by selecting the correct processes and raw materials.That creative effort is tangible in our collections which are updated constantly throughout the season;in our store window displays, and in the more than 350 fashion 'stories' we create every year, constituting a creative force that is unique in the fashion industry.

Constant contact between the store and online teams and our designers coupled with a focus on responsiveness, enables us to identify and respond to customer preferences as they emerge. The designers' active search for more sustainable materials and processes helps to boost quality standards and steer the company towards a circular model.

Manufacturing and supply stage. With products made mainly in regions close to our design facilities in Spain, this ensures the flexibility needed to adapt production to customer demand. We have the ability to realign our commercial offering for any potential shift in trends by immediately adjusting the number of garments to meet actual demand. This minimises surplus and ensures responsible stock management, in tandem not just with sales targets but our sustainability ambitions too.

Logistics and distribution stage. This stage is constantly fine-tuned to adapt to sales decisions. Each brand operates its own centralised logistics facilities, where it receives and stores its inventory for distribution twice per week to its stores and online warehouses all over the world. This efficient integration of our store and online operations with our warehousing, transport and distribution processes is the result of a proprietary stock management system underpinned by radio frequency identification technology (RFID) which tracks every garment. This system enables our customers to shop seamlessly, online or in-store, and enjoy an integrated shopping experience that features constant technological innovation tailored to their needs.

Stores/Online. The shopping journey - whether online or in-store - is framed by the search for quality. More specifically, with our physical stores, the goal is for customers to enjoy the experience in the best locations, on the most popular shopping streets around the world. We pay meticulous attention to the architectural design and customer service of our physical stores. Online, each of the brands strive to offer that same shopping experience,any time and any place, through mobile devices, offering customers the choice of receiving their purchases however suits them best.

The result of this intricate system is the ability to offer quality, fashion and convenience, framed by the highest standards of sustainability and product safety. All of this is underpinned by the work that goes on behind the scenes to foster the promotion of Human Rights and work towards the United Nations Sustainable Development Goals, and our commitment to transparency and constant dialogue with our stakeholders. Our ultimate goal is to have a positive impact on our customers, society, the industry, our communities and our environment. Let's review each of these aspects.

We have developed a unique business that is strongly customer-oriented. It stands for its flexibility, reactive capacity, sustainability and innovation; traits that span across the whole value chain.

Stakeholder relations

To sustainably create value and tackle the challenges and opportunities of the environment in which we operate, we must take our stakeholders into consideration. Meeting their needs, expectations and demands is key to having a positive impact on our environment and making progress towards the goals of our business, such as promoting Human Rights or achieving the Sustainable Development Goals.

Our relations with stakeholders are based on the principles included in various global and specific policies such as the Corporate Social Responsibility Policy, the Human Rights Policy, the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and the Environmental Sustainability Policy, among others.

Permanent dialogue and transparency are the core principles that govern relations with our stakeholders, embodied in an array of strategies, goals and communication channels, which are constantly being reviewed and updated.

In July 2019 the Annual General Meeting approved the creation of the Sustainability Committee, which is tasked with supervising stakeholder relations in the area of sustainability and reports to the Board of Directors.

More information on pages 55 and 296 of this Annual Report.

<table>
<tr><th rowspan="2">INDITEX'S MAIN STAKEHOLDERS</th><th rowspan="2">EXAMPLES OF STAKEHOLDERS</th><th colspan="2">RELATIONSHIP AND DIALOGUE TOOLS</th></tr>
<tr><th>SHARED TOOLS</th><th>SPECIFIC TOOLS</th></tr>
<tr><td>EMPLOYEES
Any person who works for the Inditex Group, whether in stores, offices or logistics centres.</td><td>Store staff
Office staff
Logistics centre staff
Trade union representatives</td><td rowspan="6">SUSTAINABILITY COMMITTEE
MATERIALITY ANALYSIS
SOCIAL ADVISORY BOARD
STRATEGIC PARTNERSHIPS
CORPORATE WEBSITE
ANNUAL REPORT</td><td>Ethics Committee
UNI Global Union Agreement
Training and internal promotion
Internal communications
Volunteering programmes
Information Security and Data Protection & Privacy Departments</td></tr>
<tr><td>CUSTOMERS
Any person who purchases a product sold by any of the Inditex Group's brands.</td><td>Store customers
Online customers
Potential customers</td><td>Teams specialised in customer care
Stores and online stores
Social networks
Information Security and Data Protection & Privacy Departments</td></tr>
<tr><td>SUPPLIERS
Companies that are part of Inditex's supply chain as well as their respective employees.</td><td>Direct suppliers
Manufacturers
Employees
Trade union organisations
International organisations</td><td>Supplier clusters
Ethics Committee
Commercial and sustainability teams
Framework Agreement with IndustriALL Global Union
Privacy and Data Protection Department</td></tr>
<tr><td>COMMUNITY
All people or entities that are part of the environment in which Inditex carries out its activities.</td><td>NGO's
Governments and public administrations
Academic institutions
Civil society
Media</td><td>Social Advisory Board
Cooperation with NGOs
Sponsorship and Patronage Committee</td></tr>
<tr><td>ENVIRONMENT
The natural elements in the locations where Inditex operates.</td><td>Environmental protection organisations
Governments</td><td>Social Advisory Board
Commitments with NGOs
Environmental sustainability teams</td></tr>
<tr><td>SHAREHOLDERS
Any person or entity that owns Inditex Group shares.</td><td>Institutional investments
Private investors</td><td>General Shareholders' Meeting
Sustainability indexes
Relationship with investors</td></tr>
</table>

102-21, 102- 33, 102-40, 102-42, 102-43, 103-2

DEFINING INDITEX'S STRATEGY FOR ENGAGING WITH STAKEHOLDERS

IDENTIFICATION

/ Identifying all the stakeholders who may be linked to Inditex throughout our value chain and in the environment in which we operate.

PRIORITISATION

/ Classifying and determining the priority stakeholders based on our business model and value chain.

/ Both their involvement and the possible impacts this model can have on them are taken into account.

STRATEGY DEFINITION

/ A specific strategy is created for each stakeholder based on their characteristics and needs. Goals, commitments and specific tools of engagement are defined.

/ Common elements in all strategies: ongoing dialogue and transparency.

Inditex's Social Advisory Board deals with formalising and institutionalising dialogue around sustainability with key interlocutors in the society in which we operate.

More information on page 299 of this Annual Report.

FREQUENCY	OUR COMMITMENTS – SHARED	OUR COMMITMENTS – SPECIFIC	INDITEX'S VALUE CREATION MODEL
On request Ongoing dialogue Ongoing dialogue Ongoing dialogue Ongoing dialogue Ongoing dialogue		Respect for human and labour rights Fair and decent treatment Data protection and privacy Commitment with information security	PEOPLE, AT THE FOREFRONT OF OUR TRANSFORMATION
On request Ongoing dialogue Ongoing dialogue On request		Clear and transparent communication Integration into the entire business model Responsible design and manufacturing Data protection and privacy Commitment with information security	INNOVATION IN THE CUSTOMER EXPERIENCE
Ongoing dialogue On request Ongoing dialogue Ongoing dialogue Ongoing dialogue		Promotion and protection of Human Rights, fundamental labour rights and international standards Promotion of sustainable production environments A service provision with respect for privacy and personal data protection	GLOBAL AND CROSS-CUTTING SUSTAINABLE APPROACH
Biannual Ongoing dialogue Biannual		Contribution to social and economic development Commitment to improving global welfare	WORKING FOR THE COMMUNITY TAX TRANSPARENCY
Biannual Ongoing dialogue Ongoing dialogue		Respect for the environment Biodiversity conservation Sustainable management of resources Combating climate change	GLOBAL AND CROSS-CUTTING SUSTAINABLE APPROACH
Annual Annual Ongoing dialogue		The interests of the company and the shared interests of all the shareholders Promoting informed participation	ROBUST COMPLIANCE ARCHITECTURE THINKING ABOUT THE SHAREHOLDERS

PARTNERSHIPS AND COLLABORATIONS

Positive Impact Areas on stakeholders

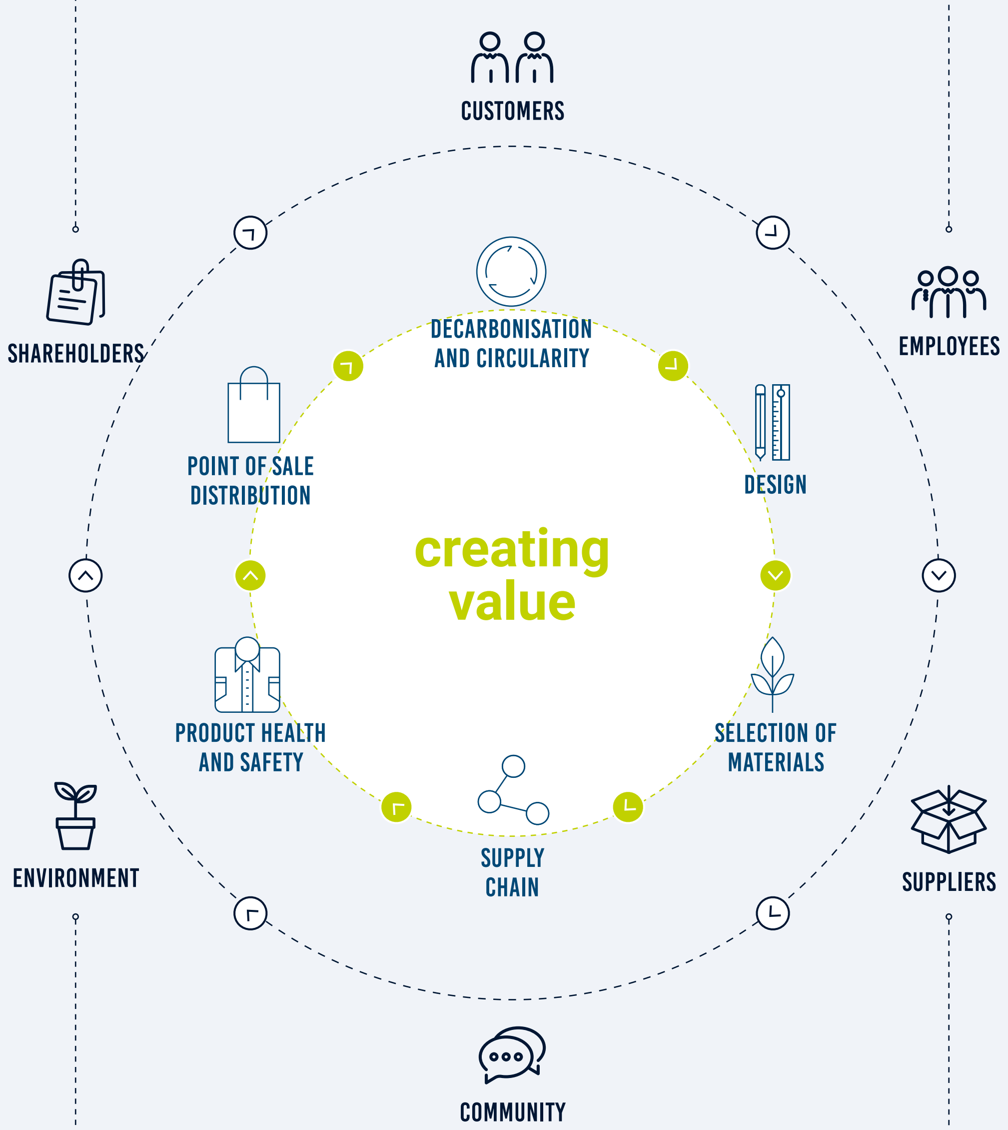
Through our value creation process we seek to positively impact all the stakeholders we engage with and ensure this impact contributes to sustainable development.

STAKEHOLDERS		2019 IMPACT HIGHLIGHTS:
CUSTOMERS	The driving force behind everything we do is our desire to have a positive impact on our customers. We are committed to retaining their trust in the long term by sustainably manufacturing fashion products that meet their needs and expectations both in terms of the product itself and the shopping experience.	- 30,100,931 customer contacts through several channels. - 19% Join Life garments on the market. - 2,299 stores with the Closing the Loop used clothing collection scheme in place. - Our collections are available in 202 markets.
EMPLOYEES	The heart of Inditex is our team of over 176,000 people of 172 different nationalities. We work to bring them development and upskilling opportunities that positively impact them on a personal level and enhance their professional growth.	- 77% of the Group's employees have a permanent contract. - Over 3,000,000 hours of training given. - Agreement with UNI Global Union for more than a decade. - Wage parity in the company: globally, women are paid 0.2% more than men. - We have created a specific department of Equality, Diversity and Inclusion, designed to promote all diversity and inclusion initiatives in the Group.
SUPPLIERS	Manufacturing our garments would not be possible without the suppliers and manufacturers in our supply chain and the people who work there. Our 2019-2022 Workers at the Centre strategy seeks to maximise our positive impact on these people, working to continuously improve their welfare and conditions. At the same time, we work alongside our suppliers to help them develop and grow as businesses. And we join forces with other players in the supply chain, like unions, governments and civil society organisations through partnerships.	- 1,472,719 workers benefiting from the Workers at the Centre programmes. - 45 programmes implemented. - 220 buyers at headquarters and 75 buyers in the local commercial teams, all trained in responsible purchasing practices and sustainability. - Over 1,000 suppliers trained in Human Rights, social sustainability and responsible management. - Renewal of the Global Framework Agreement with IndustriALL Global Union, which covers the entire supply chain
COMMUNITY	We take responsibility for contributing to the development of society by voluntarily participating in social initiatives aligned with our activity. We have programmes for investing in the economic, social and environmental development of the communities in which we are present.	- 49,231,909 euros invested in social programmes. - Over 2.44 million beneficiaries. - Over 670 social initiatives in collaboration with 421 non-profit organisations.
ENVIRONMENT	Developing a sustainable business model requires us to use resources more efficiently and offset the impact of our activities on the environment. Central to this is our commitment to the circular economy.	- We undertake ambitious environmental commitments in all stages of the value chain through our Sustainability Roadmap. - 63% of our global electricity consumption comes from clean sources. - We are founding members of the Fashion Pact initiative which was launched to promote the environmental sustainability of textiles and fashion. - We increased the use of recycled materials in our collections by 250%.
SHAREHOLDERS	Our responsible management approach includes giving shareholders access to all of the necessary information in order to ensure inclusive, participative and representative decision-making that responds to their needs.	- The FTSE4Good Index gives Inditex a rating of 4.9 out of 5. - One of the most sustainable retail companies, according to the Dow Jones Sustainability Index, with a score of 68/100. - Gold Class in the Robeco SAM 2019 Sustainability Yearbook.

We make sure our shareholders have access to all of the necessary information in order to ensure inclusive, participative and representative decision-making that responds to their needs.

We are committed to retaining our customers' trust by manufacturing fashion products sustainably, meeting their needs and expectations.

We want to positively impact the lives of the over 176,000 people who work for Inditex on both a professional and personal level.



Developing a sustainable business model requires us to use resources more efficiently and offset the impact of our activities on the environment.

We have a range of programmes for investing in the economic, social and environmental development of the communities in which we are present.

Our *Workers at the Centre 2019- 2022* Strategy seeks to maximise our positive impact on workers in our supply chain. We join forces with key players in the supply chain, like unions, governments and civil society organisations through partnerships.

Inditex contribution to the SDGs. 2019 milestones

For Inditex, partnerships with stakeholders and establishing alliances are key if the SDGs are to be met. We continued to apply this maxim in 2019, with partnerships with organisations including the ILO, UNI Global Union, IndustriALL Global Union, *Fashion Pact*, *Open for Business*, Médecins Sans Frontières and the Red Cross.

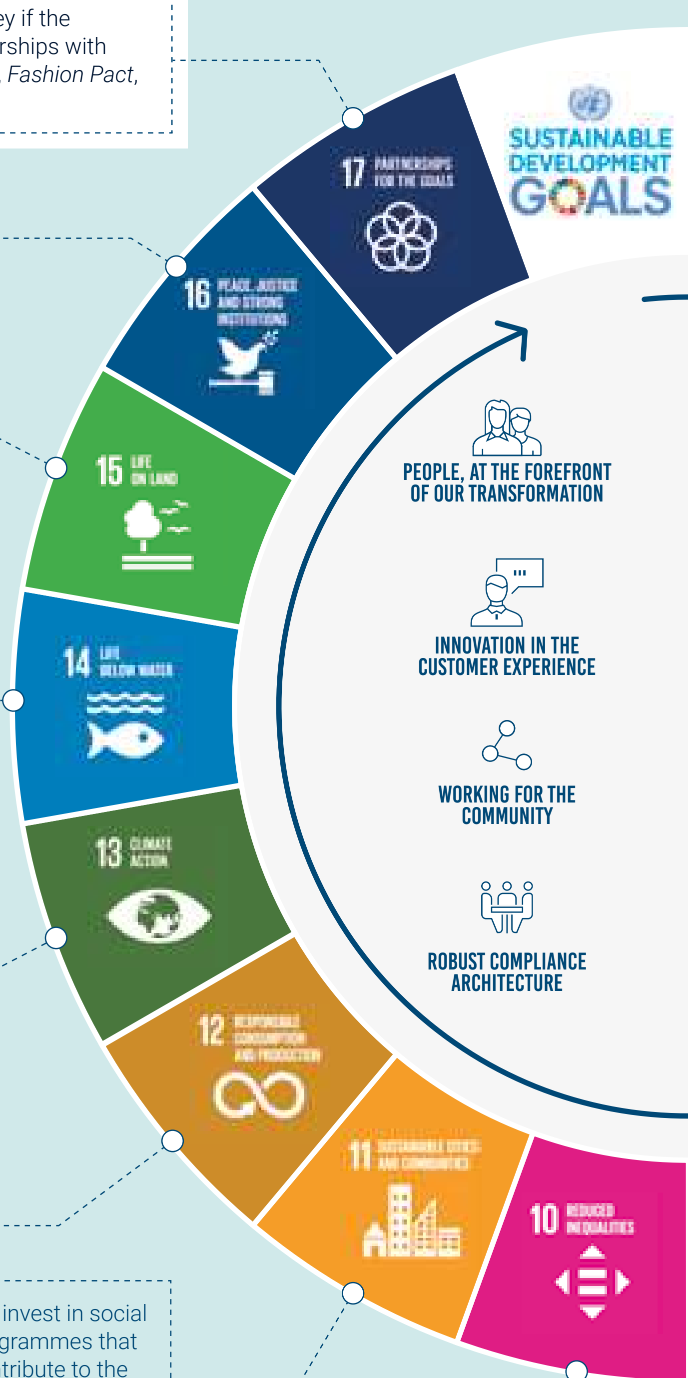
Our Compliance model enables us to share our ethical culture with employees and suppliers. In 2019 the Board of Directors approved the Group's Conflicts of Interest Policy.

We pay special attention to ensuring the raw materials selected for our products help protect biodiversity. In 2019, we consumed 38,676 tons of sustainable cotton.

We invest in programmes to protect marine life, in line with the *Zero Discharge of Hazardous Chemicals* commitment.

Inditex supports the fight against climate change. Hence our commitment to reduce our environmental impact and make changes to help our planet remain under the 2°C global warming limit established in the Paris Climate Agreement. In 2019 we were one of the founding members of the *Fashion Pact* whose actions include promoting environmental sustainability in the textile and fashion industry and combating climate change.

In 2019 we began the implementation of our new social sustainability strategy, *Workers at the Centre 2019-2022*, to promote decent work and the creation of sustainable production environments. We also updated our environmental sustainability strategy, with plans of action that enshrine our commitment to the circular economy and decarbonisation. These two strategies, coupled with product life cycle management measures, are the main guiding forces promoting sustainable behaviours among our suppliers and customers.



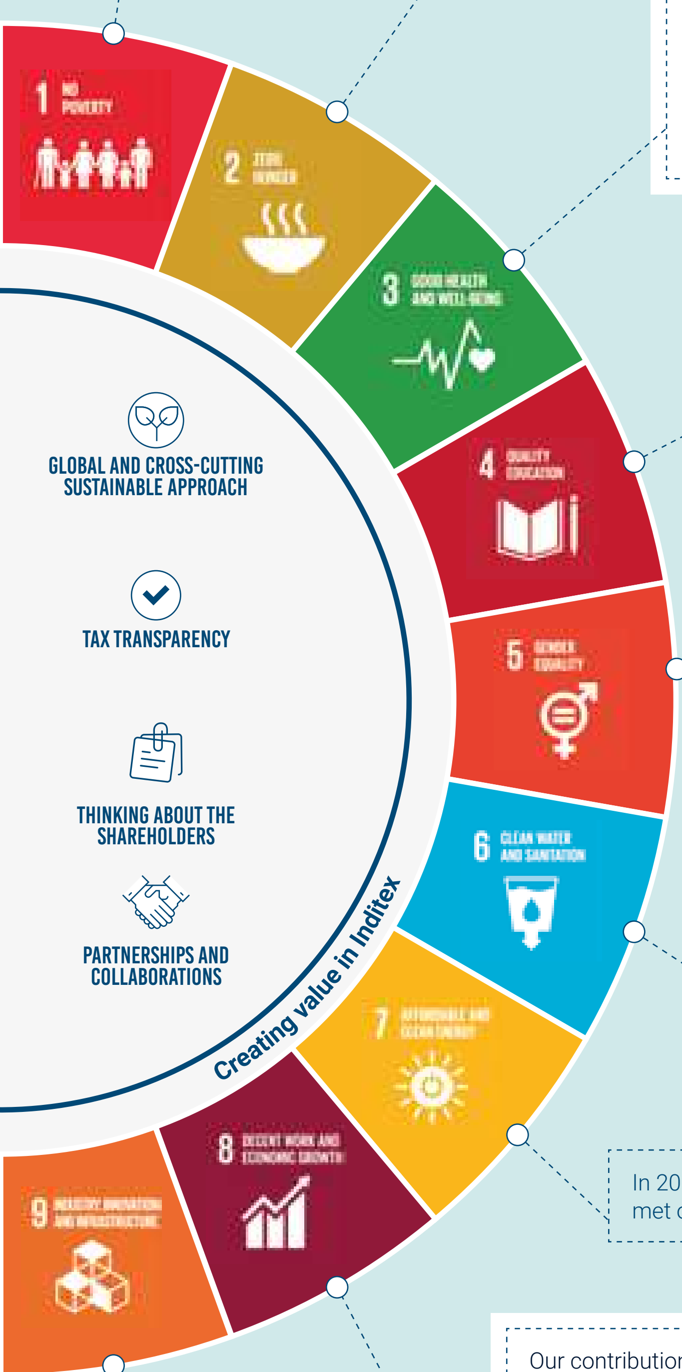
We invest in social programmes that contribute to the sustainable cities and communities goal (1,243,389 euros in 2019).

Reducing inequalities has been the main goal of our community investment strategy in 2019, with a total of 9,870,828 euros invested in developing programmes with this purpose.

In 2019, we invested 52,547 euros in programmes directly geared towards ending poverty.

We contributed to the *zero hunger* goal in 2019 by investing 399,582 euros in social programmes.

The health, safety and welfare of our employees and the workers in our supply chain is a top priority for us. During 2019 the transition towards obtaining the new ISO 45001:2018 certificate for our premises began. This is the highest international standard for Management Systems. We benchmark our occupational health and safety programmes in the supply chain against this standard, benefiting over 600,000 workers in 2019.



Training and professional development are a constant part of our relationship with our employees. In 2019, over three million hours of training were provided.

Inditex is committed to gender equality and female empowerment as an essential part of our culture. We promote awareness among our staff on this issue and develop Equality Plans. Women play a predominant role in the Company: 76% of employees and 79% of management postholders are women. We also have in place a women's empowerment strategy in the supply chain, based on three pillars: health, protection and empowerment.

In 2019, we continued to work towards the goal of *Zero Discharge of Hazardous Chemicals* in 2020 (ZDHC), creating pioneering programmes in the textile industry: *The List, by Inditex*; and *Green to Wear 2.0.*

In 2019, we consumed a total of 1,144,020 MWh of renewable energy, which has met over 60% of our electricity needs.

Our contribution to SDG 8 covers the entire value chain with a host of actions carried out in different areas. We promote decent working conditions for our own staff (176,611 in 2019) and for the workers in our supply chain (over two million); we develop projects to foster well-being in the communities in which we operate (7,859,961 euros invested in 2019) and we implement decent work commitment policies.

In 2019 our tax contribution totalled 6.749 billion euros. We follow the OECD Guidelines for Multinational Enterprises and publish a transparent tax report.

Contribution to sustainable development

At Inditex we are aware that our prosperity is directly related to the prosperity of the communities and the environment in which we operate. That is why we have been committed to the United Nations 2030 Agenda for Sustainable Development since its approval. In line with this commitment, we have contributed to global efforts to accomplish the 17 Sustainable Development Goals (SDGs) across all our business areas and processes, from product manufacturing to stores.

This has been made possible by our already sound sustainability strategy, which we have aligned with the SDGs. As part of this exercise, we have identified the SDGs and main targets linked to each of the stages and processes in our value chain. This information is included at the start of each chapter of this Annual Report, reporting the goals and targets where our contribution is most notable.

More information on the contributions of each stage of our value chain to the SDGs on pages 48 and 49 and at the start of each chapter of the section on *Our sustainability model*.

This review of our value chain from the UN Agenda 2030 perspective also shows us that there are certain SDGs where we make a larger, more relevant contribution, due to the nature of our business model and activity. 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), although our commitment encompasses all 17 SDGs, since they are all interconnected.

Our commitment to sustainable development also feeds into our commitment to transparency and ensuring that all information regarding our contribution and impact on the SDGs is as thorough and accurate as possible. To this end, we include information on the main indicators that reflect our contribution to the SDGs. These indicators have been selected in accordance with the guide *Business Reporting on the SDGs: An Analysis of Goals and Targets,* drawn up by the Action Platform for Reporting on the Sustainable Development Goals, which we have been involved with since its creation and which is jointly organised by the United Nations Global Compact and *Global Reporting Initiative*.

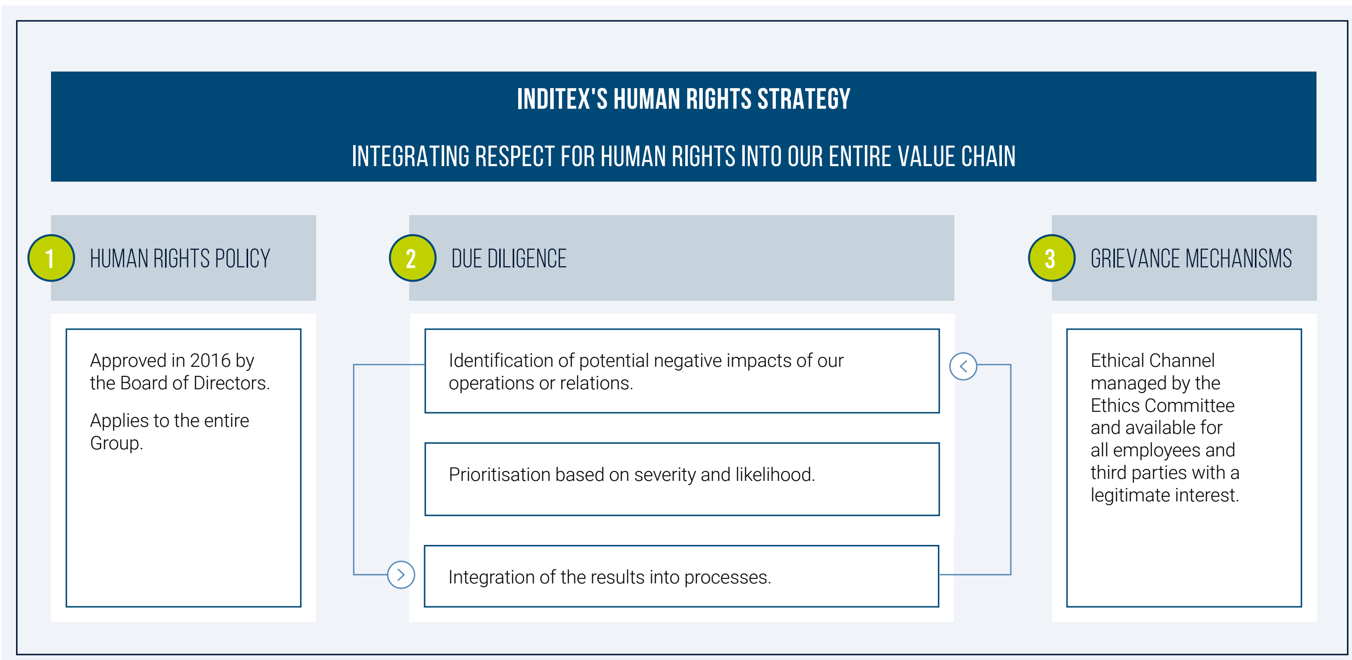
More information on pages 328 and 329 of this Annual Report.

At Inditex we believe Agenda 2030 remains of vital importance in the current situation caused by the covid-19 pandemic, as the SDGs will be fundamental to the sustainable rebuilding of healthcare systems, economies and economic sectors after the crisis. In this new context, the SDGs are more relevant than ever.

SUSTAINABLE DEVELOPMENT GOALS

Respect for Human Rights

At Inditex we are firmly committed to promoting respect for Human Rights. We have developed our own Human Rights Strategy within the framework of the Guiding Principles on Business and Human Rights, approved in 2011 by the United Nations Human Rights Council.



Inditex's Human Rights Strategy comprises three elements:

1. Our **Policy on Human Rights**, which outlines our commitment to respecting Human Rights and lists the values and principles guiding our activities.

2. **Due diligence**, which entails identifying and prioritising potential impacts on Human Rights throughout our value chain. Key areas of the Company, such as Human Resources or Risk Management, are involved in the design of these processes, and they are reviewed and updated on an ongoing basis.

   One of the results of our due diligence process is our new strategy for the social management of our supply chain *Workers at the Centre 2019 - 2022*, which identifies seven priority areas of impact including women empowerment, occupational health and safety, and social protection.

More information on the social management of the supply chain on page 98 of this Annual Report.

3. **Grievance Mechanisms**, which help us to identify and resolve potential negative impacts on Human Rights, while promoting relations with stakeholders.

As part of our Human Rights Strategy, we are members of *Shift's Business Learning Program*. Shift is a non-profit organisation specialising in Human Rights, led by John Ruggie, the author of the UN Guiding Principles on Business and Human Rights. This Human Rights leadership programme brings together 22 leading businesses from all sectors to work on implementing the Principles.

OUR SUSTAINABILITY MODEL

Long-term vision with an integrated and sustainable model

Our business history is based on constantly adapting to changes in our environment, whether they are related to fashion trends, to levels of customer service or to technology, organisation or processes.

Our people are the engine behind this change, with whose commitment we drive this capacity to evolve and adapt. They are the ones responsible for building and consolidating a unique and differential business culture characterised by entrepreneurial spirit, teamwork, commitment to sustainability, non-conformity, striving for continuous improvement, innovation, humbleness, creativity, diversity and inclusion, among other values.

Continuous evolution has furthermore led us to develop a business model that has a solid customer orientation and that is characterised by flexibility, reactivity, sustainability and innovation.

And that adaptive capacity allows us – while keeping our values intact – to permanently seek to improve the customer experience, which is understood as the combination of numerous aspects of our Company, including:

- The possibility of finding garments according to the most current trends in fashion.

- Confidence in the fact that, to tailor them, the most sustainable materials and processes are used.

- The superb environment offered by our stores and digital platforms, with eco-efficient management using technological tools that improve the shopping experience, while offering a uniform level of service.

- The confirmation of our commitment to circularity as a way to advance towards decarbonisation, as well as our programmes for the *pre*- and post-consumption recycling of fabrics.

All of this reinforces the conviction that our integrated and sustainable model is the best strategy to decisively and firmly take on the future.

And based on that model, we continue to proactively evolve; we continue to identify and adopt new measures and policies that contribute to reaching our objective of creating economic, social and environmental value; and we continue to thereby generate the greatest possible positive impact on all our stakeholders.

Precisely one of the main ways to create value is our commitment to innovation, with an open, flexible and decentralised model whose practical approach revolves around two main focal points: technology and sustainability.

The incorporation of new technological tools allows us to equip ourselves with new capabilities for offering additional possibilities to customers, especially focused on reinforcing the integrated store and online model. Moreover, the integration of technological and commercial profiles allows us to further streamline decision-making processes in order to gain in efficiency, which has an impact on additional service improvements.

Our Sustainability Roadmap establishes milestones for us on the way towards a circular economy model that contributes to mitigating the effects of climate change, with shared demand coming from both within and outside of the organisation. At the same time, it encourages respect and promotion of fundamental rights and worker rights. From raising the awareness of our teams to offering our garments under the *Join Life* standard, we seek to minimise the impacts of our products throughout our entire value chain: from when they are designed, produced and transported to when they are made available for sale and collected after use.

Thanks to this cross-cutting vision, we constantly adopt and develop measures that improve our sales proposal and the shopping experience and that adapt to the new needs of customers. We do this while guaranteeing the well-being of our people, suppliers and customers throughout the world and while preserving the planet: measuring and seeking to reduce our environmental footprint, increasing the use of raw materials coming from responsible and well-managed sources, preserving biodiversity and complying with the highest standards of health and safety.

We are aware of the challenges faced by the sector as a whole, but also of the opportunities and new horizons that come up. The challenge we face with determination is to offer our customers quality fashion products that meet the most demanding standards in terms of sustainability and health and safety. All the aforementioned is based on promoting Human Rights, promoting the Sustainable Development Goals and, most especially, promoting transparency and constant dialogue with our stakeholders, aiming to generate a positive impact for the customer, for society, for industry and for our environment.

From raising the awareness of our teams to offering our garments under the Join Life standard, we seek to minimise the impacts of our products throughout our entire value chain.

Sustainability governance

Sustainability is an ever-present factor in our decision-making processes and in our business model. This became patently clear with the creation of the new Sustainability Committee as a delegate committee of the Board of Directors. The creation of this committee was approved by the General Shareholders' Meeting held on 16 July 2019.

The Sustainability Committee is an information and consultation body in charge of advising the Board of Directors on matters of sustainability and overseeing and controlling sustainability proposals in the human rights, social, environmental and health and safety of our products aspects, as well as promoting the commitment with the Sustainable Development Goals and the relations with the various stakeholders in matters of sustainability.

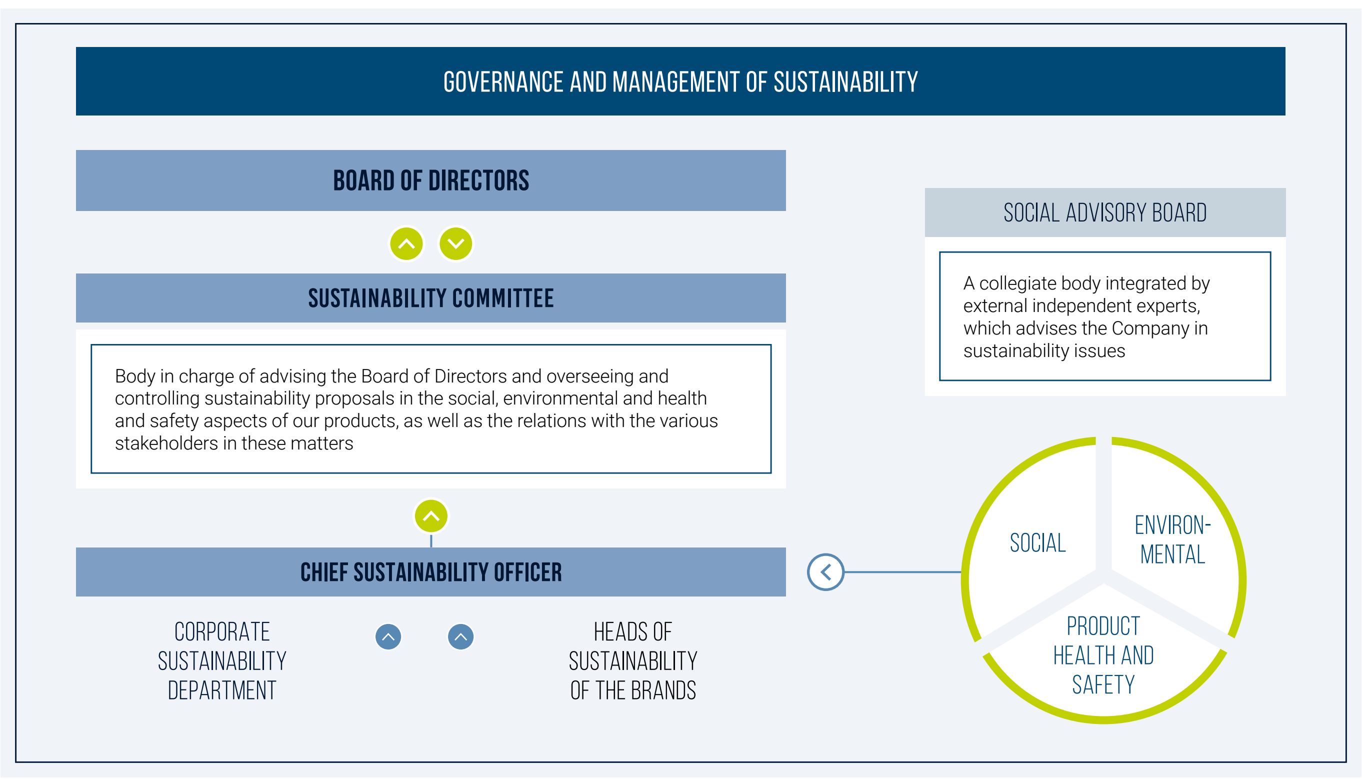
In addition, the Committee is responsible, along with the Audit and Compliance Committee, for overseeing the information included in the statement on non-financial information and other public documentation on matters within its purview.

COMPOSITION OF THE SUSTAINABILITY COMMITTEE

NAME	POSITION	NATURE
Bns. Denise Patricia Kinsmill	President	Independent
Mr José Arnau Sierra	Member	Proprietary
Ms Pilar López Álvarez	Member	Independent
Ms Anne Lange	Member	Independent
Mr José Luis Durán Schulz	Member	Independent
Mr Antonio Abril Abadín, General and Board Secretary, acts as a non-member Secretary to the Board		

Moreover, since 2002 we have a Social Advisory Board that advises us on in sustainability issues. The Board is formed by persons or institutions that are external to and independent from our Group, and its function is to formalise and institutionalise dialogue with key spokespersons in civil society where Inditex develops its business model.

More information on the Board of Directors and the Social Advisory Board of Inditex in the Chapter Solid Compliance Architecture, beginning on page 255 of this Report.



Materiality analysis

The analysis of materiality allows us to identify the most relevant topics for our stakeholders. Through this process we can identify and prioritise those topics that concern them the most (material topics) to ensure that our strategy is aligned with them and responds to them. In this Annual Report, we include information on the evolution of these material topics and our response to them. Thus, the materiality analysis is one of the most important and highest value-added dialogue tools which we use with our stakeholders.

In 2019, and for the ninth consecutive year, we conducted this materiality analysis with the representatives of various stakeholders, both internal and external. It should be pointed out that this analysis exercise was conducted in the months of November and December 2019, therefore prior to the outbreak of covid-19. The outcome of the study is a materiality matrix covering 32 material topics.

In addition and as a part of the alignment of our strategy with the United Nations Sustainable Development Goals and based on the materiality analysis, we have conducted an exercise to also determine which SDGs are impacted in each one of the phases of the value chain.

More information about Inditex's contribution to the UN 2030 Agenda on pages 48 to 50 of this Annual Report.

To carry out the process of identifying and prioritising material topics, we follow the recommendations of the GRI Standards, more specifically the directions provided in "GRI 101: Foundation 2016" standard, which provides that materiality is one of the reporting principles to draft sustainability reports, together with stakeholder inclusiveness, sustainability context and completeness.

The participation of our Social Advisory Board plays a key role in defining materiality, as this collegial body, made up of external independent experts, advises the company in sustainability issues.

More information on page 299 of this Annual Report.

The materiality matrix is complemented by an analysis of each material topic, which includes its boundary and Inditex's involvement in the possible impact.

More information on pages 330 and 331 of this Annual Report.

PROCESS TO DEVELOP INDITEX'S MATERIALITY MATRIX

IDENTIFICATION	PRIORITISATION	OVERALL VALIDATION	REVISION
/ Analysis and identification of relevant topics. / Boundary assessment for each relevant topic.	/ Presentation of the relevant topics to internal and external stakeholders to assess the relevance of those topics on economic, social and environmental impacts and the influence of the topics on stakeholder decisions and expectations.	/ Validation of the materiality matrix outcome to ensure that it is a reasonable and balanced reflection of relevant topics for the organisation. / Internal validation by Inditex management and external validation through its Social Advisory Board.	/ The conclusions of the internal and external revision of the materiality matrix of the preceding financial year were applied during the materiality exercise.

To prioritise the material topics in 2019, 53 organisations were consulted, including:

Inditex Social Advisory Board, ACT (*Action, Collaboration, Transformation*), Baptist World Aid Australia, Canopy, Cáritas, Centre for Business and Public Sector Ethics of Cambridge, Comisiones Obreras, COGAMI (Confederacion Galega de Persoas con Discapacidade), Red Cross, *Economics for Energy*, Ethical Trading Initiative, *Every Mother Counts*, Fundación Seres. Sociedad y Empresa Responsable, Fundación Entreculturas, Fundación PRODIS, GEEIS (*Gender Equality European & International Standard*), IED Barcelona, IndustriALL Global Union, Doctors without Borders, Medicus Mundi, Open for Business, People for the Ethical Treatment of Animals, REDI (Red Empresarial de D&I LGTBI), Spanish Network of the United Nations Global Compact, United Nations Global Compact Action Platform on Decent Work, Sustainalytics, Universidade de Santiago de Compostela, Universidad Pontificia de Comillas, Universitat de Lleida, Universidade de Vigo, Universidade Católica do Porto, Universidade do Minho, University of Oxford, The Humane Society of the United States and Zero Discharge of Hazardous Chemicals Foundation, among others.

Materiality matrix

PEOPLE, AT THE FOREFRONT OF OUR TRANSFORMATION

1. Diversity, equality and inclusion
2. Labour practices (own operations)
3. Attracting and retaining talent
4. Development of human capital
5. Women empowerment

GLOBAL AND CROSS-CUTTING SUSTAINABLE APPROACH

5. Women empowerment
6. Responsible purchasing practices
7. Promotion of socially sustainable production environments
8. Respect for human and labour rights in the supply chain
9. Transparency and traceability of the supply chain
15. Protection of biodiversity
16. Sustainable product
17. Management of chemical substances and sustainable processes in manufacturing
18. Product Quality, Health and Safety
19. Product information and labelling
20. Animal welfare
21. Circularity
22. Energy and climate change
23. Use of water
24. Packaging

INNOVATION IN THE CUSTOMER EXPERIENCE

10. Customer relationship management
11. Brand management
12. Integrated customer experience
13. Cyber security and data protection
14. Technological innovation

TAX TRANSPARENCY

32. Transparency and tax contribution

WORKING FOR THE COMMUNITY

25. Investment in the Community
27. Socio-economic impact on society

THINKING ABOUT THE SHAREHOLDERS

31. Regulatory compliance and responsible practices

ROBUST COMPLIANCE ARCHITECTURE

28. Corporate governance
29. Risk management and control systems
30. Corruption and bribery

PARTNERSHIPS AND COLLABORATIONS

26. Relationship with stakeholders

PEOPLE, AT THE FOREFRONT OF OUR TRANSFORMATION

The over 176,000 people who work for Inditex are at the heart of our Group's growth and transformation. Three principles guide Inditex's philosophy towards our people: our culture and the values we share; the diversity of our teams and equal opportunities; and our strong commitment to talent development, particularly professional growth and internal promotion.

SDG	Goals	Contribution of Inditex
3	3.4	Occupational health and safety is a fundamental part of our relationship with our employees, as reflected in our Occupational Health and Safety Policy. All the measures needed to ensure their safety are therefore carried out. During 2019 we began the transition towards the new ISO 45001:2018 certificate, the highest international standard in Management Systems.
4	4.4 4.5	Training our employees is key to the development of our business model, based on constant innovation and teamwork. For this reason, one of the most important aspects managing our people is the creation of opportunities for their development and their professional and personal growth.
5	5.1	Women play an essential role at Inditex: they represent 76% of the Group's employees and hold 79% of the management positions. Promoting gender equality is one of the pillars of Inditex's commitment to its employees. This means we do not tolerate discrimination of any kind and we develop measures that promote equality between women and men. In January 2020 we were included in the Bloomberg 2020 Gender-Equality Index.
8	8.5 8.6 8.8	The over 176,000 people who work for Inditex are key to the Company's success. This is why one of our priorities is to continually improve employment quality. We are committed to guaranteeing stable and safe work environments that foster work-life balance as well as equal opportunities and professional development. In this regard, we promote the employability of young people: 61% of our workforce is aged under 30, and the average age of Group employees is 28.9 years old.

More information on pages 328 and 329 of this Annual Report.

Our people

People are at the heart of Inditex. We strongly believe that they are the driving force for the growth and transformation of our Group. Our people transmit their enthusiasm and passion for responsible fashion to our customers, and they push us constantly to reinvent ourselves and to be able to face new challenges.

Three principles guide Inditex's philosophy towards our people: our culture and the values we share and foster; the diversity of our teams and equal opportunities; and our firm commitment to talent, particularly professional growth and internal promotion.

One of the keys to our performance can be found in our **culture**, which we are confident will allow us to keep adapting to future needs and changes in our market. Our teams embrace **values** such as humility, teamwork, nonconformity, innovation, flexibility, agility and sustainability, whilst fostering a permanent customer-focused approach.

We look after the well-being and safety of all our staff around the world, and it is our goal to continue improving day by day, offering services and creating environments where the employee is at the centre. Thanks to the different communication platforms we have at our disposal, especially INet, our employee intranet, we can communicate an endless amount of content, which is always underpinned by these values, which we all share and adopt as our own within the Group.

Another of our fundamental principles is **diversity** and **inclusion**. Having diverse teams has always made us stronger, since our beginnings. Our people represent 172 different nationalities, women make up 76% of our workforce and hold 79% of management positions, and there is no wage gap.

We find it natural to have a diverse, creative and inventive staff, with employees being part of dynamic, talented teams, where they are accepted the way they are, regardless of race, ethnicity, gender, gender identity, sexual orientation, age, religious beliefs or nationality, or any other trait. In this respect, the Inditex Diversity and Inclusion Policy

Our people represent 172 different nationalities, women make up 76% of our workforce and hold 79% of management positions, and there is no wage gap.

establishes the framework that promotes the values of diversity, multiculturalism, acceptance and integration in all the entities of our company, and governs all our actions with regard to people.

We promote global initiatives to foster diversity and inclusion, such as the *Open to All Commitment* or the *Diversity Charters*.

In terms of gender equality, in January 2020 we were included in the *Bloomberg 2020 Gender-Equality Index*. Our commitment is also demonstrated by the equality plans in place in Spain, or the *GEEIS certificate (Gender Equality European and International Standard)* awarded to our Belgian subsidiary.

In 2019 we can highlight two projects to expand inclusion of people with disabilities:

Our new employment portal 'Inditex Careers', which has obtained *WCAG International Web Accessibility Certification* with an AA level of conformance, for which we collaborated with Ilunion Tecnología y Accesibilidad, from the ONCE Social Group. This certification emphasizes our ongoing commitment to providing a service that is accessible to the widest possible audience, regardless of the technology of the website or the capabilities of users. Meanwhile, we would like to underline our continuous commitment to '*for&from*', a programme for the social and labour integration of people with disabilities, which recently opened its first store outside Spain (in Como, Italy), now reaching a total of 15 stores.

With respect to the inclusion of people from different socio-ethnic origins, the Salta initiative is a good example. Salta works to help the labour and social integration of people facing systemic, social and economic barriers, through which a total of 1,372 people have joined the different teams of Inditex across 13 markets since 2008.

And in terms of LGBT+ inclusion, we subscribe to the LGBT+ Standards of Conduct for Business, promoted by the United Nations, and are members of the *Open for Business* coalition and *REDI, the Business Network for LGBT+ Diversity and Inclusion*. In addition, in 2019 we collaborated with the *Stonewall Community Foundation* to fund two projects to help the transgender community in the United States.

During 2019, the Diversity and Inclusion team has joined a broader area that integrates all our Diversity, Inclusion, Equality and Contribution to the Community initiatives within the Group.

The third principle that guides our actions in terms of people is our firm commitment to **talent**. We are convinced that our growth and evolution are closely linked to our people's, and that is why at Inditex, we bet heavily on training, internal promotion and mobility.

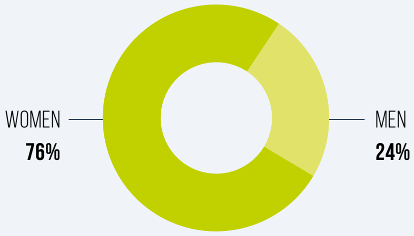
In 2019, 25% of new hires in our structure teams came from internal promotions from our stores or logistics centres. And over the course of the year, more than 1,400 people changed role, department, brand or market within our structures. And we also invested in more than three million hours of training. Training and development is key in this new context of transformation, in order to accompany our teams both in new emerging functions and in the transformation of what we were already doing. An example of this is the integrated store model, designed to offer the best shopping experience to our customers wherever it takes place.

In line with our values of transparency, results-based approach and simplicity, our Company's targets are aligned with those of our workforce in terms of remuneration. In 2019 we announced various new measures, such as the inclusion of sustainability-related targets in the variable remuneration of our employees, which reinforces our commitment to all our people in this area, or the fact that our variable salaries are fully linked to our business results.

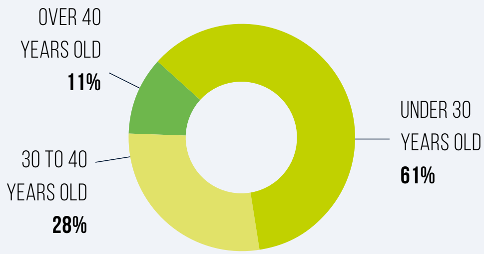
We trust our people and will continue to rely on them to contribute to the Group's performance, to accompany the transformation of our business and to face the new challenges that the future holds.

01/ Our people in 2019

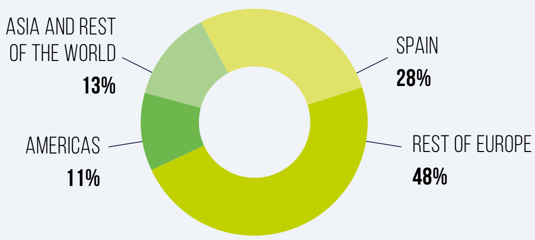
DISTRIBUTION OF THE WORKFORCE BY GENDER (%)



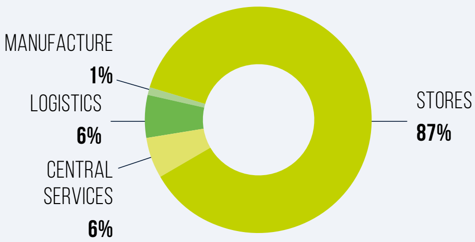
WORKFORCE DISTRIBUTION BY AGE (%)



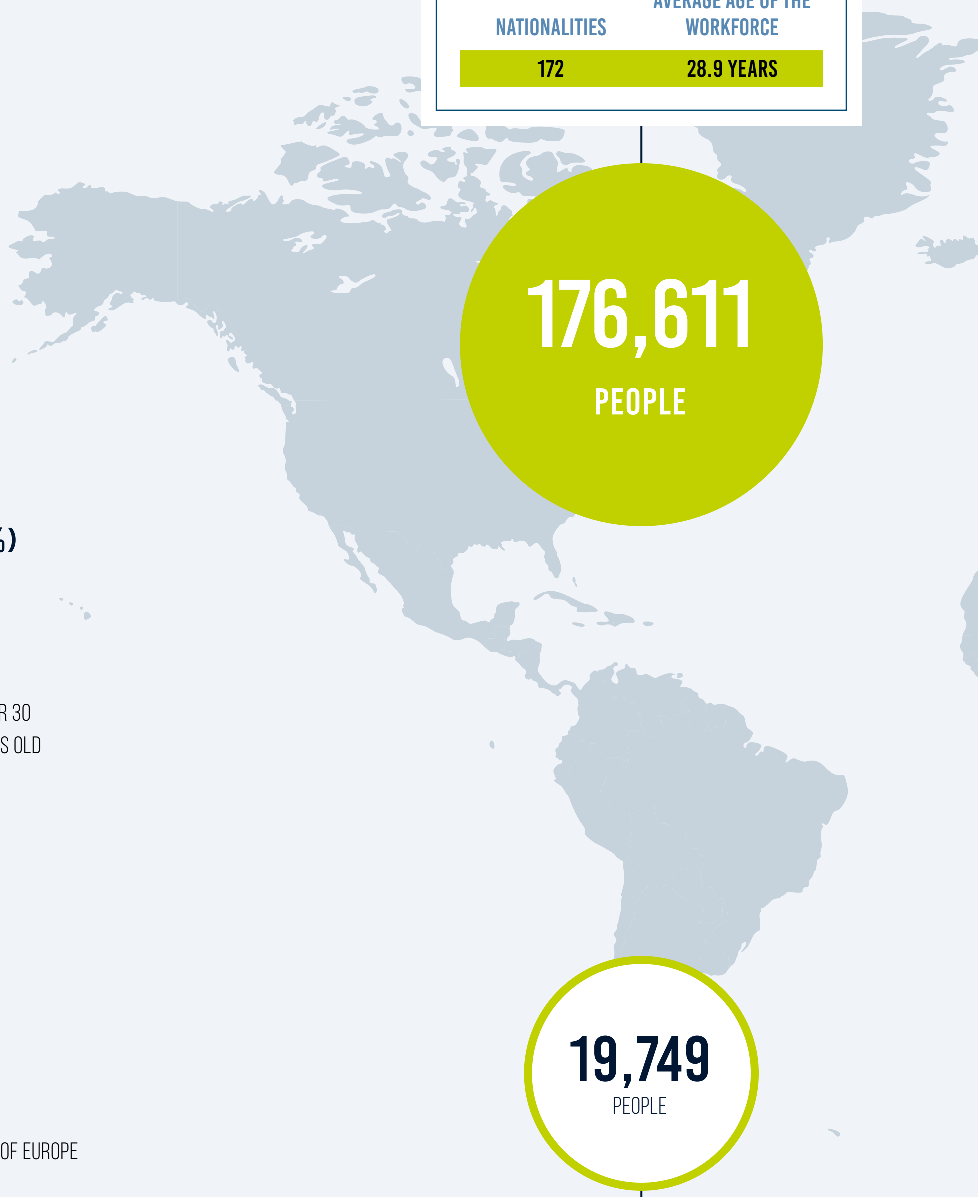
WORKFORCE DISTRIBUTION BY GEOGRAPHIC AREA (%)



WORKFORCE DISTRIBUTION BY ACTIVITY (%)

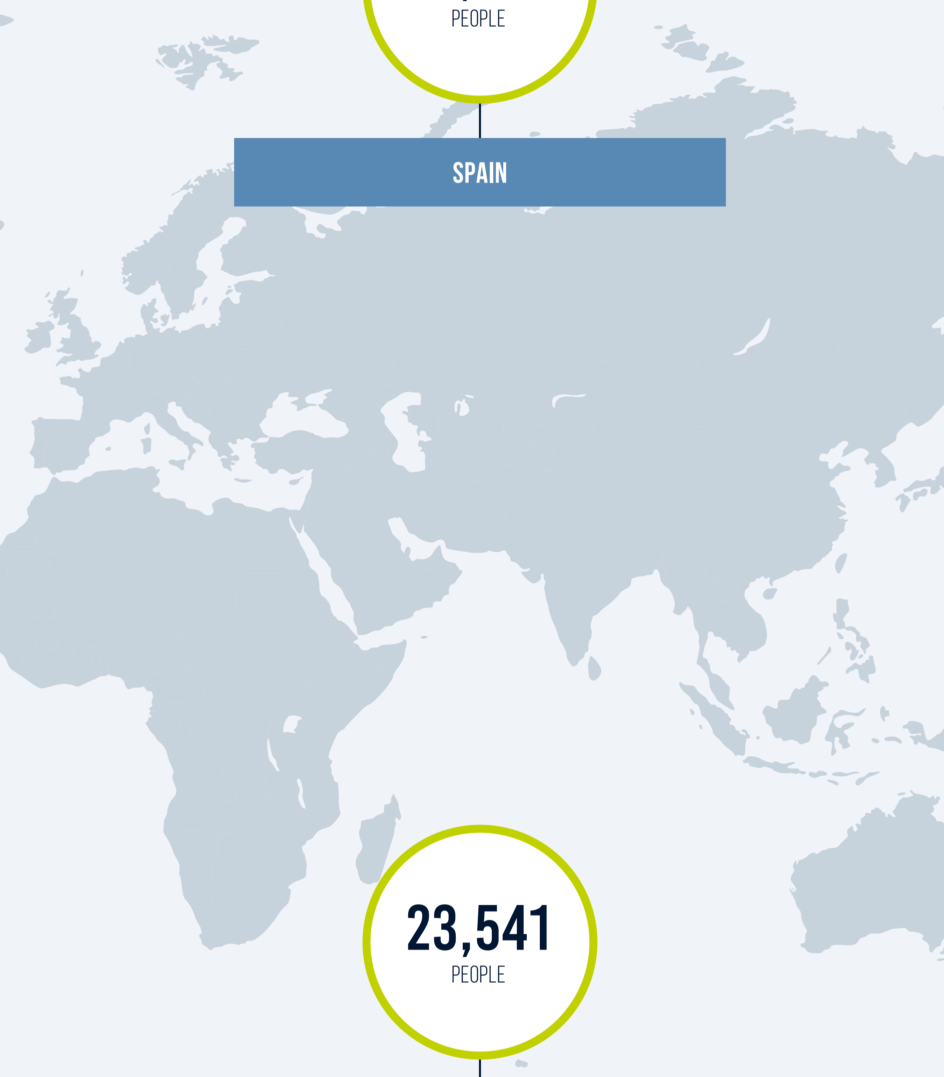


NATIONALITIES	AVERAGE AGE OF THE WORKFORCE
172	28.9 YEARS



AMERICAS

	PEOPLE
Argentina	872
Brazil	2,849
Canada	2,595
Chile	871
Mexico	5,897
United States	6,310
Uruguay	355



48,687
PEOPLE

SPAIN

84,634
PEOPLE

EUROPE*

	PEOPLE
Albania	243
Austria	1,455
Belarus	290
Belgium	2,945
Bosnia and Herzegovina	424
Bulgaria	716
Croatia	1,160
Czech Republic	700
Denmark	329
Finland	260
France	10,030
Germany	5,531
Greece	4,278
Hungary	1,126
Ireland	854
Italy	8,626
Luxembourg	318
Monaco	39
Montenegro	128
North Macedonia	154
Norway	386
Poland	4,679
Portugal	7,247
Romania	3,027
Russia	10,696
Serbia	947
Slovakia	359
Slovenia	276
Sweden	844
Switzerland	1,564
The Netherlands	3,018
Turkey	5,166
Ukraine	1,390
United Kingdom	5,429

(*) Does not include Spain.

23,541
PEOPLE

ASIA AND REST OF THE WORLD

	PEOPLE
Australia	1,636
Bangladesh	59
Cambodia	6
Mainland China	11,169
Hong Kong SAR	1,020
Macao SAR	170
Taiwan, China	626
South Korea	1,673
India	1,294

	PEOPLE
Japan	4,314
Kazakhstan	779
Morocco	26
New Zealand	115
Pakistan	2
Singapore	4
South Africa	633
Vietnam	15

02/ Talent management

Talent is key to enabling Inditex to transmit its passion for responsible fashion to its customers. This enthusiasm is shared by all our people, and their work is characterised by their drive, commitment, creativity and customer focus.

Talent management has three main missions:

1) To attract the best talent to work with us, from our stores and logistics centres to our creative, product, technological or digital teams.

2) To provide our people with development opportunities through internal promotion, mobility and training, in order to foster their growth as professionals.

3) To offer a safe and enriching work environment, with attractive conditions that help us retain talent.

More information about our talent management practices in the Inditex Group's Non-Financial Information Statement (NFS) for 2019, available on the website for this Annual Report.

02.01/ Talent attraction

Inditex Careers, our employment portal, has obtained the *WCAG International Web Accessibility Certification* with an AA level of conformance.

- Traffic: Over 6.8 million visits from more than 190 markets.
- Social media: Present on six channels, with more than 1.7 million followers.

Employer brand:

Merco Talento has named Inditex the *Best Company to work for* in Spain for a ninth consecutive year.

Universum includes Inditex since 2015 among the top 3 best companies to work for in the Business and Commerce category, based on university student surveys.

02.02/ Development

Internal promotion: 25% of new hires in our structure teams came from internal promotions from our stores or logistics centres.

Mobility: More than 1,400 people changed role, department, brand or market within our structures.

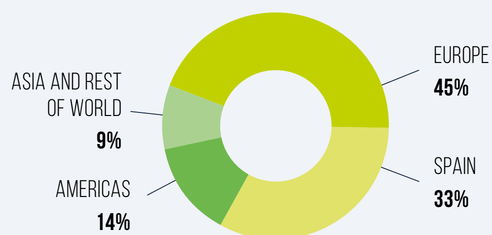
02.03/ Training

Training hours, participants and people trained

TRAINING PARTICIPANTS BY GEOGRAPHIC AREA

GEOGRAPHIC AREA	PARTICIPANTS
EUROPE	163,656
SPAIN	117,637
AMERICAS	48,929
ASIA AND REST OF THE WORLD	31,028
TOTAL	**361,250**

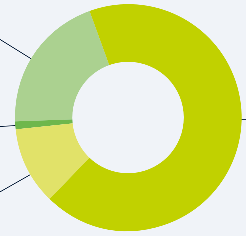
TRAINING PARTICIPANTS BY GEOGRAPHIC AREA (%)



TRAINING HOURS BY GEOGRAPHIC AREA

GEOGRAPHIC AREA	TRAINING HOURS
EUROPE	2,085,281
SPAIN	351,421
AMERICAS	45,684
ASIA AND REST OF THE WORLD	606,904
TOTAL	**3,089,290**

TRAINING HOURS BY GEOGRAPHIC AREA (%)



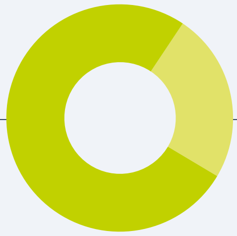
TOTAL TRAINING HOURS	**3,089,290** HOURS
TOTAL TRAINING PARTICIPANTS	**361,250** PARTICIPANTS
TOTAL NUMBER OF PEOPLE TRAINED	**151,306** UNIQUE PARTICIPANTS
AVERAGE TRAINING HOURS PER TRAINED EMPLOYEE	**20.4** HOURS/TRAINED EMPLOYEE
AVERAGE TRAINING HOURS PER EMPLOYEE (AVERAGE WORKFORCE)	**17.5** HOURS/EMPLOYEE

Training by gender and job classification

TRAINING BY GENDER

GENDER	AVERAGE WORKFORCE	TRAINING HOURS	PARTICIPANTS	AVERAGE HOURS
WOMEN	133,465	2,372,010	278,320	17.8
MEN	43,146	717,280	82,930	16.6
TOTAL	**176,611**	**3,089,290**	**361,250**	**17.5**

TRAINING BY GENDER (%)



TRAINING BY JOB CLASSIFICATION (1)

JOB CLASSIFICATION	AVERAGE WORKFORCE	TRAINING HOURS	PARTICIPANTS	AVERAGE HOURS
Manager	10,473	170,913	26,647	16.3
Supervisor	19,779	260,524	39,447	13.2
Specialist	146,359	2,657,853	295,156	18.2
TOTAL	**176,611**	**3,089,290**	**361,250**	**17.5**

Training by content type

CONTENT	PARTICIPANTS	TRAINING HOURS
CORPORATE (Who we are)	131,289	1,358,388
FASHION, PRODUCT AND CUSTOMER	102,982	106,818
PROCESSES, TECHNIQUES AND TOOLS	60,701	475,668
OTHER	52,671	1,049,822
SKILLS	11,071	46,561
LANGUAGES	2,536	52,033
TOTAL	**361,250**	**3,089,290**

(1) Manager: employee in management positions with responsibility for interdisciplinary working groups, related to the areas of design, manufacturing, distribution, logistics, stores, technology, sustainability and other general services. Store managers are included in this category. Supervisors: employees who form part of interdepartmental working groups that cut across the activities of design, logistics and shops, as well as sustainability, technology and other general services. Specialists: employees with an impact due to their individual contribution, related to one of the Group's activities in the areas of design, manufacturing, distribution, logistics, stores, sustainability, technology and other general services.

Main training programmes

ZARA 2025 SUSTAINABILITY

DESCRIPTION	Sustainability training programme for Zara's product teams within the scope of our commitment with *Global Fashion Agenda*. The training is conducted through co-creation workshops on our *Vision 2025* about our sustainability strategy and is completed with technical training modules.
SCOPE	The entire Zara product team has attended the *Vision 2025* session and the three technical training modules. In total, more than 800 people have passed through the programme, with 80 training sessions.
OBJECTIVES	To achieve a shared vision of Zara's sustainability objectives for 2025, and to deepen our knowledge of raw materials, tools and processes throughout our supply chain.

DIVERSITY AND INCLUSION

DESCRIPTION	*'The Right leader @ Inditex is inclusive'* is an interactive workshop on Diversity and Inclusion. The objective is to help our management teams build and promote more inclusive working environments, with a strategic vision of diversity management.
SCOPE	More than 330 managers from 17 countries in Europe and the Americas, as well as the managers of our logistics platforms in Spain and Lelystad (the Netherlands), have completed this three-hour face-to-face training. In addition, the entire US corporate team has received extra specific training on 'unconscious bias' and how to prevent it from impacting our daily operations.
OBJECTIVES	This training, which combines practical exercises with dynamic spaces for reflection, is the result of our commitment to the Group's Diversity and Inclusion Policy and the influence it exerts at all levels. Its methodology allows participants to acquire a solid foundation of inclusive behaviour and how to incorporate it into their leadership style.

LEAP&CO

DESCRIPTION	LEAP&Co is a talent management and on-the-job training application for store teams. It gives store managers and area teams a digital platform that allows them to manage employee development plans, organise their own network of trainers and monitor new recruits.
SCOPE	LEAP&Co operates in all Zara stores in France and is being deployed in the stores of 14 Group subsidiaries in Europe and the Americas. It has more than 1,800 plans in progress and has helped more than 450 people to gain promotion.
OBJECTIVES	LEAP&Co defines the possible itineraries between positions in a store and improves internal promotion processes. The application is used to manage all phases of training, from the publication of training opportunities by store to the validation of candidates through practical tests or employee self-assessments. This encourages a sustainable pace of training and promotions that suits each store, with opportunities for development.

ON ACADEMY

DESCRIPTION	Online training platform (*eLearning*).
SCOPE	Launched for store employees of all our brands, it is present both in Spain and in 26 markets in Europe, the Americas and Asia and the rest of the world, and reaches more than 145,000 people.
OBJECTIVES	The platform contains courses with a range of content including product, fashion, health and safety, sustainability, diversity and inclusion and technical training. The sessions are voluntary and can be followed from any mobile device.

ON-BOARDING WITH VIRTUAL REALITY

DESCRIPTION	Virtual reality experience to welcome new store employees.
SCOPE	More than 4,000 new recruits have already tried this experience in the five Talent Centres (Madrid, Barcelona, Milan, Beijing and Paris) where it is available.
OBJECTIVES	Acquaint the new employees with the Group and the store operation.

E-FASHION

DESCRIPTION	220 hours of online training on comprehensive fashion business management, designed in collaboration with the *IED Madrid (European Institute of Design).*
SCOPE	Designed for store teams, it has trained 1,280 people in its various editions in Spain, France, Italy and Portugal.
OBJECTIVES	The course is structured into three learning units: product, business, and image and communication. It aims to improve the skills and professional competencies of participants.

VERSUS

DESCRIPTION	Gamification initiative to provide training on the world of fashion and textile products.
SCOPE	A game played between employees from different subsidiaries and brands, played by more than 20,000 employees since it began. They compete in individual and team-based rankings using their knowledge of the product and the fashion industry.
OBJECTIVES	Participants compete in individual and team-based rankings (one for each store) and test their knowledge of the product and the world of fashion in general.

BUSUU

DESCRIPTION	Mobile application for language learning.
SCOPE	Available in 59 markets, over 52,000 people signed up in last enrolment round. Over 4,900 people have achieved at least one official certificate. And more than 15,600 employees did the in-store English course.
OBJECTIVES	The app lets users learn up to 12 languages (English, Spanish, French, German, Italian, Portuguese, Polish, Turkish, Russian, Arabic, Chinese and Japanese) from basic to upper-intermediate level (levels A1 to B2 of the *Common European Framework of Reference for Languages*). It offers the option to obtain official certificates for languages as well as an English course for in-store customer service, custom-made for Inditex.

A MEDIDA PROGRAMME

DESCRIPTION	A training programme for the development of people management skills for store managers.
SCOPE	In Europe and North America, more than 3,000 people received training in skills such as communication, motivation, organisation, delegation, results orientation or the ability to give feedback.
OBJECTIVES	Training is carried out through practical workshops conducted by internal Inditex trainers, with a focus that is closely linked to the professional reality of stores.

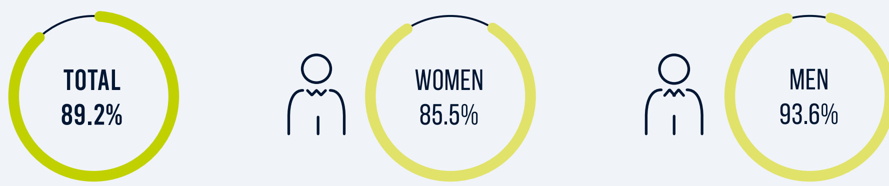
03/ Employment

At Inditex, we are committed to providing inspiring, stable and safe working environments where equal opportunities and professional development are a reality. The following pages disclose our main indicators on employment, compensation, social relations and occupational health and safety.

More information about the management of our labour practices with respect to the policies defined, commitments, objectives and programmes in the Inditex Group's Non-Financial Information Statement (NFS) for 2019, available on the website for this Annual Report.

03.01/ Employment

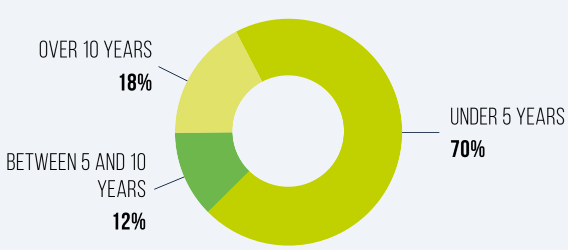
% FTE EMPLOYEES (FULL TIME EQUIVALENT)



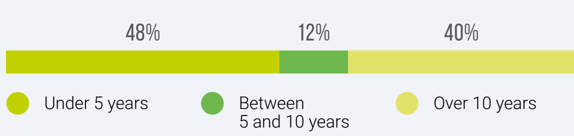
DISTRIBUTION OF THE WORKFORCE BY ACTIVITY AND GENDER (IN TOTAL FIGURES)

	STORES	LOGISTICS	CENTRAL SERVICES	MANUFACTURE	TOTAL
WOMEN	121,637	4,138	7,021	669	**133,465**
MEN	32,828	5,794	4,365	159	**43,146**
WORKFORCE	**154,465**	**9,932**	**11,386**	**828**	**176,611**

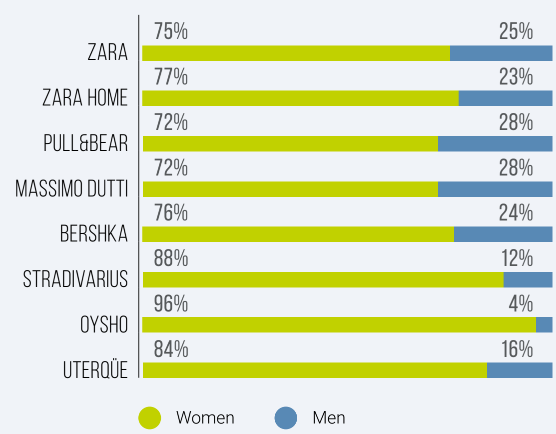
WORKFORCE DISTRIBUTION BY TENURE WITH THE COMPANY (%)



IN SPAIN (%)



WORKFORCE DISTRIBUTION BY RETAIL FORMAT AND GENDER (%)

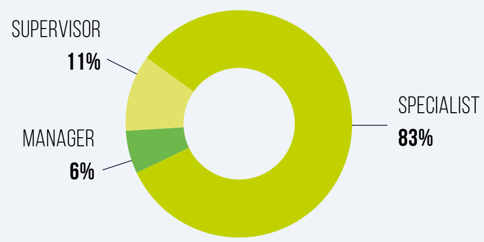


In line with our values of transparency, results-orientation and simplicity, we link our people's variable compensation with our Company targets and with our commitments in terms of sustainability.

WORKFORCE DISTRIBUTION BY JOB CLASSIFICATION

JOB CLASSIFICATION	WORKFORCE
Manager	10,473
Supervisor	19,779
Specialist	146,359
TOTAL	**176,611**

WORKFORCE DISTRIBUTION BY JOB CLASSIFICATION (%)



WORKFORCE DISTRIBUTION BY CONTRACT TYPE AND BY GENDER, AGE AND JOB CLASSIFICATION (%)

GENDER	PERMANENT	TEMPORARY
WOMEN	76%	24%
MEN	78%	22%
AGE		
UNDER 30 YEARS OLD	68%	32%
30 TO 40 YEARS OLD	87%	13%
OVER 40 YEARS OLD	94%	6%
JOB CLASSIFICATION		
MANAGER	89%	11%
SUPERVISOR	92%	8%
SPECIALIST	73%	27%
TOTAL	**77%**	**23%**

WORKFORCE DISTRIBUTION BY FULL-TIME AND PART-TIME STATUS AND BY GENDER, AGE AND JOB CLASSIFICATION (%)

GENDER	PART-TIME	FULL-TIME
WOMEN	55%	45%
MEN	47%	53%
AGE		
UNDER 30 YEARS OLD	64%	36%
30 TO 40 YEARS OLD	40%	60%
OVER 40 YEARS OLD	29%	71%
JOB CLASSIFICATION		
MANAGER	3%	97%
SUPERVISOR	9%	91%
SPECIALIST	63%	37%
TOTAL	**53%**	**47%**

03.02/ Remuneration

GENDER-PAY GAP BY GEOGRAPHIC AREA (%) [1]

GEOGRAPHIC AREA	2019
Spain	0.5%
Europe (excl. Spain)	-0.6%
Americas	3.6%
Asia and rest of the world	-0.1%
TOTAL	**0.2%**

AVERAGE PAY BY JOB CLASSIFICATION (IN EUROS)

JOB CLASSIFICATION	TOTAL WAGES IN EUROS
Manager	51,327
Supervisor	31,002
Specialist	19,260

PERSONNEL EXPENSES (IN THOUSANDS OF EUROS)

JOB CATEGORY	2019	2018
Salaries	3,679,488	3,428,015
Inditex's social security contributions	750,666	707,672
TOTAL	**4,430,154**	**4,135,687**

AVERAGE PAY (IN TOTAL NUMBERS) [2]

GROSS ANNUAL SALARY IN 2019: 22,073 EUROS

(1) In order to calculate the wage gap, the average salary of each market is taken as the basis and weighted according to the size of each area of the Group (stores, logistics, central services and factories). This average is then weighted for each market out of the total number of Inditex employees. A positive figure indicates that the gap is in favour of women. This gives us a reliable global indicator for the pay gap between men and women in the Group.

(2) The average pay is defined as the mean value of salaries in the entire Group converted to euros using the average exchange rate in 2019.

03.03/ Social relations

CODE OF CONDUCT AND RESPONSIBLE PRACTICES (2001)

GLOBAL AGREEMENT WITH UNI GLOBAL UNION (2009) - 10TH ANNIVERSARY IN OCTOBER 2019

EUROPEAN WORKS COUNCIL (2018) - 1ST PLENARY MEETING IN JUNE 2019

- **Universal Declaration** of Human Rights
- **Guiding Principles** on Business and Human Rights of the **United Nations**
- **ILO Conventions**
- **OECD Guidelines** for Multinational Enterprises
- **OECD Guidelines** for Multinational Enterprises

The Global Agreement with UNI Global Union, which represents 20 million trade workers and applies to 100% of our workforce, is now in its tenth year.

03.04/ Occupational Health and Safety

ISO 45001:2018 MANAGEMENT SYSTEMS

2019 - We began the transition towards the new ISO 45001:2018 certificate, the highest international standard in Management Systems.

All the sales and design companies of the Group in Spain, Italy, UK, Ireland, Portugal, Japan, Mexico, Croatia, Greece and Turkey, which were already OHSAS 18001:2007 certified, began their transition towards this new standard.

It also includes companies from the trade and design activities in Bulgaria, Belgium, Chile, Germany and Poland.

15 MARKETS

FOSTERING HEALTHY HABITS

HEALTHY COMPANY CERTIFICATION

Based on the model of the World Health Organization, this certification identifies Health and Safety management in physical and psycho-social aspects, in resources allocated to the health of workers, and their participation in the community.

4 MARKETS

(Spain, Italy, United Kingdom and Ireland)

INHEALTH

This is the portal dedicated to promoting health and healthy habits among Group employees, available to 98,500 people.

15 MARKETS

ACCIDENT RATE INDEXES:

SPAIN	INCIDENT RATE (1)	FREQUENCY RATE (2)	SEVERITY RATE (3)
OWN STORES			
Women	19.28	10.71	0.19
Men	13.31	7.39	0.15
LOGISTIC CENTRES			
Women	100.45	55.80	1.58
Men	107.94	59.97	1.53
OWN FACTORIES			
Women	58.12	32.29	0.99
Men	64.91	36.06	1.88
CENTRAL SERVICES			
Women	3.51	1.95	0.03
Men	2.48	1.38	0.00

EUROPE	INCIDENT RATE (1)	FREQUENCY RATE (2)
Women	20.80	17.50
Men	17.30	13.50

ASIA AND REST OF THE WORLD	INCIDENT RATE (1)	FREQUENCY RATE (2)
Women	3.50	2.60
Men	2.80	2.00

AMERICAS	INCIDENT RATE (1)	FREQUENCY RATE (2)
Women	17.90	13.00
Men	15.40	10.70

(1) Incident rate with leave= (No. accidents with leave *1,000) / Average number employees.

(2) Frequency rate= (No. accidents with leave *1,000,000) / Number hours worked.

(3) Severity rate= (Days of leave*1,000) / Number hours worked.

GLOBAL AND CROSS-CUTTING SUSTAINABLE APPROACH

Sustainability is integrated into all the phases of our business model, as well as throughout the life of the product. This includes all the stages of our global supply chain, ranging from design from design and sourcing, to manufacturing and quality assurance, logistics, and the point of sale itself, both in stores and online.

The Sustainability Roadmap

Our approach to sustainability is based on values inherent to our business, such as non-conformism and proactivity, and on the willingness to ensure that all the business areas provide leverage for change to achieve our goal: becoming an increasingly sustainable Company.

Inditex mission is to make a positive impact on our customers, on our employees, on the supply chain and on the planet.

Our desire to be more sustainable has lead us to design a Sustainability Roadmap to serve as limitless working guidelines, but including specific action plans. They are founded on two cornerstones:

- A commitment to the circular economy and decarbonisation.

- Fully adhering to the Sustainable Development Goals and aligning our strategy with the United Nations 2030 Agenda and, ultimately, to the promotion and respect of human rights.

Sustainability is integrated into all the phases of our business model, as well as throughout the life of the product. This includes all the stages of our global supply chain, ranging from design and sourcing, to manufacturing and quality assurance, logistics, and the point of sale itself, both in stores and online. In order to secure this integration, we have developed and implemented several policies and procedures, which we apply both to our own operations and those of third parties.

The core policies and strategies steering our sustainability actions in the value chain are as follows:

- Inditex's Human Rights Policy.

- Corporate Social Responsibility Policy.

- Inditex's Environmental Sustainability Policy.

- Forest Product Policy.

- Code of Conduct for Manufacturers and Suppliers.

- Product Health and Safety Standards: *Clear to Wear* (CtW), *Safe to Wear* (StW) and the I+ (IPLUS, *Inditex Precautions and Limits for Users' Safety*) standards.

- Social Management of the Supply Chain: *Workers at the Centre 2019-2022* Strategy.

- Global Water Management Strategy, Global Energy Strategy, and Biodiversity Strategy.

Drawing from these policies and strategies, we have implemented several programmes which are constantly evolving, since they are developed in an ever-changing environment and context. Thus, we also remain steadfastly committed to innovation and ongoing improvement in

the area of sustainability: from the search for new, more sustainable materials, to the use of new technologies and innovative approaches to the social management of the supply chain, and enhancing the efficiency of water and energy consumption in our facilities and activities.

We are aware that global contribution to a sustainable society is a necessity. For this reason, we partner with several stakeholder groups and hold alliances with several international organisations in order to develop and apply our social and environmental sustainability strategies.

This enables us to make the greatest positive impact throughout the value chain. Furthermore, we believe that the future of sustainability must increasingly progress towards an open approach in which partnerships are the cornerstone upon which the industry must evolve. At Inditex, we have spent years enhancing this approach. An example of this is our collaborations with the International Labour Organization (ILO), IndustriALL Global Union, *Zero Discharge of Hazardous Chemicals* (ZDHC), Global Fashion Agenda, Affirm, Sustainable Apparel Coalition (SAC), and the CEO Water Mandate, in addition to others.

year 2020

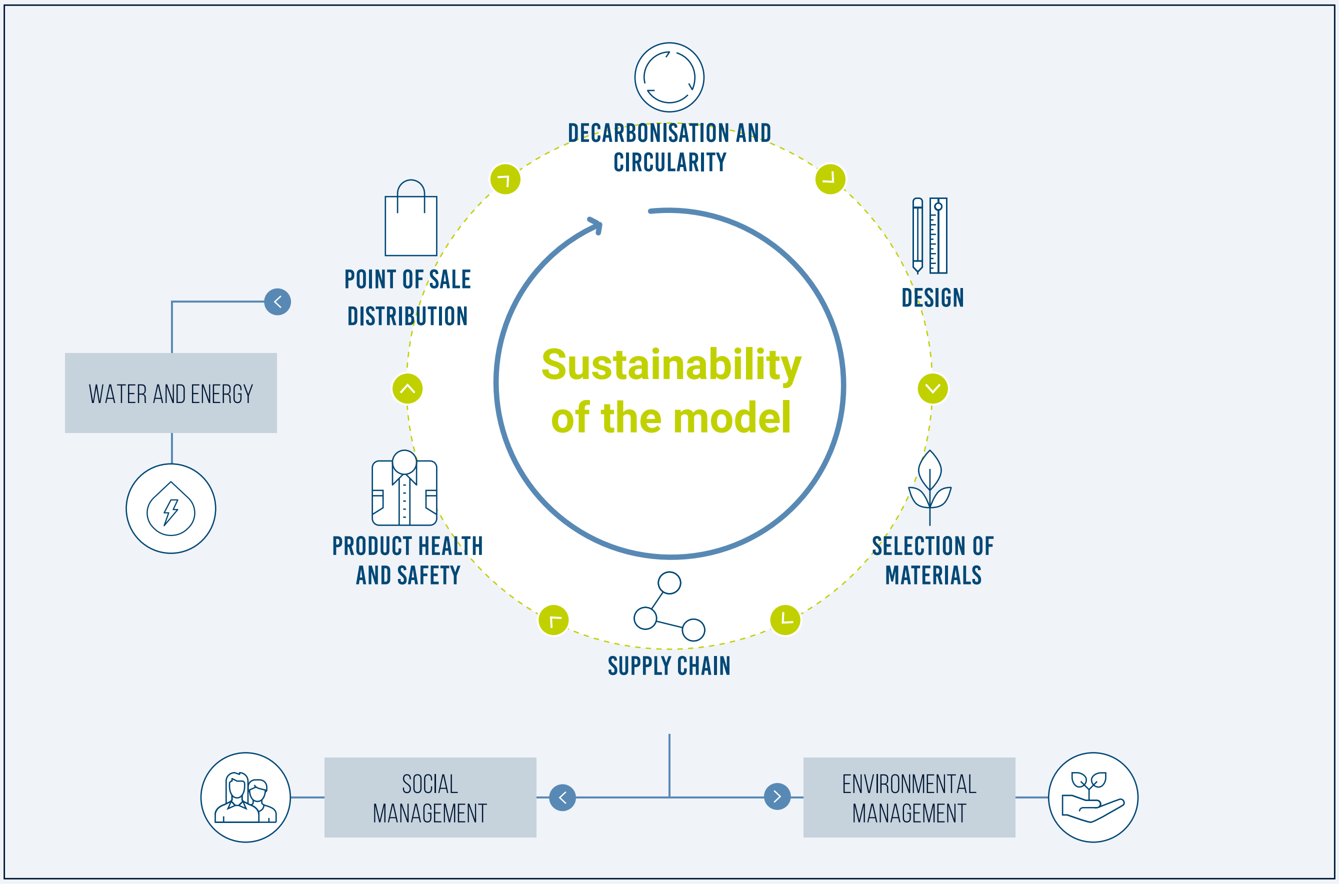
- 100% of eco-efficient stores in all formats.
- Over 25% of garments under the *Join Life* standard.
- Total elimination of plastic bags in all our formats.
- Used clothing containers in 100% of our stores.
- *Zero Discharge* Commitment, which calls for the implementation of better wet-processing throughout our supply chain.
- The *Canopy* commitment: 100% sustainable forest certified garments.
- 100% of designers trained and specialised in circularity (*Global Fashion Agenda* commitment).

year 2023

- *Zero waste* from our facilities: headquarters, logistics centres and own stores (*Zero Waste*).
- 100% of sustainable cellulose fibres, supporting the responsible viscose commitment (*Changing Markets RoadMap*).
- 100% elimination of single use plastic for customers.
- 100% collection of all packaging materials for recycling or reuse in the supply chain (*Green to Pack*).

year 2025

- 80% of renewable energy consumption in all facilities (main offices, logistics centres and own stores).
- 100% sustainable cotton (organic, *Better Cotton Initiative* and recycled).
- 100% sustainable polyester.
- 100% sustainable linen.


DECARBONISATION AND CIRCULARITY
DESIGN
SELECTION OF MATERIALS
SUPPLY CHAIN
PRODUCT HEALTH AND SAFETY
POINT OF SALE DISTRIBUTION
Sustainability of the model
WATER AND ENERGY
SOCIAL MANAGEMENT
ENVIRONMENTAL MANAGEMENT

GLOBAL AND CROSS-CUTTING SUSTAINABLE APPROACH

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SUSTAINABILITY TRAINING

SELECTION OF MATERIALS P. 82

JOIN LIFE
Care for fiber, Care for water, Care for planet

MORE SUSTAINABLE RAW MATERIALS
Cotton, linen, and sustainable viscose; recycled materials, Animal Welfare Policy; improved forestry

OUR SUPPLY CHAIN P. 88

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- Traceability
- *Pre-assessment*
- Responsible Purchasing Practices
- Transparency and reporting

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- *Workers at the Centre 2019-2022* Strategy
- Priority Impact Areas
- Compliance

ENVIRONMENTAL MANAGEMENT OF THE SUPPLY CHAIN P. 148
- *The List, by Inditex*
- *Ready to Manufacture*
- Water management throughout the supply chain

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- *Safe to Wear, Clear to Wear*, I+Cosmetics, I+FCM, I+Home Fragrance & Candles, I+Child Care Furniture

HEALTH AND SAFETY CONTROL PROCEDURES P. 155

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- *Picking* Programme
- New evaluation of a product before being distributed
- Laboratory *Approval Programme (APPLABS)*
- Root Cause Analysis (RCA)
- Analysis optimisation
- Recovery of non-compliant productions

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- Global energy consumption
- Major commitment to renewable energies
- GHG (greenhouse gas) emissions
- Energy management
- Water management

CIRCULAR ECONOMY P. 175
- *Closing the Loop*
- *Zero Waste*
- *Green to Pack*

Design

SDG	Goals	Inditex contribution
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2	Through our commitment to ensure that all the Group's designers have been trained in the principles of circular economy by 2020, we champion the production and marketing of more responsible and sustainable products.

More information on pages 328 and 329 of this Annual Report.

The creation of a new garment begins with a design process which, in addition to inspiration and creativity, must also consider the various materials to be used, the processes required for production and the possibilities of extending its useful life, whether through greater durability or recyclability.

Along these lines, at Inditex we have defined a training programme to ensure knowledge of the principles of circular economy among all our designer teams.

As a first step, an online course is being provided, which addresses both the concept and the main strategies of circular design: training on the technical and functional characteristics of the various types of fibres and raw materials to enable the incorporation of alternative recycled materials to be assessed, design set out to increase the recyclability possibilities of the components of a garment and design focused on extending product durability.

This technical training includes materials, procedures and tools, in line with the commitment assumed by Inditex to the *Global Fashion* Agenda ensuring that all our designers have been trained in the principles of circular economy by 2020.

Thus, in 2019, we have notably boosted awareness-raising on this matter in our teams and we have developed content and methodologies for environmental sustainability training. Training has been provided at our headquarters, logistics centres, factories and own stores, in Spain (where the headquarters of Inditex are located) and in many other markets where the company is present, such as France, UK, Netherlands, China, Korea, Japan, United States, Argentina and Brazil. Specific content has been developed according to the needs of every group, ranging from basic sustainability concepts or a review of the Inditex sustainability strategy, to product knowledge and how to make it more sustainable.

UPWARDS OF 10,000 EMPLOYEES HAVE RECEIVED TRAINING ON ENVIRONMENTAL SUSTAINABILITY IN 2019

The design stage is also highly relevant from a product health and safety perspective, since this phase defines the raw materials that are going to be used. This is crucially important to the subsequent manufacturing stages.

Along these lines, and to ensure that our items are safe and healthy as of this point in time, we provide our suppliers (those tasked with producing the item) with in-depth information on the design, the raw materials chosen (fabrics, sewing threads and interlinings) and the accessories (buttons, zips, and appliqués), as well as the manufacturing processes to be undertaken, and the dimensions of laces or drawstrings, if applicable.

Our commitment: *All designers in the Group to be trained in circular economy principles before 2020.*

IN 2019 WE CARRIED OUT A NUMBER OF COMMERCIAL INITIATIVES WHERE THE DESIGN OF COLLECTIONS WAS BASED ON THE SELECTION OF ESPECIALLY SUSTAINABLE MATERIALS:

In Bershka we launched a collection jointly with *National Geographic* inspired in nature and made using materials such as recycled polyester or organically grown cotton.

In addition, the *Care for Water* collection is the start of a partnership between *Water.org*, *Organic Cotton Accelerator* (OCA) and Zara. The initiative seeks to make a positive impact on water management in organic-cotton-producing communities. Therefore, all the garments have been made paying special attention to water usage, using materials and technologies to reduce its consumption and preserve fresh water resources.

Also in Zara, we launched a *denim* clothing collection made from recycled jeans. To do so, we used garments recovered from non-profit organisations that collaborate with our *Closing the Loop* programme for collecting used clothing. This programme enables us to extend the useful life of products, creating new garments from recycled materials.

At Zara we created the *Upcycled Outerwear* Collection, produced using recycled polyester obtained from plastic waste. This material has been picked up on beaches and riverbanks on the Riviera Maya coast, in coastal areas where there are no waste management systems.

Selection of materials

SELECTION OF MATERIALS
- JOIN LIFE → *Care for fiber, Care for water, Care for planet*
- MORE SUSTAINABLE RAW MATERIALS → Cotton, linen, and sustainable viscose; recycled materials, Animal Welfare Policy; improved forestry

SDG	Goals	Inditex contribution
12	12.2 12.8	We use the Join Life label to identify all garments made of the most sustainable raw materials and the most environmentally friendly production processes. Through Join Life, we endeavour to curb our impact and steadily boost the level of demand of sustainability criteria in our garments.
15	15.1	Our Biodiversity Strategy, which is based on the principles of the United Nations Convention on Biological Diversity, and the Forest Product Policy includes our commitment to forest ecosystem and nature conservation. We thus pay special attention to the raw materials we choose to make our products, as these decisions have a direct impact on biodiversity and the use of natural resources.

More information on pages 328 and 329 of this Annual Report.

At Inditex we are committed to the protection and development of biodiversity through the responsible and sustainable management of natural resources. This commitment is mirrored in our Biodiversity Strategy, based on the principles of the United Nations Convention on Biological Diversity, the purpose of which is to protect biodiversity throughout all the levels of our activity and provide guidelines to enable our business decisions to meet ethical and environmental criteria.

For this reason, we pay special attention to the raw materials we choose for our products, as these decisions have a direct impact on biodiversity and the use of natural resources:

- We have increased the use of sustainable raw materials such as organic cotton, TENCEL® Lyocell and recycled fibres.

- We train our supply chain to manage their resources responsibly.

- We use sustainable sources in our wooden furniture and paper products.

Our commitment: *Over 25% of garments to be Join Life in 2020*

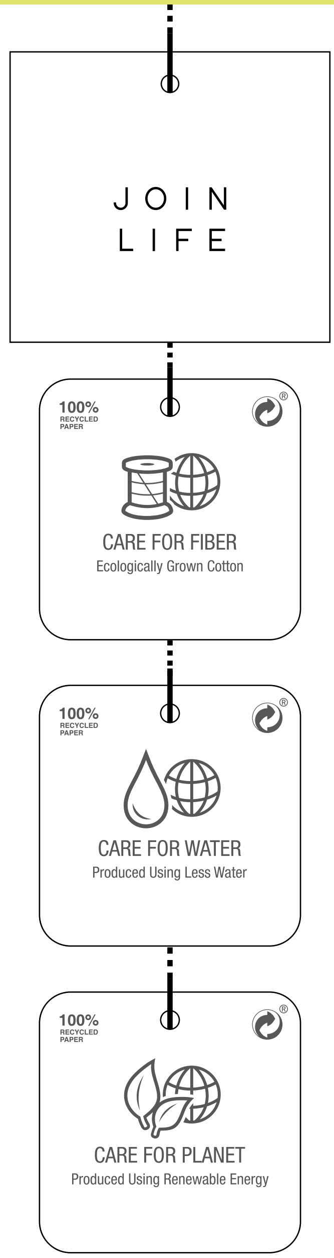
01/ Join Life

At Inditex we use our *Join Life* label for garments made of the most sustainable raw materials and the production processes that are most respectful of the environment. Through *Join Life*, we endeavour to curb our impact and steadily boost the level of demand of sustainability criteria in our garments. *Join Life* sets the bar that our whole production must aim to reach.

Join Life is based on acknowledged standards for raw material, production and traceability, supplemented by audits that safeguard a high level of performance from both a social and environmental viewpoint. For example, as regards viscose, solely the fibres that already meet the CanopyStyle initiative requirements and the commitments set out in the Changing Markets RoadMap are admitted into this category.

All Join Life garments use raw materials and production processes that reduce environmental impact.

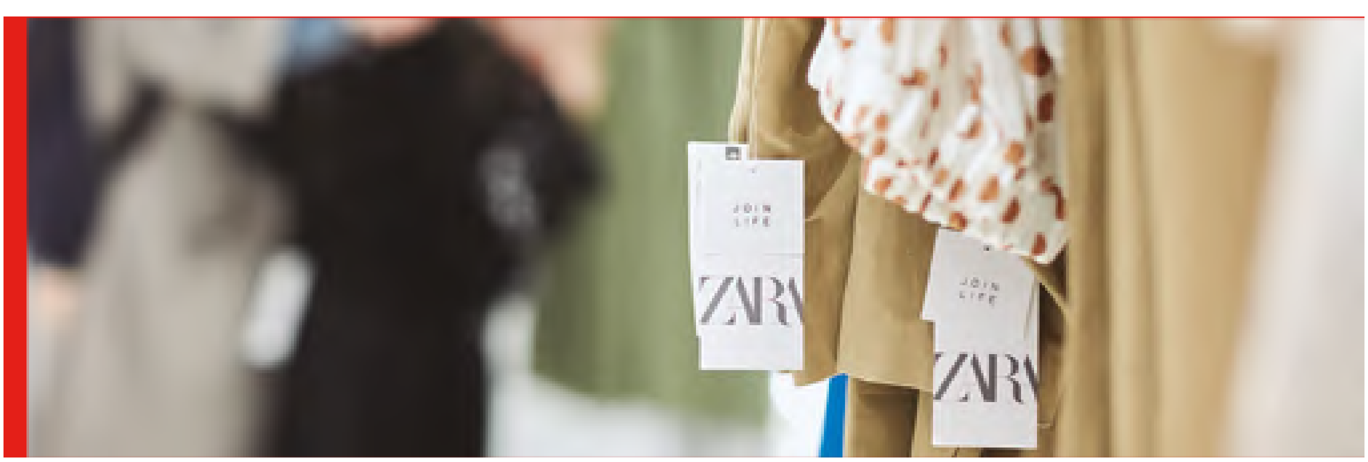
All our formats have worked throughout 2019 on our *Join Life* standard. Some of them raised the number of *Join Life* items they launched into the market by more than 20%. This is the case with Oysho (37%), Bershka (25%) and Zara (21%). Our brands' drive has meant that 19% of our garments were sold under the *Join Life* label in 2019, in line with the 2020 target of 25% of Inditex garments in the market sold under this label.



Care for fiber. We use the *Care for fiber* label for garments produced using the most sustainable raw materials such as organic cotton, TENCEL®Lyocell or recycled fibres, among others.

Care for water. Garments produced using technologies that reduce water usage in their production processes. The garment dyeing and washing processes use the largest amounts of water. The use of closed cycles that allow for water reuse or technologies such as ozone or *cold pad batch* help us to preserve freshwater resources.

Care for planet. Garments produced using processes which help reduce emissions and the use of chemical products in production processes. The use of technologies such as renewable energy consumption or tanneries certified by *Leather Working Group* enable us to carry out washing, dyeing or tanning processes in a more sustainable way.



***Our commitment:** 100% of the cotton, polyester and linen used in our products will be recycled or will come from sustainable sources in 2025.*

02/ More sustainable raw materials

IN 2019, WE INCREASED THE USE OF RECYCLED MATERIALS BY 250%

The selection of materials is a core element of the design process. In line with the principles of our Environmental Sustainability Policy and our Sustainability Roadmap, one of our priorities is to champion the use of more sustainable fibres that have a better environmental performance and involve more efficient consumption of resources.

In 2019 we consumed approximately hundreds of different raw materials. For information purposes, all these raw materials have been grouped, according to their origin, into two main categories: fibres and non-fibres. According to their weight, this year's consumption in these categories was 89% and 11%, respectively.

In turn, the fibres category is classified – according to their source – into three different groups, the weight of which varies according to their consumption which, in 2019, was as follows:

TYPE OF FIBRE	DESCRIPTION	% OF TOTAL FIBRE CONSUMPTION (BASED ON WEIGHT)
Natural fibres	Natural filaments that can be threaded to obtain strands, threads or twine.	50%
Synthetic fibres	Polymers that are not naturally produced, but created in a chemical plant or a laboratory, almost always using petroleum or natural gas by-products.	38%
Artificial fibres	Are made using a natural component as a raw material that undergoes a number of processes in a chemical plant or a laboratory.	12%

Non-fibres include different raw materials of a natural origin (vegetable, animal and mineral) and artificial, whose relative importance in the overall consumption of the Group does not merit an individual breakdown.

Our commitment in this area has enabled us to achieve the following results of tons of sustainable raw materials used for the garments made available for sale, with goals for 2025.

2019

RAW MATERIAL	TONS	% VARIATION COMPARED TO 2018
Sustainable cotton (organic, BCI & recycled)	38,676	105%
Recycled polyester	5,332	183%
Sustainable linen	1,813	581%
Sustainable viscose	6,692	111%

IN 2019, WE INCREASED THE USE OF SUSTAINABLE COTTON BY 105%

Cotton is the most common raw material used to produce our garments. For this reason, we have decidedly committed to organically grown cotton, enabling us to improve our environmental performance, since it is grown with more sustainable practices and solely use non-GMO seeds.

Our commitment is summarised as a collaboration with the most relevant international initiatives that foster the sustainability of the cotton sector. Thus, we are members of the Textile Exchange, we partner with the Better Cotton Initiative (BCI) and we are one of the founders of the Organic Cotton Accelerator (OCA) initiative. Since 2017, we have also held a public-private partnership with the International Labour Organization to improve the working conditions of workers in the cotton supply chain.

More information about our collaboration with civil society in the chapter on Partnerships and Collaborations, on page 309 of this Annual Report.

We seek to highlight and promote the best technologies and the use of more sustainable raw materials such as TENCEL®Lyocell, organic cotton and linen, the most sustainable viscose meeting the standards of the *European Union Best Available Techniques* and fabrics made from recycled polyester, polyamide, cotton and wool. Furthermore, as a new feature during 2019, we have included recycled leather, enabling us to leverage the waste generated in large amounts from the leather production process, and curb the environmental impact resulting from dumping them in landfills.

The impetus to bring recycled materials into our collections is mirrored in its striking rise in use. In 2019, we have launched to market a total of 7,589 tons of items with recycled materials, resulting in a 250% increase on 2018. At the same time, Inditex ranks eighth in the classification of companies with the highest volume of consumption of recycled cotton.

As a result of this strong commitment to using more sustainable raw materials, in the 2019 edition of its report *Material Change Insights Report*[1], the independent organisation Textile Exchange positioned Inditex as the third company in the world in terms of volume of organic cotton consumption, and fifth in terms of volume of recycled cotton. It also ranks our company second in the use of the Lyocell sustainable fibre, in fourth place worldwide in the consumption of sustainably sourced cellulose fibres, and tenth in terms of volume of consumption of recycled polyester. In its Material Change Index (MCI), for the first time ever, we reached the Leading performance level in the cotton category and in the alignment with the SDGs category.

In order to advance in the compliance of the goals set, during 2019 we have continued to promote innovation in the development of new materials and technologies to improve the sustainability of the textile fibres used. The new lines of research consider improvements focusing both in the optimisation of the consumption of virgin materials and their subsequent recycling. We continue to foster various lines of collaboration, both with members of our supply chain and with renowned academic institutions, to encourage research on sustainability in the textile industry.

In this regard, at Inditex we work with prestigious entities such as the *Massachusetts Institute of Technology* (MIT) and Cáritas, among others, to advance in textile recycling processes and technologies to help us comply with our strategic circular economy goals. It is also worth mentioning the collaboration with the Austrian company Lenzing to transform textile waste into a new material, REFIBRA™ Lyocell, for reuse in our products.

(1) Source: Material Change Insights Report 2019, Textile Exchange.

Collaboration with Organic Cotton Accelerator (OCA)

We are one of the founding members and part of the *Investment Committee* on Organic Cotton Accelerator, a multisectorial initiative that supports organic cotton producers to ensure the sustainable growth of the industry and that all players benefit from the grower to the end consumer. The growing of organic or ecological cotton only uses natural fertilisers and pesticides, and avoids the use of genetically modified organisms (GMOs). During 2019 Inditex has taken part in several Farmer Engagement and Development (FED) programmes. Directly collaborating with upwards of 5,900 small farmers and training them in organic practices, this helps to preserve local biodiversity, enrich soils, eliminate chemical fertilisers and pesticides, as well as to prohibit the genetic modification of seeds.

Every dollar invested in OCA programmes improves the returns and prosperity of farmers, contributes to environmental sustainability and, lastly, bolsters the integrity of the cotton sector. Farmers are the catalysts of this change, enabling the sector to be strengthened and helping to protect the planet. This has a positive domino effect: their income increases, their families and communities prosper, and the soil and land upon which they farm are more fertile. This translates to increased local biodiversity and better planet protection.

Farmers beginning to use organic practices thanks to the FED programmes, acknowledge that they improve the quality of the soil upon which they farm, which leads to increased income.

Our commitment: *100% of sustainable cellulose fibres, supporting the responsible viscose commitment for 2023.*

In 2019, we joined the European Commission *Product Environmental Footprint (PEF) for Apparel and Footwear* project. This is a three-year project (2019-2021) with the aim of creating the set of rules to calculate the relevant environmental information associated with products. Thus, this project follows on from the work carried out in 2016 when we took part in the European Commission PEF for footwear.

02.01/ Boost to the use of more sustainable artificial fibres

Our commitment to forest protection is inseparable from our endeavours to guarantee the sustainability of our products and our business.

As regards artificial cellulose fibres, we continue to progress in meeting the goals set in our Forest Product Policy and in our Sustainability Roadmap. They establish that, by 2020, any artificial fibres used to make Inditex garments will not come from protected forests. This commitment is also strengthened through collaborations with organisations such as Canopy Planet and Changing Markets.

Specifically, our collaboration with Canopy Planet is part of the *CanopyStyle* initiative. Inditex and other textile brands champion the protection of primary forests of high ecological value among the world's main manufacturers of fibres sourced from forests.

Over 200 brands have currently adhered to this initiative, thanks to which, in 2019 we have managed to achieve the figure of 88.6% of the world's fibre production now coming from manufacturers who support a policy that eliminates the supply of materials from primary forests, while progressing in innovative solutions to reduce the pressure on the forests. Moreover, 65% of the world's production comes from manufacturers who have completed the audit process and 42.5% of the world's production is free from the risk of being supplied from primary forests.

Beyond the source of the raw material, we also partner with Changing Markets Foundation to safeguard more sustainable viscose production throughout the supply chain. Through this partnership we have integrated the organisation's roadmap (*Roadmap towards responsible viscose & modal fibre manufacturing*) into our Forest Product Policy.

Leadership in the transition towards responsible viscose

For the second year running, Inditex is included in the *retail frontrunner* category thanks to its strong support of production and sale of responsible viscose, according to the report *The Dirty Fashion Disrupted: Leaders and Laggards Revealed* created by Changing Markets Foundation.

The latest edition of this study assesses the efforts made in transparency, sustainability and environmental impact in the production and sale of viscose and other cellulose fibres of 91 companies worldwide, as well as its main suppliers.

The organisation has assessed the joint work with suppliers in the transition towards responsible viscose. The study also highlights our commitment to sustainably sourced textile cellulose fibres in our Sustainability Roadmap for 2023.

Our internal laboratories apply the most demanding international standards in their testing, in order to ensure the thorough inspection of the product.

Checking the raw material

Once the raw material has been chosen, we verify – from the sourcing stage (in fabrics, such as leather, piping and appliqués, in addition to others) – compliance with our health and safety standards. The dyeing, printing, and finishes are also verified.

In order ensure the thorough inspection of the product in these initial phases of its cycle, we have a network of internal control laboratories that conduct testing pursuant to the most-demanding international standards. These laboratories, thus, become an effective instrument to foresee possible breaches of our product health and safety standards – Clear to Wear and Safe to Wear.

We currently have an internal analytical structure with six laboratories and with the necessary technology to be able to analyse up to 18 substances and parameters regulated under the Clear to Wear and Safe to Wear standards. At these facilities we are also tasked with overseeing the conformity of fabrics with our standards' health, safety, and quality parameters.

More information about health and safety standards on page 153 of this Annual Report.

02.02/ Animal Welfare Policy

Our Animal Welfare Policy includes ethical standards in the use of animal-based products, pursuant to the *Five Freedoms* of animal welfare for the ethical and responsible treatment of animals, and it has been developed in partnership with the Humane Society of the United States (HSUS).

All animal-based components in items marketed by our brands must be sourced from ethically and responsibly treated animals. We do not use leather or products originating from animals exclusively slaughtered to sell their leather, shells, horns, bones, feather, down, or any other material, or cosmetics tested on animals.

By virtue of our commitment to PETA, we have not marketed any products with angora wool since 2015, and we have also committed to phase out the small number of products our apparel brands sell containing mohair, so all their products will be completely mohair-free by the 2020 Spring-Summer campaign. Similarly, and as members of the Fur. Free Alliance Fur Free Retailer programme since 2013, we do not use fur.

More information at: https://www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop/sustainable-materials/animal-welfare

02.03/ Collaboration for improved forestry

The textile sector uses vast amounts of forest products: cardboard and paper, used in the transport of our garments from production until they reach the store; and plant fibres in some of our garments. This is the reason why our commitment to forest protection is relevant.

Within the framework of our forestry strategy, we have been collaborating since 2007 with the Xunta de Galicia and the Forestry Research Centre of Lourizán, supporting its programme of genetic improvement of the many forest species of Galicia. The commitment was bolstered in 2015, with the creation of a biological carbon sink model at Mount Pico Sacro, also designed as a forestry laboratory for training and awareness-raising purposes, in collaboration with the Forest Stewardship Council (FSC) and the Forestry Association of Galicia. Several training activities have been carried out since its launch, ranging from tree-planting and pruning courses, to specific sessions for forestry technicians and certification and protection of the territory.

In 2019, we also obtained the FSC certificate for ecosystem services for carbon and diversity at Pico Sacro. Thus, the site has become Spain's first SLIMF-type (*Small and Low Intensity Managed Forests*) biological sink to receive this certificate. According to the calculation process recommended by the Spanish Climate Change Office, it is estimated that with the new plantings carried out at Pico Sacro on 31 January 2020, CO_2 absorption by trees will reach the figure of 683 tons over the next 30 years.

This year, we have also consolidated the certification of non-wood forestry products with the SCLO (*Small and Community Label Option*) label. The goal is to create FSC-certified products to be sold under the FSC SCLO label.

Our Supply Chain

OUR SUPPLY CHAIN

- DESCRIPTION OF OUR SUPPLY CHAIN
  - Traceability
  - *Pre-assessment*
  - Responsible Purchasing Practices
  - Transparency and reporting
- SOCIAL MANAGEMENT OF THE SUPPLY CHAIN
  - *Workers at the Centre 2019-2022* Strategy
  - Priority Impact Areas
  - Compliance
- ENVIRONMENTAL MANAGEMENT OF THE SUPPLY CHAIN
  - *The List, by Inditex*
  - *Ready to Manufacture*
  - Water management

SDG	Goals	Inditex contribution
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2	Our commitment to the supply chain is crucial to ensure a responsible model both in terms of production and consumption. By virtue of our efforts in applying standards and policies on traceability, transparency and responsible purchasing practices, we can ensure that our sustainability principles are applied throughout the supply chain, while simultaneously providing information on them to our stakeholder groups, thus, championing a responsible model of production and consumption.

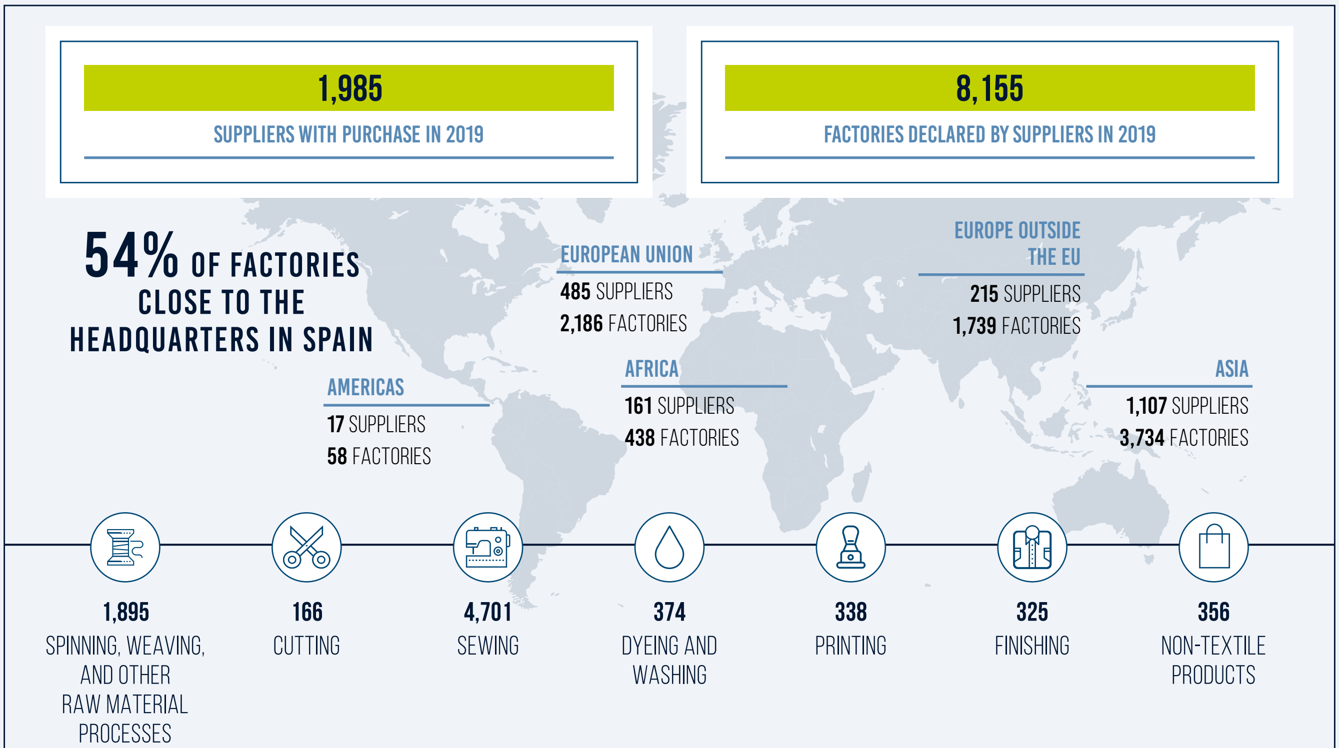
More information on pages 328 and 329 of this Annual Report.

Description of our supply chain

One of the aspects that sets our business model apart is our supply chain. To a large extent, our products are manufactured and sourced in areas close to the design centres, ensuring the necessary capacity and flexibility to adapt production to changing trends and market demand. During 2019, 54% of the factories where our items were produced are nearby (in countries such as Spain, Portugal, Morocco, and Turkey).

In 2019, our supply chain comprised a network of 1,985[1] suppliers, which worked with 8,155 factories[2] providing work for 2.9 million people.

In 2019 we have extended the scope of the information reported on suppliers, also including suppliers pertaining to non-textile items[3] (Extended Scope), which are also subject to all our standards and programmes.



THE SUPPLY CHAIN AT INDITEX 2019

	SUPPLIERS WITH PURCHASES 2018 (4)	SUPPLIERS NOT USED IN 2019	NEW SUPPLIERS 2019	SUPPLIERS WITH PURCHASES 2019
Africa	146	11	26	161
Americas	23	8	2	17
Asia	1,138	255	224	1,107
Europe outside the EU	200	29	44	215
European Union	519	96	62	485
TOTAL	**2,026**	**399**	**358**	**1,985**

(1) Suppliers of fashion items with a production of over 20,000 units/year in the 2019 spring/summer and autumn/winter campaigns. Suppliers with lower productions account for 0.27% of total production.

(2) Factories declared by the suppliers in the product traceability system for 2019 orders.

(3) This Extended Scope information is not comparable with that reported in previous years. Excluding the extended scope, the number of suppliers in 2019 would be 1,801 and the number of factories would be 7,799.

(4) The number of suppliers with purchase in 2018 includes the extended scope.

Considering the broad ecosystem of countries, suppliers, factories and, above all, workers and families linked to our production processes, we address our supply chain's social management with a responsible, transparent, and cross-cutting approach, subject to the respect of human rights in all its phases.

Furthermore, this responsible management requires sound policies and procedures to address the geopolitical, demographic, socio-economic and environmental challenges in the sourcing countries. The foregoing is conducted under strict standards, applied by the whole Company and transparently shared with our suppliers. With them we build stable and trusting relationships with joint responsibility, which foster a responsible and sustainable production environment.

The responsible management of our supply chain is based on:

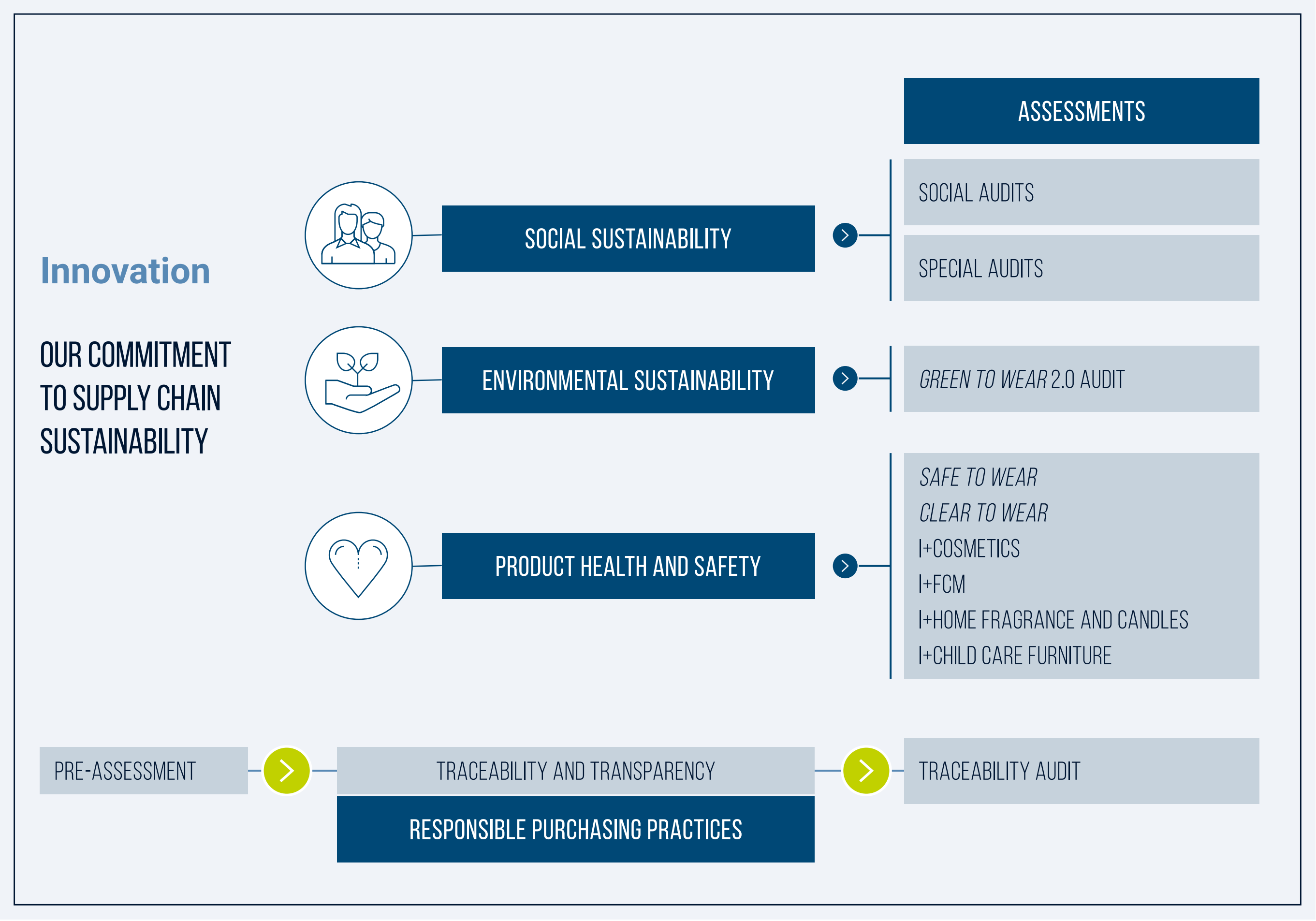
- **Social sustainability:** we work to ensure decent working conditions for the workers of the suppliers and factories comprising our supply chain.

More information about Social Management of the Supply Chain on page 98 of this Annual Report.

- **Environmental sustainability:** we develop sustainable production and consumption initiatives, we foster the use of renewable energy sources and the reduction of emissions, and we guarantee the health and safety of our products, with the goal of protecting the biodiversity of the value chain and of our own products.

More information in the sections Environmental Management of the Supply Chain - from page 148; Product Health and Safety - from page 152; and Decarbonisation and Circularity - from page 160 - of this Annual Report.

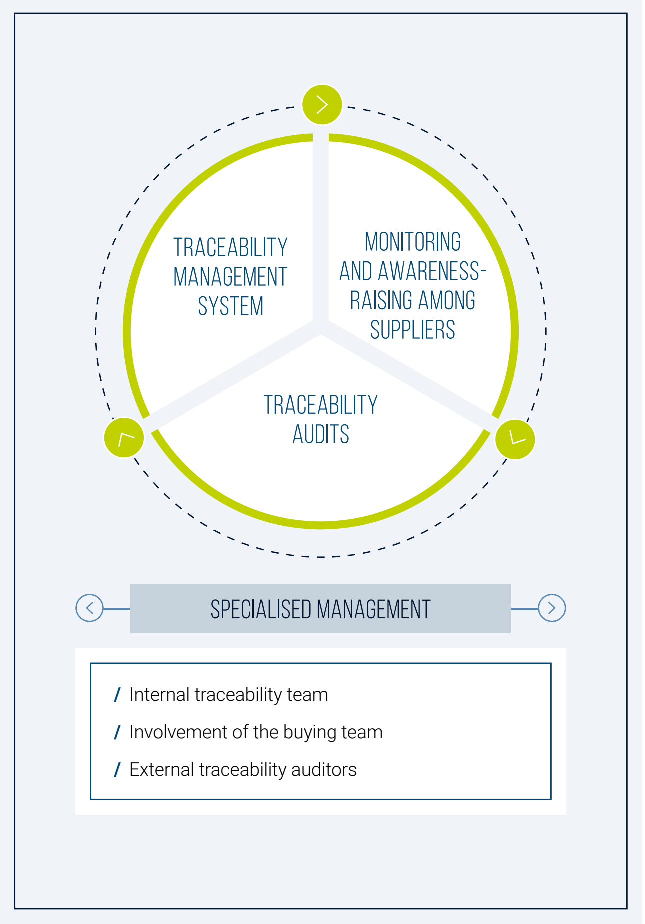
In order to apply our sustainability policies and procedures throughout the supply chain, the work of our 12 supplier clusters – comprising 96% of the total production – is crucial: Spain, Portugal, Morocco, Turkey, India, Bangladesh, Pakistan, Vietnam, China, Cambodia, Brazil and Argentina. These clusters are spaces for cooperation and dialogue, the purpose of which is to foster a sustainable production environment in a strategic geographic area and within a framework of compliance with human rights and environmental friendliness.



01/ Traceability

The traceability of the supply chain is a vital first step in its management. With a global supply chain, we devote extensive efforts to raise awareness around the players involved in our production, to ensure they all comply with the Inditex sustainability commitments.

The Inditex traceability strategy is based on three core pillars.



01.01/ Traceability management system

The traceability management system used by Inditex and developed internally over more than a decade, has evolved to enable its use by all stakeholders (both internal teams and suppliers).

This evolution has enabled the scope of the information gathered and verified to be broadened, as well as that of the technology and methodology used, ranging from the initial approach on the finished product, to the inclusion of all the processes involved in manufacture, to the raw materials.

Suppliers are required to record each and every one of the factories they intend to use for our productions, which must pass the corresponding controls to be approved and authorised. Subsequently, for each order they receive, suppliers must assign the factories that are going to be involved, specifying units and processes, from the raw material to the finished product. Along these lines, each supplier is responsible for the factories it uses and it must work with Inditex to ensure compliance with all our sustainability standards.

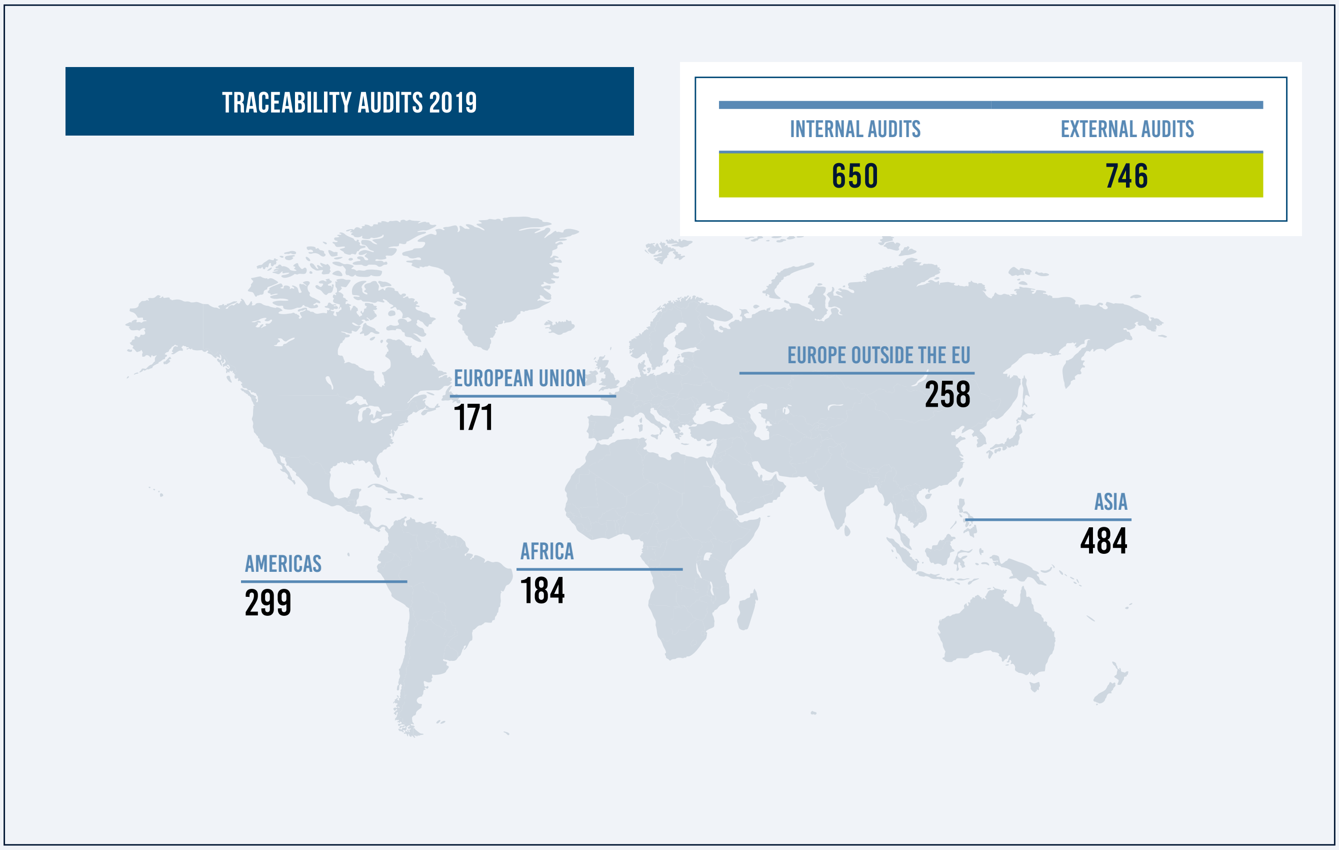
In 2019, we have strengthened our efforts to guarantee the traceability of all the processes related to raw materials, including spinning, weaving, and raw material wet process facilities. This initiative poses a huge challenge both for Inditex and for its suppliers.

01.02/ Monitoring and awareness-raising among suppliers

All the suppliers must share our culture of sustainability as an essential requirement to be able to produce the items marketed by Inditex. This shared culture must begin even before the start of business relations, and the buying teams are tasked with first conveying the importance of being aligned to this effect.

Each supplier must know its supply chain and declare it to be complete in the traceability management system. Through this platform, the supplier can and must manage its supply chain, and it can receive and provide information on the social, environmental, and product health and safety aspects of each of the factories it uses. At Inditex we have various tools to verify the compliance of all the factories and we work with suppliers, when necessary, on their improvement.

Our criteria are strict because sustainability is a core element of our business model. Similarly, we offer the suppliers training, awareness-raising and support so that, together, we have a positive impact on the communities where we operate and, thus, to be a driver for social and environmental change and improvement in the industry.



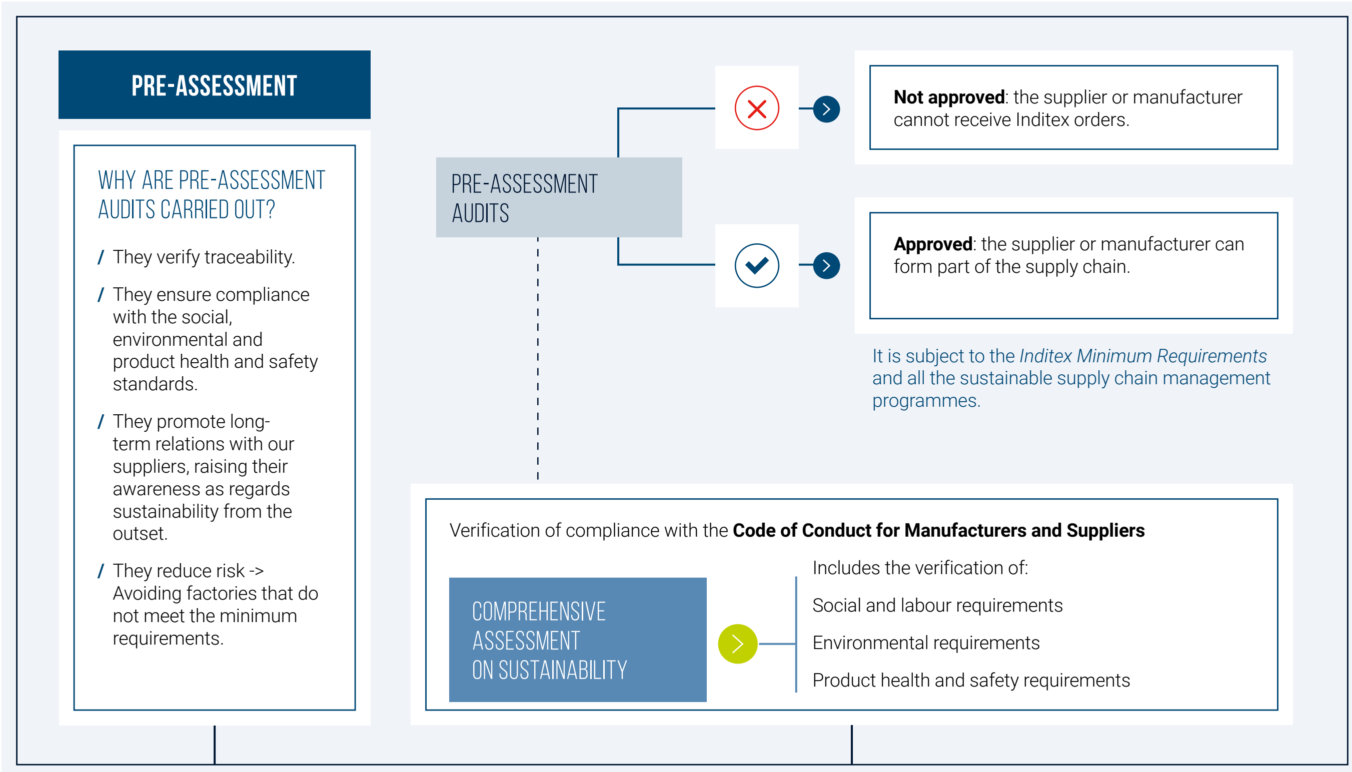
Traceability audits

The traceability team monitors the assignment of manufacturers by the suppliers in each order placed. Based on this analysis, traceability audits are triggered, the methodology of which was updated in 2019. The main aim comprises verifying ***in situ*** that the Group's production is undertaken in duly declared and authorised factories.

The traceability audit methodology features two-step deployment. The first step comprises an unannounced visit to the factory's facilities to verify the production processes it can carry out, ongoing production and completed production. In the second step, the result of the visit is compared with the information recorded by the suppliers in the platform (traceability management system), to demonstrate both the processes and the units completed by the factory.

A total of 1,396 traceability audits were conducted in 2019. The process of implementing the new methodology was staggered, to guarantee a correct and standardised operation, and to ensure the quality of the audits. The number of traceability breaches was 247, above the figure recorded in previous years. This is because the new methodology is able to detect inconsistencies more thoroughly. Non-conformities are categorised according to severity and, in all cases, corrective plans are established which the supplier must carry out.

The traceability of the supply chain is the vital first step in its management. In 2019, the methodology of the audits was updated and strengthened, to detect inconsistencies more comprehensively.



02/ Pre-Assessment

Even before forming part of the Inditex supply chain, 100% of aspiring suppliers and manufacturers are evaluated by a pre-assessment audit that guarantees that only those who comply with our sustainability standards can form part of our supply chain.

The *pre-assessment* audit is conducted by external or internal auditors and without prior notification. This type of audit was designed to verify the degree of compliance of potential business partners with the Inditex Code of Conduct for Manufacturers and Suppliers, and it contains the minimum requirements in terms of social and labour rights.

A noteworthy major milestone for 2019 is the extension of the scope of these *pre-assessment* audits. The extended scope has involved bolstering the verification of the environmental and product health and safety requirements covered in the Green to Wear standard. Thus, it has become a more comprehensive assessment in terms of supplier sustainability, in a phase prior to the start of its relationship with Inditex.

Inditex carried out 2,789 *pre-assessment* audits during 2019, 612 more than in the previous year. A total of 2,767 of these were conducted by external auditors, who are trained to correctly apply the Inditex methodology.

Approved companies can receive orders from the buying teams and are subject from that moment to the standards laid down in the *Inditex Minimum Requirements* document, which includes the social, environmental and product health and safety requirements.

PRE-ASSESSMENT AUDITS IN 2019

GEOGRAPHIC AREA	*PRE-ASSESSMENT* AUDITS	APPROVED %
Africa	110	86%
Americas	12	83%
Asia	1,955	77%
Europe outside the EU	388	84%
European Union	324	94%
TOTAL	**2,789**	**81%**

The responsible purchasing practices are an essential part of our activity. With this goal, we have developed management systems that inform buying teams of the performance of each supplier and each factory to help with their buying decisions.

03/ Responsible purchasing practices

Supply chain sustainability is inherently linked to purchasing practices. At Inditex, the sustainability culture permeates the entire business model and, in particular, the purchasing area, since all its decisions are subject to sustainability criteria.

With this goal, we have developed management systems that let all the buying teams know the performance of each supplier and each factory in terms of the social, environmental and product health and safety aspects, to help with their buying decisions.

During 2019, we have continued to develop content and methodologies for environmental sustainability training. Upwards of 22,000 employees have received environmental information since 2014. In parallel, and with the goal of strengthening our commitment, we have taken a step further in this responsible approach and we have included sustainability-related goals in our employees' variable pay.

03.01/ Involvement and engagement of industry

At Inditex we uphold an open and collaborative approach with other bodies and we actively participate in the industry's global initiatives as the mainspring for positive impact, with the aim that the sector adopts widespread sustainable practices.

Following this philosophy, Inditex – together with other international brands and IndustriALL Global Union – is working wiht the ACT (Action, Collaboration, Transformation) initiative to transform the textile industry and achieve living wages for workers, through collective bargaining and the purchasing practices of brands.

In this sense, purchasing practices are one of the cornerstones of the industry's joint work that is being carried out through ACT. Thus, we integrate actions and commitments into our internal practices that apply to the entire industry. Along these lines, the ACT members have agreed upon the following five commitments relating to our purchasing practices:

ACT: BRAND COMMITMENTS

COMMITMENT

1. Purchasing prices to include wages as an itemised cost.
2. Fair terms of payment.
3. Improve planning and *forecasting*.
4. Train all the employees directly related to the purchase in responsible purchasing practices.
5. Practice responsible exit strategies.

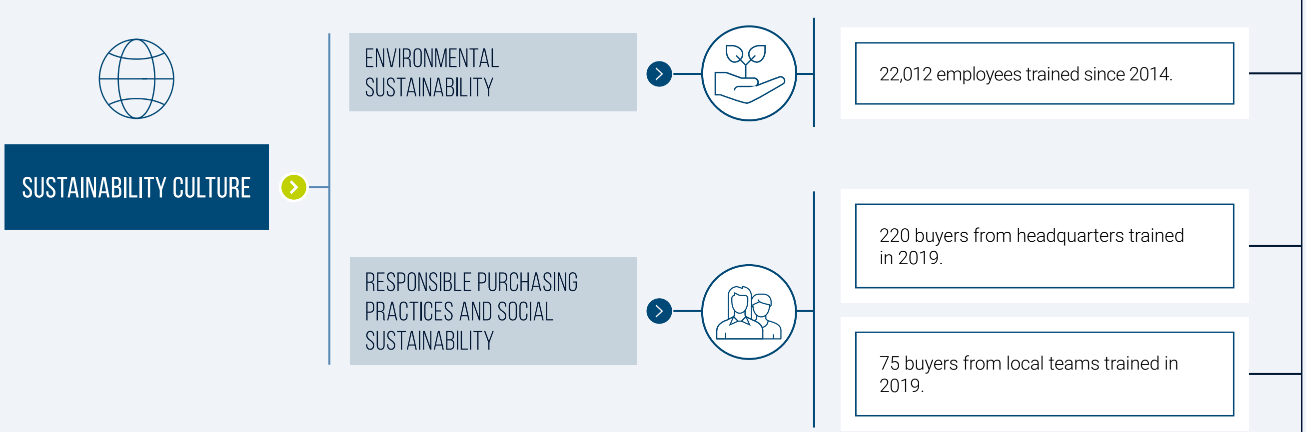
Pursuant to the compliance with these goals, throughout 2019 we have trained 220 buyers from our headquarters and 75 buyers from the local teams in various clusters such as Turkey, India and Bangladesh.

As part of this training, we have addressed the relationship between responsible purchasing practices and the critical factors of a production's useful life, in order to assess the impact on the wage and life of the affected workers in the supply chain.

Furthermore, various events with suppliers and key buyers have been held, to assess various working methods in order to implement new parameters for measuring the five commitments.

More information about the ACT initiative on page 111 of this Annual Report.

TRAINING EMPLOYEES ON SUSTAINABILITY AND RESPONSIBLE PURCHASING PRACTICES



04/ Transparency and accountability

TRANSPARENCY AND ACCOUNTABILITY COMMITMENTS

FEATURED CONTRIBUTION

STAKEHOLDER GROUPS	
INDUSTRIALL GLOBAL UNION	Through the Global Framework Agreement renewed in 2019, IndustriALL has access to the full and up-to-date list of our suppliers and manufacturers and their degree of compliance with sustainability. We provide IndustriALL and its local affiliates with access to all the companies comprising the supply chain. More information on page 105 of this Annual Report.
INTERNATIONAL LABOUR ORGANIZATION (ILO)	109 factories in our supply chain in Cambodia, Vietnam, Indonesia and Bangladesh formed part of the ILO Better Work programme in 2019. We also hold a public-private partnership to protect labour rights in the cotton supply chain. More information on page 140 of this Annual Report.
CHINA'S INSTITUTE OF PUBLIC AND ENVIRONMENTAL AFFAIRS	We provide access to environmental information on our production. The list of direct and indirect factories that carry out wet processes declared by our suppliers is available to the public at the website: www.wateractionplan.com
NGOs	We partner with non-profit organisations and provide them with information on our supply chain. These include, *inter alia*, Greenpeace, Clean Clothes Campaign, Fashion Revolution, Baptist World Aid, etc. More information on page 315 of this Annual Report.
INVESTORS, STOCK INDEXES	Our commitment to transparency and accountability has been rated positively by several organisations such as the Dow Jones Sustainability Index, FTSE4Good, and Corporate Knights, in addition to others. More information on page 315 of this Annual Report.
CUSTOMERS	We inform customers who request it about the origin of our articles, as well as the conditions of the workers involved in their production. In addition, our Join Life labeling standard specifically discloses the sustainability parameters of our articles. In 2019, we attended to more than 3,000 requests for information from our customers regarding the sustainability of our articles and our Join Life standard.
INDUSTRY	Through our involvement in initiatives such as the Bangladesh Accord and ACT on Living Wages, we share supply chain information with other brands and players in the industry to achieve a collective impact in the sector

Social Management of the Supply Chain

SDG	Goals	Inditex contribution
3	3.9	Our commitment to guarantee safe and healthy working environments for the workers in our supply chain is mirrored in the Code of Conduct for Manufacturers and Suppliers and it is implemented in various initiatives and programmes that we conduct as part of our *Workers at the Centre 2019-2022* Strategy.
5	5.1 5.2	Women hold a high percentage of jobs in the textile sector supply chain throughout the world. Therefore, we want to guarantee the equality of female workers and to champion their empowerment. To do so, we have a strategy based on SDG 5, which is deployed through three pillars: health, protection, and empowerment.
8	8.5 8.7 8.8	This year we have approved our new social sustainability strategy, *Workers at the Centre 2019-2022*, through which we want to add value in priority impact areas that contribute to fostering decent work and the well-being of the more than two million workers comprising our supply chain.
17	17.16 17.17	We collaborate and hold strategic partnerships with our suppliers, as well as trade unions, governments, NGOs, and relevant international organisations, such as the International Labour Organization (ILO) and the United Nations Global Compact, to progress towards sustainable development in the supply chain and work together to champion human and labour rights.

More information on pages 328 and 329 of this Annual Report.

The socially responsible management of the supply chain is based on respect for human and labour rights and it is an essential part of Inditex's sustainable model. Over the years, we have built strategies and programmes that gather the international best practices and raise awareness on the supply chain, its context, and workers' needs. These strategies meet our approach to social sustainability, as a result of the ongoing due diligence and our proximity to the suppliers, workers and stakeholder groups involved.

In 2019, we have implemented a new strategy for the social sustainability of the supply chain, which we have called *Workers at the Centre 2019-2022* (2019-2022 Strategy).

In 2019, we have implemented a new strategy for the social sustainability of the supply chain: Workers at the Centre 2019-2022.

The previous *2014–2018 Strategic Plan for a Stable and Sustainable Supply Chain* strengthened the sound basis of programmes and mechanisms to ensure compliance with Inditex's Code of Conduct for Manufacturers and Suppliers. Despite the fact that this strategy ended last year, its content continues to be implemented through a compliance approach, which is necessary to address our commitments to social sustainability in the factories in our supply chain and with the involvement of our suppliers.

Social sustainability has evolved rapidly in recent years and the current context is much more complex than when the last strategy was set out. Sustainability is envisaged in a cross-cutting way and, given that the business itself has also evolved, it must constantly adapt in the same way. Along these lines, there is more than one business case for the social sustainability of the supply chain and they have all been considered when drawing up the new strategy: responsibility as a company; non-financial risk management; the relevance of sustainability in the business model; increasing customer expectations or relations with other stakeholder groups; as well as the changing and increasingly demanding environment in the sector.

Based on our approach to supply chain sustainability, the findings from the previous Strategic Plan and the responses to the challenges of a global supply chain, the key drivers of the new social sustainability strategy are as follows:

- The positive impact on the workers.

- The creation of social value in the community and in the industry.

Furthermore, the *Workers at the Centre 2019-2022* Strategy is supplemented by a compliance approach that serves as a tool to gain further knowledge into the workers and their needs, as well as to manage the various suppliers and factories comprising the supply chain.

More information about the Inditex supply chain on page 88 of this Annual Report.

OUR APPROACH TO THE SOCIAL SUSTAINABILITY OF THE SUPPLY CHAIN

CHALLENGES

- Changing environment at a faster pace
- Increased requirements of all the stakeholder groups
- Dynamic and constantly changing supply chain

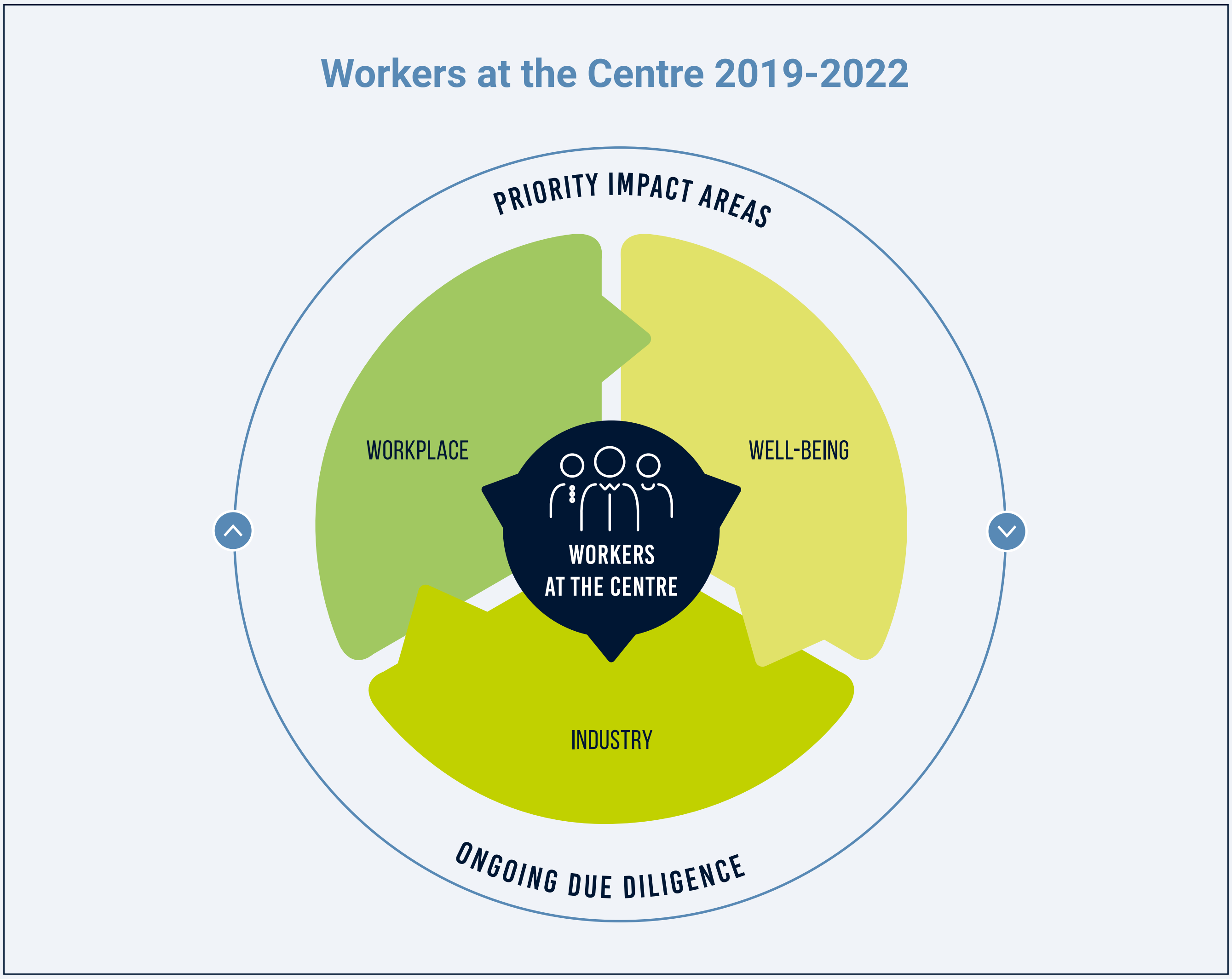
OPPORTUNITIES

- Focus on human rights shared with more players in the supply chain
- Global Sustainable Development Goals (SDGs)
- Greater interconnection with stakeholder groups
- Application of new technologies
- More demanding legislation supporting global progress
- Innovation in the social management of the supply chain

Our ***Workers at the Centre 2019-2022*** Strategy enables us to address these and other possible future challenges and to make use of opportunities to continue to work on the Social Sustainability of the supply chain.

01/ Workers at the Centre 2019-2022 Strategy

The *Workers at the Centre 2019-2022* Strategy is based on the premise of understanding and responding to the needs of workers, their families and the communities in which they live, to foster decent work and sustainable production environments. The guiding international frameworks regarding human and labour rights have been taken into account when defining the strategy.



2019 KEY INDICATORS

SUPPLIERS AND FACTORIES REACHED THROUGH INITIATIVES, TRAINING AND PROJECTS:	**1,597 suppliers and factories**
BENEFITED WORKERS:	**1,472,719 workers**
IMPROVEMENT PROGRAMMES:	**45 programmes**
SUPPLIERS AND FACTORIES IN WHICH IMPROVEMENT PROGRAMMES HAVE BEEN IMPLEMENTED:	**579 suppliers and factories**
SUPPLIERS AND FACTORIES TRAINED:	**1,018 suppliers and factories**

Workers at the Centre 2019-2022

STRATEGY BASED ON:

RESPECT FOR HUMAN AND LABOUR RIGHTS

ALL THOSE INTERNATIONALLY RECOGNISED AND, IN PARTICULAR, THOSE INCLUDED IN:

THE UNITED NATIONS INTERNATIONAL BILL OF HUMAN RIGHTS, WHICH INCLUDES:

- The Universal Declaration of Human Rights.
- The International Covenant on Civil and Political Rights.
- The International Covenant on Economic, Social and Cultural Rights.

CONVENTIONS AND DECLARATIONS OF THE INTERNATIONAL LABOUR ORGANIZATION:

- Core conventions of the ILO numbers 1, 14, 26, 29, 87, 98, 100, 105, 111, 131, 138, 155 and 18.
- The ILO Declaration on Fundamental Principles and Rights at Work.

APPLICABLE LOCAL LEGISLATION

SCOPE OF THE STRATEGY

ALL THE SUPPLIERS AND MANUFACTURERS OF THE SUPPLY CHAIN

- DIRECT AND INDIRECT SUPPLIERS
- ALL PRODUCTION LEVELS

THREE ELEMENTS

THE WORKER
Main beneficiary and active subject.

THE DIMENSIONS
Workplace, well-being and industry.

DUE DILIGENCE
Seven Priority Impact Areas.

ALIGNMENT WITH:

- United Nations Guiding Principles on Business and Human Rights.
- Sustainable Development Goals.
- OECD Due Diligence Guidance for Responsible Supply Chains in the Garment & Footwear Sector.
- The principles of the United Nations Global Compact.

The first element is the **worker**, who is at the centre of the strategy as its beneficiary and active subject. Supplier responsibility and the empowerment of workers are core elements for the successful development of this approach.

The second element comprises the **dimensions** related to the worker: workplace, well-being and industry. Through our actions, we seek to have a positive impact on any of these three areas for the workers. Despite the fact that our suppliers do not exclusively work for Inditex, the positive impact of our activity will also be present in the various dimensions, conducive to the benefit of those that participate in them.

The three dimensions are as follows:

1. Workplace: We must ensure that the human and labour rights of workers are upheld through assessment, enhancement, and monitoring in factories and in conjunction with the compliance approach. All factories, regardless of the process they carry out or the level they are at in the chain, must be sustainable workplaces.

2. Well-being: We develop more complete and progressive programmes to influence and create change in the lives of workers and in their communities.

3. Industry: As one of the sector's leading companies, at Inditex we understand the impact that our sourcing and sustainability activities have. However, this impact is limited due to the large size of the local and international supply chain in which we operate and its context, and it needs to be supplemented and supported by all the industry's stakeholder groups.

This dimension has been added to strategically promote our endeavours, while we partner with different stakeholder groups (government organisations, bodies representing civil society, our suppliers, other brands, etc.) to drive systemic and effective change towards sustainability.

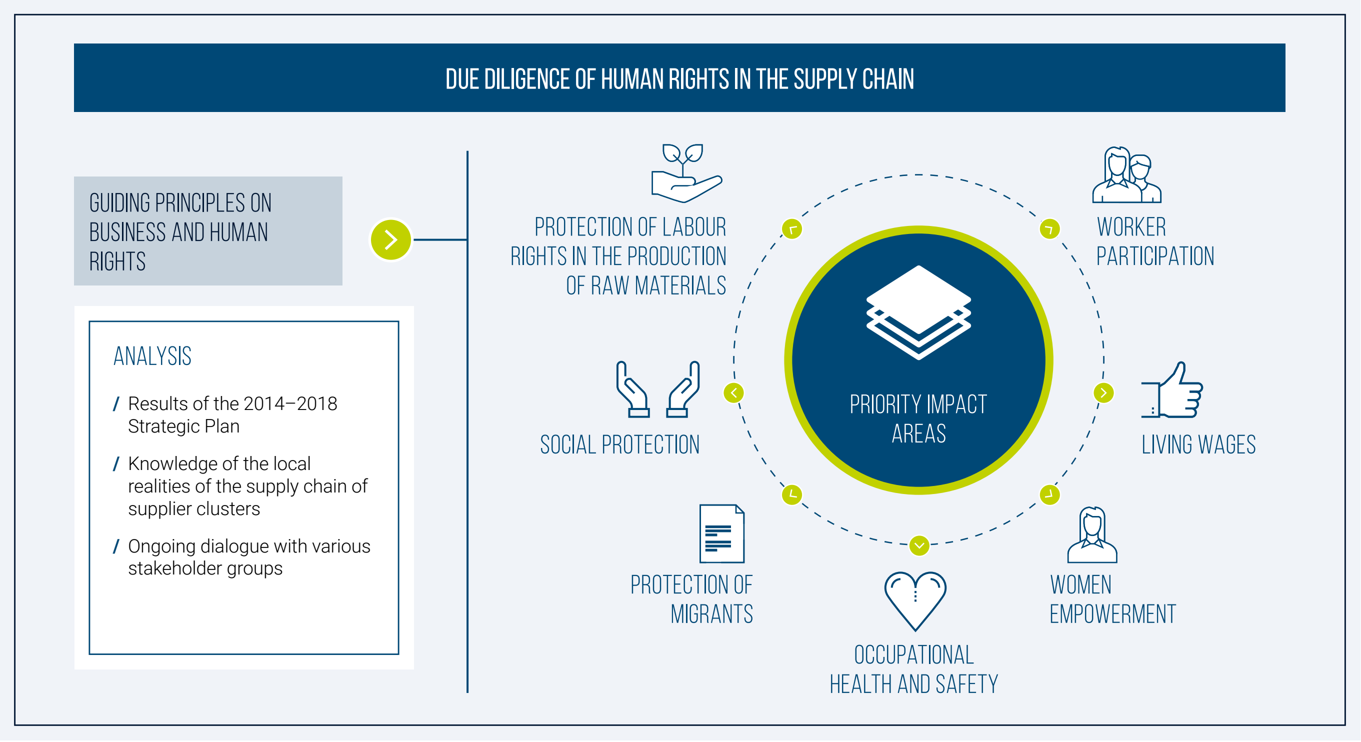
The third element in the strategy is **due diligence** on human rights and the identification of Priority Impact Areas.

In collaboration with SHIFT, the leading centre in terms of the UN Guiding Principles on Business and Human Rights, we have conducted due diligence on all the possible impacts on human rights throughout the supply chain, identifying and prioritising them. The result is materialised in maps that mirror the most relevant impacts on human rights in each of our 12 clusters, which represent 96% of the Group's production. This materialisation has enabled us to identify seven Priority Impact Areas, representing the global priorities upon which the 2019-2022 Strategy is focused.

More information about Inditex's due diligence processes on page 51 of this Annual Report.

Global and specific goals are set out for each of the seven Priority Impact Areas, different lines of work and activities to achieve them, and indicators to measure their progress.

Each Priority Impact Area has a working group, tasked with implementing the area's individual strategy, comprising local experts from the various Inditex clusters. Thus, the experience of each local team is added together to respond to the industry's global challenges and achieve solutions for the entire supply chain, which are also simultaneously applied locally.



When defining the strategies to be implemented to achieve the various goals, the United Nations 2030 Agenda and the 17 SDGs have been established as benchmarks.

The goal that is contributed with the most relevance throughout the strategy's deployment is SDG 8 (Promoting decent work and economic growth). It is contributed by all the Priority Impact Areas through various actions, ranging from promoting the payment of living wages, to considering initiatives for worker participation, conducted through our Global Framework Agreement with IndustriALL Global Union, in addition to others.

SDG 17 (Partnerships for the goals) is also present in the work of all the Priority Impact Areas as well as, in general, throughout the deployment of the *Workers at the Centre 2019-2022* Strategy. All the Priority Impact Areas join forces with local and international organisations and platforms to conduct their activities. In parallel, they uphold ongoing partnerships with relevant players, ranging from the suppliers and manufacturers and their workers, to trade unions and other worker representatives, governments, universities and civil society organisations, in addition to others.

However, each of the actions and programmes are aligned with the SDGs and they make a more direct contribution to achieving various goals, considering the nature of each initiative. The sum of all the actions conducted through the Workers at the Centre 2019-2022 Strategy has an impact on the seventeen goals.

During 2019, more than 1.4 million workers have benefited from the strategy's actions and programmes.

PRIORITY IMPACT AREAS	GOALS
WORKER PARTICIPATION	Developing and improving social dialogue to achieve mature industrial relations and to promote worker satisfaction.
LIVING WAGES	Facilitating that workers in the supply chain earn living wages.
WOMEN EMPOWERMENT	Promoting that all the women in the supply chain benefit from the best conditions and the same opportunities as men.
OCCUPATIONAL HEALTH AND SAFETY	Guaranteeing that workers in the supply chain are protected against risks to their occupational health, safety, and well-being.
PROTECTION OF MIGRANTS	Ensuring that the rights of refugees and migrants are upheld and that a decent workplace is provided in factories, supporting cohesion.
SOCIAL PROTECTION	Enabling the well-being of happy and healthy workers in the supply chain.
PROTECTION OF LABOUR RIGHTS IN THE PRODUCTION OF RAW MATERIALS	Improving the human and labour rights of the workers in the supply chain of raw materials through proactive actions in terms of the workplace, the community, and industry.

02/ Priority Impact Areas

02.01/ Worker Participation

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:	**114 factories** with **134,667 workers**
SUPPLIERS TRAINED:	**76 suppliers and manufacturers** with **140,040 workers** trained in joint initiatives with IndustriALL Global Union

RELATED SDGS

CORE STAKEHOLDERS

IndustriALL Global Union / International Labour Organization / BetterWork / Ethical Trading Initiative / ACT (Action, Collaboration, Transformation) / Accord

IMPROVING SOCIAL DIALOGUE TO ACHIEVE MATURE INDUSTRIAL RELATIONS AND PROMOTE WORKER SATISFACTION.

The freedom of association, trade union freedom and the freedom of collective bargaining are fundamental labour rights, as reflected in the various conventions of the International Labour Organization[1]. The free and informed exercising of these rights by workers is crucial to enable them to defend the rest of their human and labour rights and dispose of the necessary mechanisms to defend them, among which dialogue and collective bargaining are paramount.

At Inditex we consider freedom of association and the right to collective bargaining to be the core aspects in order to guarantee supply chain sustainability. These principles are laid down in our Code of Conduct for Manufacturers and Suppliers.

Additionally, we acknowledge the important role played by global and national trade unions in monitoring our supply chain. By doing so, our worker participation strategy is founded on championing mature industrial relations, which can benefit workers, manufacturers, and suppliers, and which specifically contribute to SDG 8 (Decent work and economic growth) and SDG 16 (Peace, justice and strong institutions).

The Global Framework Agreement, that we have held with IndustriALL Global Union since 2007 and which we have renewed and extended in 2019, is one of our most valuable tools for promoting worker participation, collective bargaining, and the respect for freedom of association. In this new phase of the Framework Agreement, a Global Union Committee has been created, to represent the workers in our supply chain. The aim is to share and promote best practices on the freedom of association and collective bargaining rights.

Our lines of action in this Priority Impact Area are:

- Promoting the Global Framework Agreement with IndustriALL Global Union: we partner IndustriALL Global Union in the field to promote the Framework Agreement and the labour rights of workers.

- Guaranteeing effective worker representation mechanisms: we foster programmes to promote these mechanisms in collaboration with organisations such as Better Work and the Ethical Trading Initiative.

- Raising awareness on social dialogue and worker participation: most noteworthy in 2019 are the initiatives conducted in collaboration with IndustriALL in Bangladesh, India, and Morocco, and with the ILO in Myanmar.

(1) The ILO conventions referenced are 87, 98 and 135.

02.01.01/ Promote the Global Framework Agreement with IndustriALL Global Union

Our relationship with IndustriALL Global Union, an international union federation representing more than 50 million worker members of almost 600 unions worldwide, is one of the pillars of our strategy. It is one of our most valuable tools in promoting worker participation, respect for the freedom of association and collective bargaining.

We have had a Global Framework Agreement with IndustriALL Global Union since 2007. It is the first agreement of its kind since it encompasses an entire global supply chain. The agreement, which we renewed in 2019, is testament to the Group and IndustriALL's commitment to the promotion of labour rights in the textile and footwear industry, as well as compliance with international labour standards and our own Code of Conduct for Manufacturers and Suppliers.

Under the Global Framework Agreement, collaboration on the ground between our own teams and local IndustriALL members plays a fundamental role, making it possible to put programmes and actions into place in factories. Transparency is key to ensuring this collaboration remains fluid and fruitful. We therefore share a comprehensive list of suppliers and factories with IndustriALL, covering all tiers and processes, and showing their level of compliance in sustainability. We also give IndustriALL and all their local members access to all our suppliers and manufacturers' production centres.

EVOLUTION OF THE GLOBAL FRAMEWORK AGREEMENT

PRELIMINARY WORK → 2007 Global Framework Agreement → 2012 Protocol → 2014 Renewal → 2016 Union experts → 2019 Renewal

In 2019 we renewed our Global Framework Agreement with IndustriALL Global Union, agreeing to set up a Global Union Committee where workers from all our clusters will be represented.

KEY ASPECTS OF THE GLOBAL FRAMEWORK AGREEMENT WITH INDUSTRIALL GLOBAL UNION

- Union experts in production clusters.
- Respect for the freedom of association and collective bargaining.
- Ongoing work in production clusters.
- Backing local unions.
- Establishing a communication channel between IndustriALL Global Union and Inditex.
- Creation of the Global Union Committee.
- Training schemes for suppliers, manufacturers and workers.
- Detailed knowledge of the supply chain.

KEY CONTRIBUTION

Renewal of the Global Framework Agreement with IndustriALL Global Union on 13 November 2019.

Renewal of the Global Framework Agreement with IndustriALL Global Union

13 November 2019 saw the renewal of our Global Framework Agreement with IndustriALL Global Union, cementing our commitment to collaborate with IndustriALL on guaranteeing safe and decent working conditions for everyone working in our supply chain.

The creation of a Global Union Committee was agreed in this new phase, where workers from each of the production areas we operate in will be represented. The aim is to share and promote best industry practices with regard to the right to freedom of association and collective bargaining.

Inditex is the world's first fashion distribution company to have this structure in place, which will be composed of union representatives from our main sourcing regions and countries, as well as representatives from Comisiones Obreras and Unión General de los Trabajadores unions in Spain.

02.01.02/ Guaranteeing effective mechanisms for worker representation

By engaging in social dialogue, employers and worker representatives can address any issues relating to the interests of workers. At Inditex we support programmes and activities to promote effective mechanisms for worker representation at both an individual manufacturer and sector level; always with the highest level of respect for the right to the freedom of association and collective bargaining.

A sector level highlight is the development of the Guide to Freedom of Association, agreed between IWFM — an IndustriALL member in Myanmar — and manufacturer and supplier representatives of brands belonging to the ACT (Action, Collaboration, Transformation) initiative.

More information on page 111 of this Annual Report.

At a factory level, in addition to the effective implementation of the Global Framework Agreement, we are collaborating on other initiatives supporting the promotion of industrial relations at work centres throughout our production chain.

PROGRAMMES TO PROMOTE SOCIAL DIALOGUE

BetterWork

ILO

The Better Work programme, set up in 2007 by the International Labour Organization, aims to improve working conditions and promote competitiveness in global textile industry supply chains. Inditex has participated in the programme since October 2007, becoming a direct buyer partner in 2013.

In terms of industrial relations, Better Work has a focus on promoting freely elected workers' representatives on national committees. Involvement in the process extends to unions and the proportional representation of women is guaranteed. Bilateral committees comprised of worker and company management representatives ensure the preliminary conditions are met to enable social dialogue at work centres.

CAMBODIA

81 factories from our supply chain.
Number of workers covered: 72,116.

VIETNAM

20 factories from our supply chain.
Number of workers covered: 37,715.

INDONESIA

7 factories from our supply chain.
Number of workers covered: 14,144.

BANGLADESH

1 factory from our supply chain.
Number of workers covered: 234.

Ethical Trading Initiative

We participate in the Social Dialogue Program from the Ethical Trading Initiative, which aims to strengthen the structures in place for the representation of workers and employers in factories. To this end we have trained and educated members of the Worker Participation Committees to improve their skills in engaging in social dialogue.

BANGLADESH

3 factories from our supply chain.
Number of workers covered: 7,825.

02.01.03/ Raising awareness of social dialogue and worker participation

We involve workers, their representatives, and factory and supplier management in activities to strengthen their skills in social dialogue. 2019 highlights include working together with IndustriALL on activities in Bangladesh, India and Morocco; and with the ILO in Myanmar.

BANGLADESH

- **Activity:** Workshop on the Global Framework Agreement and the importance of social dialogue.
- **Objective:** Strengthening social dialogue between suppliers, manufacturers and representatives of IndustriALL Global Union members in the country.
- **Impact:** 21 suppliers and factories, and representatives of local IndustriALL Global Union members.
- **Number of workers covered:** 68,462.

INDIA

- **Activity:** Two workshops on the Global Framework Agreement and the importance of social dialogue.
- **Objective:** Promoting a dialogue on how the Global Framework Agreement can facilitate the engagement of social agents. Production, human resources and sustainability managers from suppliers and factories were encouraged to attend, together with local IndustriALL members.
- **Impact:** 38 suppliers and manufacturers, together with representatives of IndustriALL Global Union members in the country.
- **Number of workers covered:** 60,603.

MOROCCO

- **Activity:** Training on the Global Framework Agreement and the importance of social dialogue for suppliers, manufacturers and local IndustriALL members from Morocco, Egypt and Tunisia.
- **Objective:** Raising awareness of industrial relations.
- **Impact:** 17 suppliers and manufacturers, together with representatives of IndustriALL Global Union members in the country, Egypt and Tunisia.
- **Number of workers covered:** 10,975.

MYANMAR

- **Activity:** Collaboration with the ILO – GIP (Garment Industry Project).
- **Objective:** Strengthen the Workplace Coordinating Committees through collaboration between employer and worker representatives. Training activities address issues such as: workplace cooperation, bilateral social dialogue, productivity, health and safety in the workplace and empowerment.
- **Impact:** 2 factories from our supply chain.
- **Number of workers covered:** 2,633.

02.02/ Living wages

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:	**37 factories** with **21,488 workers**
SUPPLIERS TRAINED:	**22 suppliers** trained in the **Lean Project** and **12 suppliers** took part in ACT meetings in Myanmar (**19,210 workers**)
BUYERS TRAINED IN RESPONSIBLE PURCHASING PRACTICES:	**220 buyers at the Inditex headquarters and 75 buyers in the local commercial teams**

RELATED SDGS

8, 9, 10, 17

CORE STAKEHOLDERS

IndustriALL Global Union / International Labour Organization / Better Than Cash Alliance / ACT (Action, Collaboration, Transformation) / Universidade do Minho

FACILITATING THAT WORKERS IN THE SUPPLY CHAIN EARN LIVING WAGES.

WHAT IS A LIVING WAGE?

Pursuant to the ACT definition to which Inditex adheres:

"A living wage is the minimum income necessary for a worker to meet the basic needs of himself/herself and his/her, family, including some discretionary income. This should be earned during legal working hour limits (in other words, without overtime)."

INDITEX LIVING WAGE STRATEGY

- APPLIED THROUGHOUT THE INDITEX SUPPLY CHAIN
- COLLABORATION WITH THE INDUSTRY
- INDITEX EXPERT WORKING GROUP (Bangladesh, Turkey, China, Cambodia, India, Spain).
- FOCUS ON ONGOING IMPROVEMENT

GOAL

/ Promoting and facilitating collective bargaining.

/ Effectively implementing responsible purchasing practices.

/ Enhancing the production organisation systems and methods.

/ Improving management systems and wage digitisation.

Everybody has the right to receive a living wage as compensation for their work. This is considered by the ILO as one of the essential human rights to achieve "universal and lasting peace".

At Inditex we are committed to enabling the workers of the factories in our supply chain to receive a living wage. This commitment is based on our Code of Conduct for Manufacturers and Suppliers, which stipulates that all workers in the supply chain must receive sufficient wages to cover their basic needs and other additional needs of their families.

On this basis, and based on the work carried out thus far to promote living wages, in 2019, we redefined our strategy, crafted according to four specific goals chiefly linked to SDGs 8, 9, 10 and 17.

In social audits we verify how much the workers are paid and whether the amount can be deemed a living wage, analysing the various wage components, the times and the payment system used, and the wage management systems available to the factory. This information enables us to identify the main fields of action that must be impacted by the living wage strategy.

To develop our strategy we work with other brands and various stakeholder groups in the textile sector. We consider obtaining living wages to be a common challenge for the whole industry and one which requires the collaboration of all the parties to achieve it, ranging from suppliers and manufacturers, to the countries' governments. Along these lines, our collaboration in the ACT (Action, Collaboration, Transformation) initiative is one of the keys to our living wage strategy.

Furthermore, in 2019, we have promoted supplementary approaches such as the digitisation of wages, and the financial education of workers.

Our lines of action in this Priority Impact Area are:

- Promoting and facilitating collective bargaining: we believe that the most sustainable way of achieving living wages in the industry is through collective bargaining. Through the ACT initiative, and within the framework of our Agreement with IndustriALL Global Union, we work to foster the creation of spaces for dialogue that encourage the reaching of agreements in the textile industry regarding wages.

- Effectively implementing responsible purchasing practices: Through the ACT initiative we partner with other brands in the sector for the joint development of responsible purchasing practices. We train our buyers and the suppliers to apply these practices.

- Enhancing the production organisation systems and methods: aware of the impact these systems have on the working conditions of employees, we chiefly support suppliers in their improvement through our Lean Project and the ILO SCORE programme.

- Improving management systems and wage digitisation: as members of the Better Than Cash Alliance, we work towards the digitalisation of payments in the supply chain. In 2019, Bangladesh was the focal point of our actions.

02.02.01/ Promoting collective bargaining

At Inditex we believe the most sustainable way of securing living wages in the industry is through collective bargaining. This is why we work on enabling factories and suppliers to develop mature industrial relations so they can reach agreements in this area. Our work with IndustriALL Global Union under our Global Framework Agreement is one of the tools we use. These activities include educating workers on their rights, supporting them in electing representatives, and encouraging collective bargaining with initiatives for workers, employers and unions.

More information on page 105 of this Annual Report.

INDITEX SUPPLY CHAIN FACTORIES COVERED BY COLLECTIVE AGREEMENT IN 2019

GEOGRAPHICAL AREA	NUMBER
Africa	36
Americas	55
Asia	75
Europe (non-EU)	26
European Union	2,107

Through the ACT (Action, Collaboration, Transformation) initiative, promoted by international brands and IndustriALL Global Union, we are working on promoting platforms for dialogue that can be used for putting garment industry agreements in place to secure decent wages and working conditions, bolstered by responsible purchasing practices. In 2019 various schemes were implemented under the ACT framework, with those in Myanmar, Turkey, Bangladesh and Cambodia being particular highlights.

Four meetings were held in Myanmar, with the participation of 12 manufacturers (16,020 workers) from the Inditex supply chain in the country. A major milestone achieved through the work of the ACT in Myanmar in 2019 was the development of the *Guide to Freedom of Association*.

In Turkey progress was made on the alignment of local and global ACT initiatives, as well as a joint approach to increasing supplier participation and raising awareness of ACT principles.

Similarly, in 2019 ACT made initial inroads in Bangladesh to lay the foundations for a dialogue between the initiative and employer federations.

Again, under the ACT framework, we implemented campaigns to raise awareness of the freedom of association and the promotion of collective bargaining in Cambodia. We sent various communications on the ACT initiative to the 16 main suppliers operating in the country to encourage their support of the initiative. Meanwhile, ACT sent a letter to the Cambodian manufacturers' association GMAC to seek negotiations with the country's unions with the aim of setting up collective agreements and advocating respect for the freedom of association and collective bargaining. Inditex also sent this same letter to nine of the country's suppliers and factories belonging to GMAC.

Guide to Freedom of Association in Myanmar

The aim of this guide is to support the development of constructive industrial relations between employers and workers, ensuring the principles of the freedom of association are applied under the framework of international labour standards. The guide covers practical ways harmonious industrial relations can be established, for example meetings between management and union representatives and conflict resolution procedures.

The guide was agreed by representatives of suppliers and manufacturers working for brands belonging to ACT in the country, and the Industrial Workers Federation in Myanmar (IWFM), a local IndustriALL Global Union member. The International Labour Organization also provided technical guidance on drafting the guide to ensure content is aligned with international labour standards.

The guide represents a milestone in industrial relations in Myanmar, and is one of the textile industry's benchmark agreements. It can also be used for reference by our suppliers and manufacturers in the country for freedom of association and collective bargaining matters, along with local and international legislation, our Code of Conduct for Manufacturers and Suppliers, and our Global Framework Agreement with IndustriALL.

KEY CONTRIBUTION

ACT Action Collaboration Transformation

02.02.02/ Responsible purchasing practices

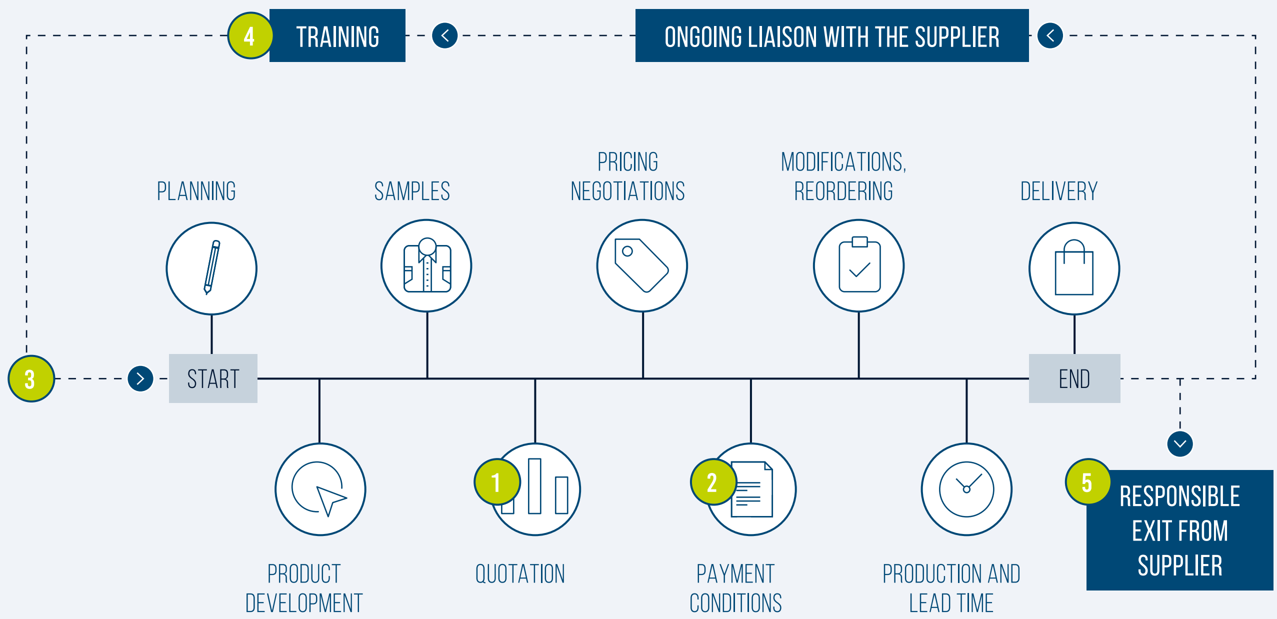
Responsible purchasing practices encourage decent working conditions, in particular decent wages. After all, purchasing planning, lead times, pricing criteria and our strategy on commercial relationships with suppliers are all key to this strategy.

We are working with ACT on the joint development of responsible purchasing practices. As a member of this initiative, Inditex signed a Memorandum of Understanding with IndustriALL in 2015, endorsing our commitment to purchasing practices conducive to paying living wages.

In 2019 we trained more than 200 purchasers on responsible purchasing practices. Specifically, they received guidance on the commitments put in place by ACT and how these can be implemented in the Company.

Our work on responsible purchasing practices extends not only to purchasers, but to suppliers too. Over the course of 2019 we maintained an ongoing dialogue between suppliers and purchasers, which has been key to implementing new parameters to measure purchasing practices in line with the Accountability and Monitoring Framework agreed by ACT brands in September 2019. This framework represents a step forward in due diligence in purchasing practices, allowing the assessment and monitoring of compliance with the principles outlined in the MoU signed with IndustriALL.

PURCHASING AND PRODUCTION CYCLE



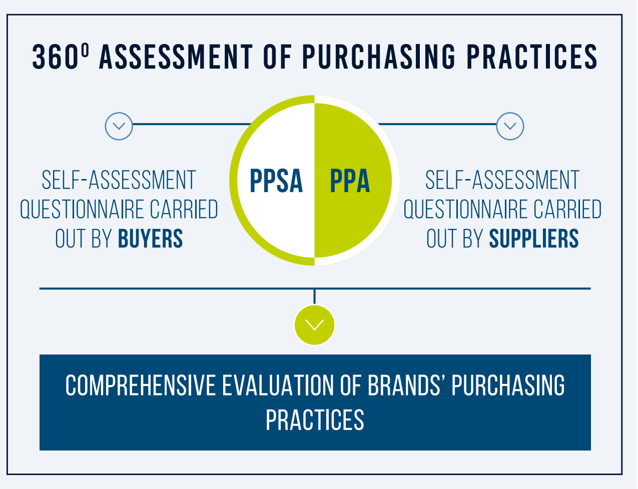
COMMITMENTS IN PURCHASING PRACTICES

1. **Purchasing prices include wages as an itemised cost:** Include and respect the wage component of a product in negotiations.
2. **Fair terms of payment:** Supplier payments made according to conditions previously agreed between the parties.
3. **Better planning and forecasting:** Transparent communications with suppliers on the purchasing process.
4. **Undertake training on responsible sourcing and buying:** Provide training on best purchasing practices.
5. **Responsible exit strategies:** When a decision is made to stop working with a manufacturer for whatever reason, it must be done responsibly in a way that minimises the decision's impact on the manufacturer's operations.

Likewise, in 2019, 45 suppliers from the Inditex supply chain in Turkey assessed purchasing practices by completing a questionnaire (PPA).

We also worked individually with buyers from all our brands, primarily through ongoing training. As well as training 220 buyers in responsible purchasing practices as mentioned previously, our cluster teams trained a total of 75 buyers from various local teams over the course of the financial year.

More information on page 94 of this Annual Report.



02.02.03/ Enhancing the production organisation systems and methods

Methods and systems for managing factory production have a direct impact on working conditions. How production is organised has a bearing on issues such as health and safety, working hours, wages and levels of work satisfaction.

We tackle these improvements through two programmes at Inditex: the Lean Project (an internal Inditex project) and the ILO's SCORE Programme, with a twofold objective:

- To improve working conditions and worker satisfaction.

- To optimise factory production systems and support management with the ongoing improvement of their performance and competitiveness.

LEAN PROJECT

OBJECTIVE

To improve employees' working conditions in factories through the implementation of the Lean methodology, using the philosophy as a springboard to improve production management systems and involve workers in the production process.

CHINA

/ Started in 2015.

/ Implemented in 14 factories in 2019, benefiting 5,215 workers and training 22 Inditex suppliers (with 3,190 workers) on the benefits of the Lean philosophy.

INDIA

/ Started in 2018.

/ Implementation continued in 2019 at one of the country's key suppliers with 2,978 workers, which has already resulted in improved working conditions.

PORTUGAL

/ Started in 2018. Experts from the *Universidade do Minho* collaborated on its implementation.

/ In 2019 it was implemented at two suppliers with 315 workers.

CAMBODIA

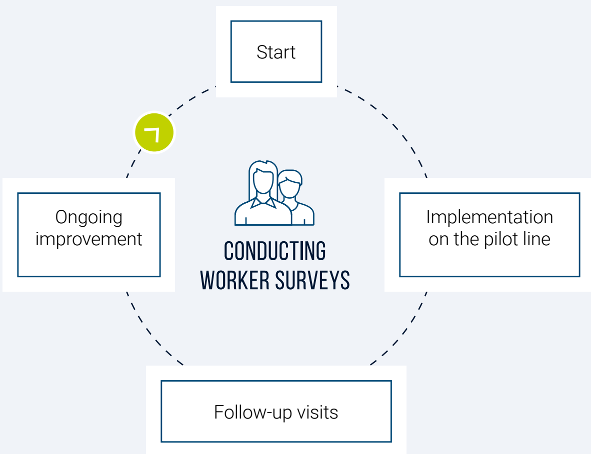
/ In 2019, implementation commenced in a factory with 472 workers.

BANGLADESH

/ Implementation commenced at two suppliers with 3,560 workers. To date, management and pilot line workers have been trained in the basic principles of Lean.

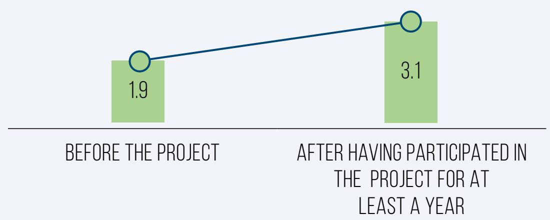
By supporting the improvement of our suppliers and manufacturers' production management systems, we are making a contribution to improving working conditions and worker satisfaction.

MEASURING THE IMPACT OF THE LEAN PROJECT



WORKERS' OPINIONS

WORKER SATISFACTION [1]



100% prefer the new way of working

96% think the project has been of benefit to them

96% think that they can work more comfortably following the project

80% think communications with their superiors have improved following the project

The above findings are based on personal interviews carried out among a sample of workers in factories participating in the project. Data relates to nine factories that have been involved in the project for at least a year (factories located in China, India and Cambodia).

(1) Workers' satisfaction is scored from 1 to 4.

SCORE Programme (ILO)

The SCORE (Sustaining Competitive and Responsible Enterprises) Programme, developed by the International Labour Organization, is split into five modules that focus on improving SMEs' management systems in order to improve working conditions and promote fundamental labour rights. At Inditex we have participated in the programme since 2014 in several of the countries in our supply chain, supporting our providers and the ILO teams who implement it.

As well as these two main programmes, we also carry out activities at a local level in collaboration with specialist organisations. In Argentina for example, our local team is collaborating on a project with the National Institute of Industrial Technology (INTI). In 2019 two suppliers took part, to the benefit of 262 workers. The teams at the INTI and Inditex supported suppliers in improving their production management systems, which had a positive impact on employees' working conditions.

SCORE PROGRAMME (ILO)

OBJECTIVE

To improve productivity in SMEs through actions addressing: workplace cooperation, quality management, cleaner production, human resources management and health and safety management at work.

CHINA

/ In 2019 implementation of the programme continued in two factories with 952 workers.

/ As well as the ILO, the Ethical Trading Initiative also collaborated on the programme.

/ Our social sustainability teams take part in regional SCORE meetings, where participating factories share best practices and learning outcomes.

TURKEY

/ Eight Turkish factories have implemented the programme in 2019, to the benefit of 912 workers.

/ Four of these factories have already implemented all five modules.

/ In Turkey the programme has a particular focus on protecting refugees' human and labour rights.

PAKISTAN

/ The ILO launched the programme at the end of 2018.

/ In 2019 two Inditex suppliers (5,780 workers) took part in it. One of them has already completed implementation and the second started the process at the end of 2019.

The ILO SCORE programme seeks to improve SMEs' management systems in order to improve working conditions and promote fundamental labour rights.

02.02.04/ Improving management systems and wage digitisation

The main working areas in this field are:

- Analysing and improving wage and working hours management systems.
- Wage digitisation and financial empowerment.

These two working areas, in the same way as previous activities, contribute not only to workers receiving a living wage, but to them receiving it on time and in a way most beneficial to them, promoting financial inclusion and education.

In this vein, we are educating our suppliers on how digitised wage payments facilitate the empowerment and financial inclusion of workers. At the same time it is more efficient, entails less risk, and promotes the transparency of transactions: all of which bolsters the development of our strategy for living wages.

We also see wage digitisation and financial empowerment as being closely tied with women's empowerment, as it facilitates their inclusion in the household economy and financial decision-making. In this sense, our wage digitisation strategy goes hand-in-hand with our women's empowerment strategy in countries such as Bangladesh and India.

More information on page 122 of this Annual Report.

WORKING AREA	COUNTRY	OBJECTIVE	DESCRIPTION	COLLABORATION	INDICATORS
ANALYSIS AND IMPROVEMENT OF WAGE AND WORKING HOURS MANAGEMENT SYSTEMS	China	Complement audit methodology with an in-depth evaluation of the factory's management systems in order to detect any potential areas for improvement.	Thoroughly analysing wage and working hours management systems. The project began in 2018, and following an initial observation and evaluation phase a plan of action was developed and implemented in 2019, focusing on solving the root causes of inefficiencies detected in the initial phase.	Internal programme.	A factory with 300 workers.
WAGE DIGITALISATION AND FINANCIAL EMPOWERMENT	Global	Promote wage digitisation as a method of remuneration throughout the supply chain and promoting the transition to a digital economy worldwide.	Membership of the Better Than Cash Alliance in 2018, a partnership between governments, companies and international organisations.	Better Than Cash Alliance.	Event to raise awareness in Bangladesh and cooperate with other stakeholders in the country.
	Vietnam	Develop and implement digital solutions to the benefit of both companies and workers.	Analysing the Vietnam context to examine payment digitalisation, including interviews with employees.	International Labour Organization. Women's World Banking.	Two factories with 742 workers took part in the study.

Wage digitisation in Bangladesh

An event was held in Dhaka (Bangladesh) on 20 November 2019 to publicise the benefits of wage digitisation and its promotion in the Bengali textile industry.

The event was organised by Access to Information (a2i) (a programme from the Bangladeshi government's TIC division), the United Nations Development Programme, Better Than Cash Alliance, BSR, and the Bangladesh Garments Manufacturers and Exporters Association (BGMEA). Inditex and other brands with supply chains in the country also took part and supported the event, collaborating on its design and inviting our suppliers to attend.

Various speakers shared their experiences and learnings at the event, from government members (such as the Minister of Industry) to suppliers that have already digitalised their wages. Two female workers from one of the factories where Inditex implemented the BSR's HERfinance Digital Wages programme shared their experiences, explaining how receiving their wages digitally (by mobile banking in this case) had benefited and empowered them.

A document on the principles of supporting digitisation, produced by Inditex and other brands in collaboration with BTCA, BSR and the Bill and Melinda Gates Foundation was shared at the event. The document encourages more brands to support wage digitisation and encourages suppliers to roll it out in their companies.

KEY CONTRIBUTION

02.03/ Women Empowerment

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:	**46 factories** with **45,579 workers**
SUPPLIERS TRAINED:	**140 suppliers and manufacturers** with **126,326 workers** trained in subjects related to women empowerment.

RELATED SDGS

CORE STAKEHOLDERS

International Labour Organization / **BSR** / **Swasti** / **Medicus Mundi**

PROMOTING THAT ALL THE WOMEN IN THE SUPPLY CHAIN BENEFIT FROM THE BEST CONDITIONS AND THE SAME OPPORTUNITIES AS MEN.

Women represent the majority of the workforce in the textile sector supply chains and they face various challenges at work compared to their male counterparts.

Gender equality is a prerequisite to any sustainable development goal, since it holds the potential to reverse inequality in relations of power between women and men and it addresses the structural barriers that prevent progress.

Our women empowerment strategy in the supply chain is based in three pillars: health, protection and empowerment.

Of the 17 SDGs, only one, SDG 5 (Achieve gender equality and empower all women and girls) is focused on a specific collective and applied in a cross-cutting way to the other goals.

We are fully committed to this goal. Women represent more than half of the workforce in our supply chain. Therefore, to achieve a stable and sustainable supply chain, we promote gender equality and we champion practices that encourage the inclusion of women and their development. All empowered women have the potential to transform their family, community, economy and society.

At Inditex, we have a strategy for the empowerment of women in the supply chain, which was approved in 2017 and renewed within the framework of the new *Workers at the Centre 2019-2022* Strategy. Through this strategy, we seek to encourage the men and women working in our supply chain to enjoy the same rights and opportunities.

This strategy is focused on three core goals:

- Health: Facilitating healthcare services, chiefly in maternity and reproductive health.

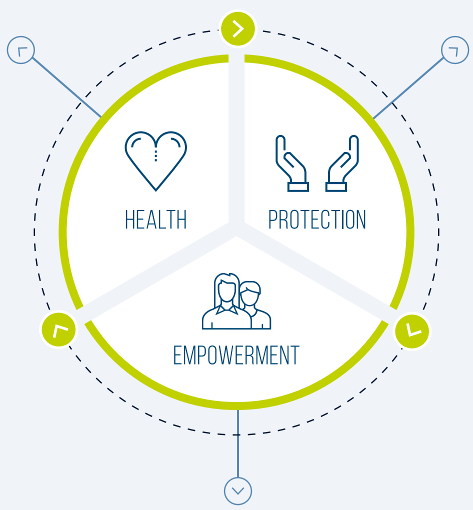
- Protection: Promoting zero tolerance policies and practices for the prevention and management of workplace harassment.

- Empowerment: Involving female workers in programmes related to finance, leadership, and empowerment.

STRATEGY FOR THE EMPOWERMENT OF WOMEN IN THE INDITEX SUPPLY CHAIN

GOAL: FACILITATING HEALTHCARE SERVICES, CHIEFLY IN MATERNITY AND REPRODUCTIVE HEALTH.

Integrating a gender approach into all the health programmes we undertake is key to having a direct impact on their quality, ensuring women's health, guaranteeing access to healthcare services, and incorporating reproductive health and female hygiene as fundamental aspects of our programmes.



GOAL: PROMOTING ZERO TOLERANCE POLICIES AND PRACTICES FOR THE PREVENTION AND MANAGEMENT OF WORKPLACE HARASSMENT.

At Inditex, we want to promote a safe workplace, contributing to preventing and rooting out any kind of discrimination, harassment or abuse.In this sense, we undertake projects focused on raising the awareness of and educating the workers and management of factories regarding these matters, as well as promoting gender policies focused on preventing and, where applicable, eradicating discrimination and harassment in the workplace.

GOAL: INVOLVING FEMALE WORKERS IN PROGRAMMES RELATED TO FINANCE, LEADERSHIP, OR EMPOWERMENT.

An inclusive workplace is guaranteed when female workers play an active part therein. To do so, it is crucial to involve the management and all the workers of factories in the empowerment of workers. This results in an improvement not only to the standard of living of women, but also that of men, children, families, communities and the wider society.

02.03.01/ Health: Facilitating health care

According to the World Health Organisation, 1,600 women and more than 10,000 newborns die each day due to preventable complications in pregnancy and childbirth.

At Inditex we advocate improved access to health care for women, as well as family planning and maternal health. By maintaining an active presence across our supply chain, we have successfully brought these measures to a large number of women who would otherwise have had difficulties accessing products and services.

In June 2019, at an event organised by Women Deliver — a global organisation that champions the rights of women and girls — ten companies including Inditex and the United Nations Foundation announced our commitment to improve the health and empowerment of female workers across our supply chains. More specifically, Inditex committed to reaching a target of 70,000 female workers being covered by healthcare services, chiefly maternity and reproductive health services, by 2022.

The main projects related to women's health care in 2019 were the following:

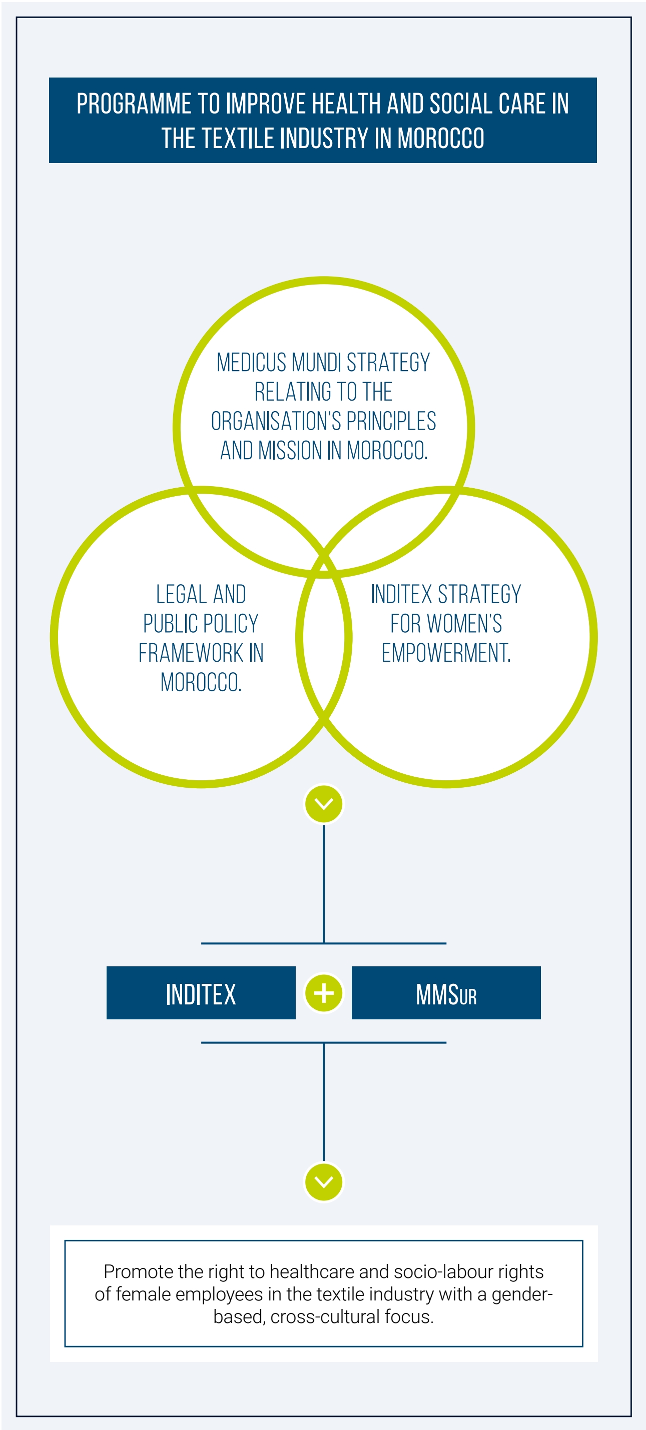
Sakhi Health programme in India

In 2019 we launched a new version of our Sakhi Health programme in India in 18 factories (with 26,907 workers), which we developed in collaboration with St. Johns Medical Academy of Health Services. The new programme maintains the goal of creating best practices in health, hygiene, nutrition, menstruation and reproductive health of female workers; at the same time as tackling issues such as health counselling in factory canteens, nurseries and clinics, and providing specialist training for pregnant women and fathers of children under five.

Programme to improve health and social care in the textile industry with Medicus Mundi Sur in Morocco

Our collaboration with Medicus Mundi Sur (MMSur) in Morocco began in 2014, when we implemented a programme to improve the social and health situation of textile workers in the country. Since then we have strengthened our collaboration, bolstering the programme further and tackling new issues, always with the cooperation of public bodies in Morocco. In 2019, 15 factories and suppliers took part in the programme, reaching a total of 4,489 workers.

In addition we have developed a medical campaign for workplace disease prevention every year under this same programme, enabling us to identify conditions such as diabetes, high cholesterol and anaemia among others. All companies were given a satisfaction survey to evaluate and assess the recommendations and requirements of companies and workers after medical campaigns.



02.03.02/ Protection: zero tolerance to workplace harassment

Our Code of Conduct for Manufacturers and Suppliers includes the prohibition of discrimination (including for gender-based reasons) and the prohibition of abuse or inhumane treatment. To ensure compliance with the Code, if any potential non-conformity with these points is detected, our auditors will raise a gender alarm and the issue will be dealt with on a case-by-case basis.

As a complement to this work, we have put various programmes into place at Inditex to promote best practices and encourage suppliers to develop their own policies on zero tolerance to workplace harassment. We have also joined forces with other relevant industry stakeholders to achieve these aims. In this vein, the Foro de la Moda (a fashion industry forum which Inditex is a member of, together with organisations in the third sector) and members of IndustriALL Global Union in Spain — UGT and CCOO — sent the ILO a letter of support for the adoption of Convention 190 on the elimination of workplace violence and harassment. The convention was finally approved by the ILO in June 2019.

WORKING AREA	COUNTRY	OBJECTIVE	DESCRIPTION	COLLABORATION	INDICATORS
A FOCUS ON GENDER IN HUMAN RESOURCES MANAGEMENT	Turkey	Analyse Human Resources management systems in our suppliers' factories in the country with a gender-based approach to detect any potential areas for improvement.	Project stages: - Initial evaluation In-situ analysis and documentation research. - Recommendations for improvement by management area. - Measuring the impact through follow-up factory visits. - Training with an NGO for workers and management.	Internal programme.	Three factories with 1,075 workers.
SOWBHAGYAM PROJECT	India	Prevent the practice of Sumangali, an abusive employment practice that primarily affects young female workers.	In place since 2013. The project is currently focusing on improving interaction with recruitment agents and preparing a tool kit on commitment to the community, including how the project itself works so that it can be replicated.	Save.	Training 71 local organisations.
SAKHI WORKER WELLBEING	India	Support and train workers and implement systems to encourage a climate of equality.	The main focus for the year was providing technical support to participating suppliers to enable them to implement it themselves.	Swasti.	Eight factories with 14,880 workers.
TRAINING IN PREVENTING SEXUAL HARASSMENT IN THE WORKPLACE	India	Raise awareness among workers of sexual harassment and promote prevention in the country.	Interactive sessions on various themes, from what constitutes sexual harassment to the various mechanisms that can be used to confront it, such as laws against such acts in India.	Internal programme.	42 suppliers with 107,508 workers.
PROTECTION PROJECT WITH MEDICUS MUNDI SUR	Morocco	Raise awareness among female and male workers on gender-based violence, sexual harassment, and the procedures to follow should any issues arise.	Training and support on the prevention of harassment and violence for those potentially affected.	Medicus Mundi Sur and the Union of Feminist Action.	1,118 workers.

02.03.03/ Empowerment: involving female workers in financial, leadership and empowerment programmes

The ultimate aim of all the actions in our women's empowerment strategy is to provide tools to enable them to actively participate in work, family and social life, thereby improving the quality of life of families, communities and society at large, and contributing to the construction of robust and fair economies.

WORKING AREA	COUNTRY	OBJECTIVE	DESCRIPTION	COLLABORATION	INDICATORS
FINANCIAL EMPOWERMENT PROGRAMMES	India and Bangladesh	Promote the financial empowerment of female workers as a tool to combat gender inequality and discrimination.	Participation in the HERfinance and HERfinance Digital Wages programmes working towards the sound transition from wages being paid in cash to digital payments, and financial education, as tools for inclusion and empowerment. *These activities are all in line with our wage digitisation strategy in the previous section.* More information on page 117 of this Annual Report.	BSR	*Two factories in Bangladesh (with 4,319 workers) have implemented HERfinance Digital Wages. Two factories in India (with 4,691 workers) have started HERfinance implementation.*
MIG SCORE	Turkey	Participation in the ILO MIG SCORE programme in Turkey, which aims to promote gender equality, with SMEs and organisations from the social and solidarity economy.	In 2019 the project came to an end with the last two steps being completed, including ILO consultancy and improvement programmes. A closing meeting was conducted to share learning outcomes and best practices. Local purchasing teams from Inditex attended the meeting.	ILO	Four factories (769 workers).
TOGETHER STRONG	Turkey	Raise awareness among female and male workers on gender equality.	Pilot project commenced in 2019. Training given in collaboration with AÇEV, an expert organisation.	AÇEV	One factory (91 workers).
EDUCATION AND AWARENESS	Turkey	Raise awareness on human rights, improving knowledge on gender equality and maintaining a workplace free of violence and discrimination.	Face-to-face training and information sharing to raise awareness on gender quality.	*Women for Women's Human Rights - New Ways (WWHR)*	79 factories and 19 suppliers (18,818 workers).

KEY CONTRIBUTION

In 2019 we devised a pilot programme in collaboration with the organisation BSR, for both our social sustainability teams and buying teams to take part in. The project, which we have named InditeXher, aims to develop women's empowerment programmes in factories and assess the impact they have on purchasing projects and vice-versa. The project includes the following activities among others:

- Development of health projects (HERhealth).
- Development of financial empowerment projects (HERfinance).
- Specialist gender training for commercial teams, sustainability teams, suppliers and factories involved in the project.
- Creating a special tool to assess the impact of the strategy on purchasing practices.

Through this project we hope to improve communication and engagement between workers and management, as well as between the various divisions of Inditex. Ultimately this will have a positive impact on the lives of female workers whilst simultaneously improving the Group's purchasing practices.

02.04/ Occupational health and safety

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:	**428 factories** with **636,430 workers**
SUPPLIERS TRAINED:	**290 suppliers and manufacturers** with **192,710 workers** trained in occupational health and safety.

RELATED SDGS

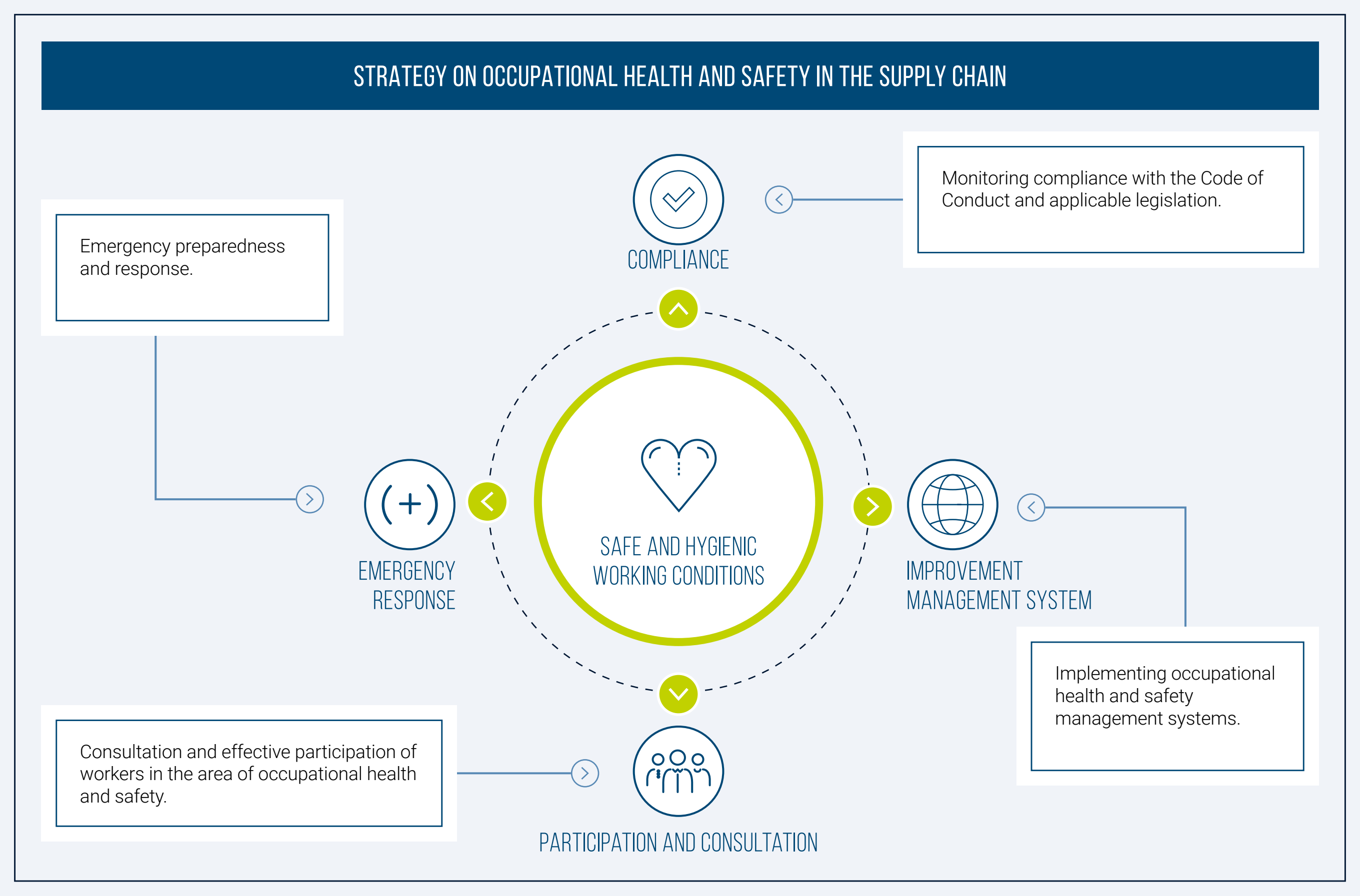
CORE STAKEHOLDERS

IndustriALL Global Union / Accord / Medicus Mundi / Autoridade para as Condiçoes do Trabalho (Portugal) / Universidade do Minho / National Safety Council, India

GUARANTEEING THAT WORKERS IN THE SUPPLY CHAIN ARE PROTECTED AGAINST RISKS TO THEIR OCCUPATIONAL HEALTH, SAFETY, AND WELL-BEING.

In our industry, like in other production industries, there are occupational risks that can cause injury. In this sense, conventions, directives, standards, and legal requirements play a fundamental part. Other relevant global commitments, such as the Sustainable Development Goals (SDGs), also influence the context of occupational health and safety, particularly SDG 3, which includes targets closely linked to occupational health and safety. Our strategy on occupational health and safety in the supply chain is aligned with these international standards and commitments.

Occupational safety in the textile sector includes aspects as diverse as the structural safety of buildings, the management of chemical products, electrical machinery, and other ergonomic factors. Raising awareness on and engaging in the ongoing improvement of labour conditions from a health and safety perspective is a key factor in the protection of workers. This context leads us to consider the health and safety in our supply chain as a priority area within our *Workers at the Centre 2019–2022 Strategy*.



Occupational health and safety experts from the Inditex teams in the main production countries ensure the strategy is correctly implemented. Similarly, the contribution of different stakeholder groups is key to encouraging the positive impact of initiatives. The textile industry itself has responded to many of the existing challenges through global initiatives, such as the *Accord on Fire and Building Safety in Bangladesh* (also known as *Accord*), which is an example of progress in the safety of the textile sector in that country.

The strategy is implemented through the following areas of work:

- Compliance with the Code of Conduct and the applicable legislation: using the information obtained when executing the sustainability compliance model, we set out projects and activities for our suppliers and manufacturers.

- Effective participation of workers in the area of occupational health and safety: we foster the setting up of health and safety committees in factories.

- Training and accompanying suppliers when implementing occupational health and safety management systems.

- Emergency preparedness and response: guaranteeing that our suppliers have a coherent, updated, and assimilated emergency plan, is a central objective in our strategic plan.

We are committed to ensuring the workers in the supply chain carry out their activity in safe and healthy environments.

02.04.01/ Monitoring compliance with the Code of Conduct and relevant legislation

By carrying out audits, our compliance programme provides us with information on health and safety risks to workers, enabling us to establish priority areas to work on at a thematic level.

Working with these priorities, we set out projects and activities involving our suppliers and manufacturers, with the ultimate goal of improving safety in the workplace and consistent compliance with the Code of Conduct. As well as improvement projects, we carry out actions relating to auditor training, reviewing our own methodologies and training our internal teams.

PROJECT	COUNTRY	DESCRIPTION	COLLABORATION	INDICATORS
HEALTH AND SAFETY ASSESSMENT, CONTINUOUS IMPROVEMENT AND TRAINING	Morocco	Project initiated in 2015 to check whether corrective actions have been successfully implemented in factories. Following remediation, a social audit verifies the positive impact of the actions.	Internal programme.	21 factories (7,381 workers) included in the project, with 10 receiving individual training.
HEALTH AND SAFETY TRAINING, ASSESSMENT AND CONTINUOUS IMPROVEMENT	China	Project commenced in 2019 in collaboration with Nanjing University EHS Academy and health and safety experts, providing training in fire, electrical and machine safety, and chemical processes safety management. Assessment of the companies trained and the implementation of corrective plans are now in progress and will continue over the course of 2020.	*Nanjing University EHS Academy.*	13 suppliers and 23 factories trained (9,058 workers).
STRUCTURAL, FIRE AND ELECTRICAL ASSESSMENT FOR NEW SUPPLIERS AND FACTORIES	Bangladesh	When working with new suppliers and manufacturers in Bangladesh, the onboarding process includes a structural, fire and electrical assessment to identify any risks present in facilities prior to becoming part of our supply chain In 2019 we introduced a technical assessment for any buildings not inspected by Accord and a pilot scheme for suppliers of raw materials.	Internal programme.	122 assessments of new suppliers and manufacturers of the finished product. 25 assessments of new suppliers and manufacturers of raw materials. 24 assessments of finished garment buildings not inspected by Accord.
MONITORING OF COMPLIANCE WITH ACCORD'S CORRECTIVE ACTION PLANS	Bangladesh	As a signatory of the Accord on Fire and Building Safety in Bangladesh, Inditex is committed to health and safety in textile factories. Supported by an external team dedicated to Inditex, our engineers verify and monitor the effective implementation of corrective actions in our suppliers and manufacturers as required by the Accord.	Internal programme.	383 monitoring visits to 76 suppliers and 51 manufacturers (304,173 workers).

Improving workplace health and safety conditions in the supply chain in Portugal

In 2017 we started a project in collaboration with the *Autoridade para as Condições do Trabalho,* IndustriALL Global Union, FESETE, SINDEQ and the *Universidade do Minho*, with the aim of improving workplace health and safety in the supply chain in Portugal.

In 2019, 42 suppliers attended a new training session to provide continuity on awareness, assessment and corrective tasks relating to the breaches this project encompasses. IndustriALL, its local members and health and safety experts from the *Autoridade para as Condiçoes do Trabalho* and the *Universidade do Minho* took part.

Similarly, monitoring of progress on corrective action plans at suppliers and manufacturers' facilities continued. The positive impact of the project was also verified in the Code of Conduct compliance programme.

KEY CONTRIBUTION

42 SUPPLIERS TRAINED

74 COMPANIES IMPLEMENT THE PROJECT WITH THE COLLABORATION OF 40 RELATED SUPPLIERS

47% OF FACTORIES INVOLVED HAVE SIGNIFICANTLY REDUCED THEIR RISK

IMPACT ON **4,737** WORKERS

29 FACTORIES ASSESSED IN 2019

02.04.02/ Effective participation of workers in occupational health and safety

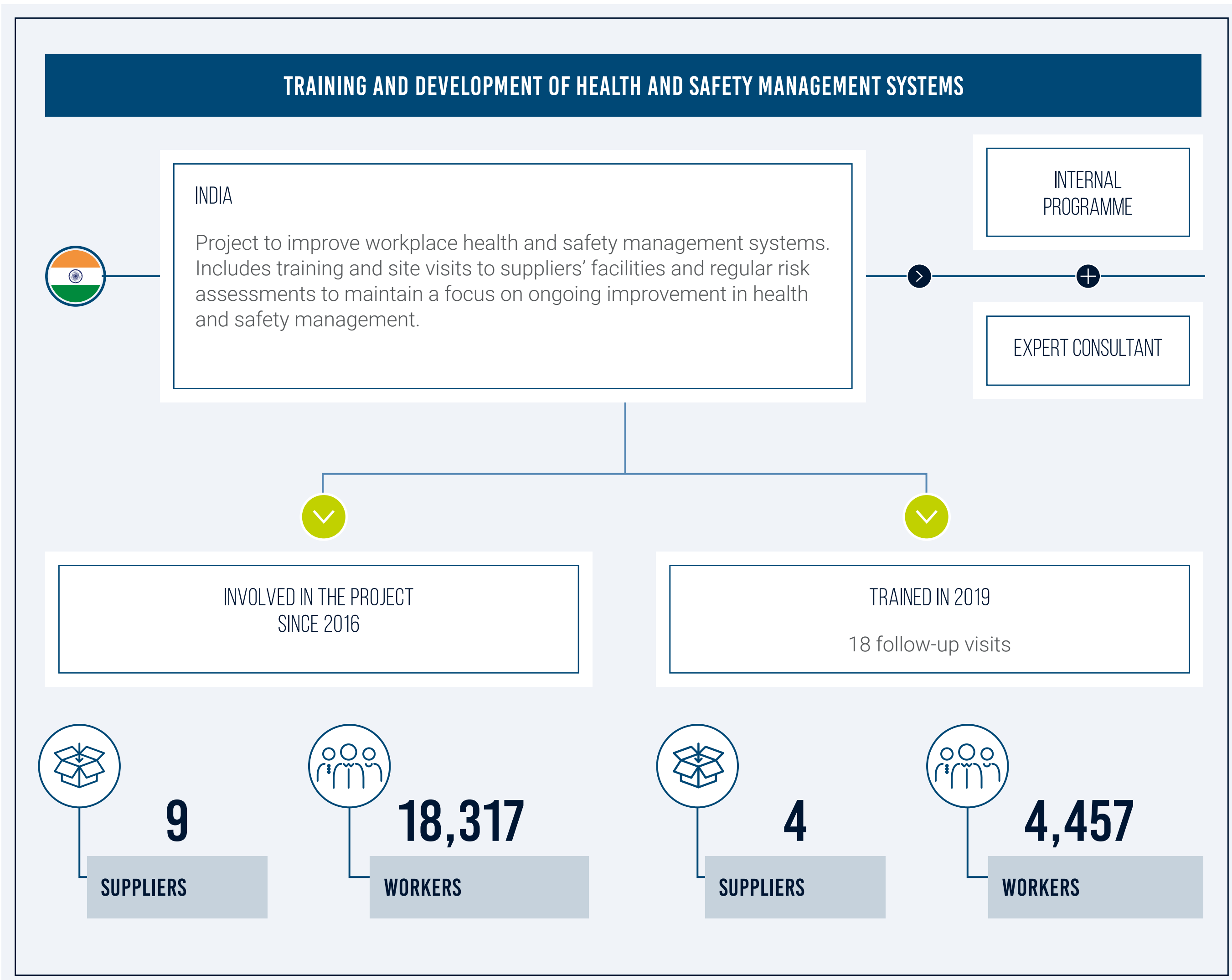
Protecting the health and safety of workers requires the involvement and direct contribution of the workers themselves. This is why we encourage our suppliers to set up and train health and safety committees in their factories, along with other consultation and participation mechanisms.

PROJECT	COUNTRY	DESCRIPTION	COLLABORATION	INDICATORS
SUPPORT AND BACKING FOR HEALTH AND SAFETY COMMITTEES	Morocco	One of the lines of work of our project with Medicus Mundi Sur and AMSAT - *Association Marocaine de la Santé au Travail*- focuses on operational support and backing for health and safety committees, both in defining annual action plans and reviewing documentation. More information on page 120 of this Annual Report.	Medicus Mundi Sur and AMSAT *(Association Marocaine de la Santé au Travail).*	Training and backing for health and safety committees in 12 factories (3,402 workers)
SUPPORT AND DIRECT INVOLVEMENT IN ACCORD COMPLAINTS AND REPORTING PROCEDURES	Bangladesh	This legally binding agreement enables workers to ask questions about health and safety risks confidentially via their complaints and reporting procedures.	Accord.	48 communications managed, relating to 37 factories (118,920 workers)
TRAINING FOR HEALTH AND SAFETY COMMITTEE MEMBERS VIA THE NATIONAL SAFETY COUNCIL	India	Industrial safety training promoted by the National Safety Council in India.	*National Safety Council.*	39 member health and safety managers from 11 suppliers

02.04.03/ Implementing workplace health and safety management systems

The continuous improvement of health and safety conditions goes beyond reducing identified risks.

Management's firm commitment is fundamental to setting up management systems in our suppliers and manufacturers' facilities, which should include assigning clear roles, responsibilities, procedures and indicators. We provide training and support with the implementation process to our suppliers and manufacturers so they can set up these systems.



Management's commitment is fundamental to setting up health and safety management systems in our suppliers' and manufacturers' facilities, which should include assigning clear roles, responsibilities, procedures and indicators.

02.04.04/ Emergencies: preparation and response

Preparation and a coordinated response are fundamental aspects of minimising the negative impacts of serious and imminent risks to workers. This is why guaranteeing our suppliers have robust, up-to-date and integrated plans in place to deal with emergencies forms an essential part of our strategic plan.

At Inditex we have commenced work on a guide to establishing and improving emergency planning. Health and safety experts from our social sustainability teams are working on the development, and it will be shared with suppliers upon completion. NFPA 1600, ISO 45001:2018 and FEMA 141/October 1993 standards have been used for reference in the development of the report. We have also defined procedures internally for communicating and assessing potential emergencies identified in our supply chain.

PROJECT	COUNTRY	DESCRIPTION	COLLABORATION	INDICATORS
TRAINING, ASSESSMENT AND IMPROVEMENT OF RESPONSES TO EMERGENCIES, AND FIRE AND ELECTRICAL RISKS.	Pakistan	Training project commenced in 2019. Also includes risk assessments in facilities to establish corrective action plans.	Internal programme in collaboration with an expert consultant.	9 suppliers trained (63,130 workers) and 5 facilities from 2 suppliers assessed.
ANALYSIS OF CASES PRESENTING POTENTIAL STRUCTURAL RISKS	Turkey, China, Italy, Portugal	Internal mechanisms to communicate potential emergencies and risk assessment.	Internal programme.	50 cases managed in Turkey, China, Italy and Portugal.

KEY CONTRIBUTION

Emergency response and earthquake risk training in Turkey

In 2019 we conducted training sessions in collaboration with the NGO AKUT Search and Rescue Association in industrial zones located in high seismic hazard zones in Turkey, with a focus on emergency response. 28 suppliers and 124 manufacturers (with a total of 31,693 workers) received training with a particular focus on earthquake activity.

Training sessions for suppliers and manufacturers were also complemented by training on the subject in schools and communities. 15,106 pupils from 10 schools received training.

02.05/ Protection of migrants and refugees

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:	**15 factories** with **4,798 workers**
SUPPLIERS TRAINED:	**77 suppliers and manufacturers** with **17,316 workers** trained on migrants rights and cohesion in the workplace.
REMEDIATION PLANS:	**70 remediation plans** with **59 refugee workers** and **91 migrant workers.**

RELATED SDGS

CORE STAKEHOLDERS

International Labour Organization / MUDEM / Pratham / United Work / CCR CSR

ENSURING THAT THE RIGHTS OF REFUGEES AND MIGRANTS ARE UPHELD AND THAT A DECENT WORKPLACE IS PROVIDED IN FACTORIES, SUPPORTING COHESION.

Forced migration can lead to a situation of vulnerability of people both at work and in their personal life, which can affect their human rights, precisely as a result of their migrant status.

At Inditex we have a *zero* tolerance policy towards the exploitation and discrimination of any worker in the supply chain, as set forth in our Code of Conduct for Manufacturers and Suppliers. This approach especially applies to migrants and refugees, as a collective that is potentially more vulnerable to such abuse.

In addition to the Compliance Programme with the Code of Conduct, frameworks such as the United Nations Global Compact on Refugees and the United Nations Guiding Principles on Business and Human Rights, are our benchmark when it comes to planning and implementing initiatives for the protection of migrants and refugees. Inditex has a strategy dedicated to this collective that is structured around three specific goals, making it possible to redress any potential discrimination situation and promote fair labour practices that encourage labour cohesion.

At Inditex we analyse and monitor the conditions of these workers in our supply chain, to ensure there are no violations to their rights. Specifically, in India and China, where internal migration is more commonplace, and in Turkey, a country which – due to the conflict in Syria – has become a major host to migrants and refugees.

STRATEGY ON THE PROTECTION OF MIGRANTS AND REFUGEES

GENERAL GOALS	SPECIFIC GOALS
IMPLEMENTING SUCCESSFUL REMEDIATION PLANS FOR REFUGEES AND MIGRANTS WITH THE SUPPORT OF EFFECTIVE INTERNAL MECHANISMS.	Implementing remediation programmes on an individual basis. Stocktaking on the best practices and implementation on a global scale. Better understanding of the global and local context regarding migrants and refugees.
PROMOTING FAIR EMPLOYMENT AND RECRUITMENT PRACTICES FOR MIGRANTS AND REFUGEES.	Creating and applying guidelines on fair employment and recruitment practices to be globally applied by manufacturers and suppliers throughout the supply chain.
STRENGTHENING THE SOCIAL AND LABOUR COHESION.	Developing projects and programmes that bolster cohesion in the workplace and in the community in collaboration with various stakeholder groups.

TRAINING, AWARENESS-RAISING, AND EDUCATING. — GLOBAL EXCHANGE OF BEST PRACTICES AND LOCAL LEARNINGS. — PARTNERSHIPS WITH STAKEHOLDER GROUPS.

Similarly, we acknowledge the importance of cooperation to address the challenges related to the recruitment and employment of refugees and migrants, particularly in countries with weak regulations. For this reason, we partner with key players such as the ILO, UNHCR, Ethical Trading Initiative, employer organisations and other brands, suppliers and NGOs. We are also a member of the *Tent Partnership for Refugees* platform.

In parallel, and from an academic perspective, we support the research into migratory phenomena and the reality of migrants through the Inditex Chair of Refugees and Forced Migrants at the Comillas Pontifical University. The institution, which partners with organisations working in the field with forced migrants and refugees, has launched various research projects to raise awareness around the reality of these people and to improve actions taken with them. For example, the Chair has been a trailblazer in the study on the phenomenon of refugees in Spain. It is also particularly active in raising awareness on this matter, as well as in transferring knowledge and methods for intervention.

More information about Inditex Chair of Refugees and Migrants in the chapter Working for the Community, from page 234 of this Annual Report.

The strategy on the protection of migrants and refugees is implemented through the following areas of work:

- Implementing remediation plans for refugees and migrants: they are provided with the collaboration of external entities, in addition to the involvement of the Inditex suppliers, manufacturers, and buying teams. This is the case in Turkey, for example, where we have partnered with the NGO *Refugee Support Centre* (MUDEM) through a framework agreement since 2015.

- Promoting fair employment and recruitment practices for migrants and refugees: we undertake various programmes, e.g. in partnership with *United Work* in Turkey, the goal of which is to train refugee and migrant workers and to raise their awareness regarding their rights. It also includes supplier training activities.

- Strengthening the social and labour cohesion in factories where migrants work and in the communities in which they live. Projects are undertaken in countries such as India, China, and Turkey, in partnership with various entities and according to the local specific characteristics, but upholding the common focus on the well-being of workers.

We collaborate with the NGO Refugee Support Centre (MUDEM) in Turkey to establish remediation plans for refugees and migrants.

02.05.01/ Remediation plans for migrants and refugees

If we detect any cases of the violation of migrants and refugees' rights, we put remediation plans into place in collaboration with external bodies and Inditex suppliers, manufacturers and commercial teams. For example in Turkey, we have been collaborating as part of a framework agreement with the Refugee Support Centre (MUDEM) since 2015.

In 2019, 70 remediation plans were conducted in collaboration with 55 suppliers and manufacturers with MUDEM's support. The plans reached 59 refugee and 91 migrant workers, with our teams and the NGO offering support and guidance on formalising their work status.

Training is a fundamental aspect of implementing remediation plans effectively. Firstly, we provide training to external auditors in countries most at risk of having migrant or refugee workers in vulnerable situations, so that auditors can successfully detect and look into such cases, including recruitment practices. Secondly, and under the remediation plan framework, we also offer training to suppliers to raise awareness on good employment practices and encourage migrant and refugee cohesion and inclusion.

SANKALP - Preventing unsafe migration in India

Objectives

- Equal opportunities for all.
- Reducing vulnerability and eradicating potential underage work.

In India, the majority of minors who migrate do so for work reasons. This is why it is essential to shore up the prevention of this type of migration for work reasons in their home communities. This is the aim of the Sankalp programme which we are developing in collaboration with the ONG Pratham.

Migration from rural to urban areas has increased in the country in recent years. With this in mind, the programme has a focus on the states it originates from: Uttar Pradesh and Bihar. We have introduced training measures there, such as setting up help points in bus and train stations. People in potentially vulnerable situations can be identified at these help points, gaining an in-depth understanding of their cases, providing them with remediation where necessary and ensuring they return home.

Meanwhile, training has been given to governmental authorities at these exit points so that prevention systems can be better implemented. Regular visits to homes also take place, enabling a dialogue with parents and communities to promote education.

KEY CONTRIBUTION

507 CASES OF PREVENTING UNSAFE MIGRATION

9,500 PEOPLE EDUCATED ON THE PREVENTION OF UNSAFE MIGRATION AND UNDERAGE WORK

4,135 ADULT MIGRANTS EDUCATED ON THEIR RIGHTS

02.05.02/ Fair employment and recruitment practices for migrants and refugees

Ensuring that formally employed migrants can fully exercise their rights and enjoy equal opportunities in a decent working environment is another of our objectives. To do this, we develop action guidelines, train suppliers and manufacturers and implement programmes promoting fair employment practices.

Programme with United Work in Turkey

Work continued in 2019 on our awareness and training programme for migrants and refugees with United Work in Turkey. The objective behind it is to train and raise awareness on the rights of workers, chiefly from Syria, through sessions focusing on rights, cultural differences, communication skills, workplace health and safety and other matters. The training also extends to employers to ensure they understand and implement fair working practices. In 2019, 106 Syrian migrants from six factories (a total of 1,823 workers) received training.

As well as training sessions, we also held training workshops with United Work in 2019 in cities across Turkey, addressing issues such as refugee rights, relevant labour legislation, and encouraging inclusive working environments. 73 suppliers and manufacturers (a total of 15,347 workers) took part in these sessions.

02.05.03/ Reinforcing social and workplace cohesion

Promoting social and workplace inclusion and cohesion in factories with migrant workers and their communities is another of our lines of work. In this vein, we are working on projects in countries such as India, China and Turkey in collaboration with various bodies. These are tailored to the specifics of each local region but have an overall focus on the wellbeing and social and workplace integration of these workers.

Training migrant parents with The Center for Child Rights and Corporate Social Responsibility

For the most part, migration in China is internal, with movements from rural provinces to the country's most industrialised zones. It is common for parents of migrant families to travel alone, leaving their children in the care of other family members. In 2019 work commenced on a programme with the organisation CCR CSR (The Center for Child Rights and Corporate Social Responsibility) focusing on supporting these workers. Four factories from our supply chain (with 1,969 workers) took part, with the direct involvement of 175 mothers and fathers.

The programme examines tools and mechanisms that can be used to help parents confront challenges in parenting their children from a distance. A particular emphasis was placed on how families can use technology to communicate, for example using smartwatches.

Training scheme with the Refugee Support Centre (MUDEM)

In 2018 we launched a pilot scheme with MUDEM to promote migrant and refugee integration based on learning outcomes from remediation plans. In 2019 the project was implemented at two factories, to the benefit of 505 workers.

Integration programme with the International Labour Organization

This programme, promoted by the ILO in Turkey, seeks to improve cohesion between Syrian refugees and their Turkish colleagues in factories. Turkish volunteers receive training so they can act as mentors to their Syrian refugee colleagues, spending time with them inside the factory and out. This makes it easier for the refugees to integrate, both from a cultural and language perspective, fostering social and workplace cohesion. The programme has been implemented at five factories with a total of 1,579 workers.

Chair in Forced Migrants and Refugees

The Inditex Chair in Forced Migrants and Refugees at Universidad Pontificia Comillas has worked on various lines of work since 2016. When it started it began a collaboration with organisations working on the ground with forced migrants and refugees.

Simultaneously, it has carried out various quality investigations to raise awareness of refugees and immigrants' situations and improve programmes and interventions with them. Highlights of this work include research into the refugee phenomenon in Spain, with an investigation of the integration process and official reception arrangements in Spain. Work is also under way on a longitudinal transnational survey for migrants and refugees, broadening the field of study and the first of its kind to examine this matter.

The Chair is also very active in raising awareness of the phenomenon, as well as transferring knowledge and methods of intervention in this field through various means.

More information on the Inditex Chair in Forced Migrants and Refugees in the chapter entitled Working for the Community, from page 234 of this Annual Report.

PROJECT STAGES:

1. Conducting surveys among all workers including migrants and local workers.

2. Training workers
   - / Legislation relating to migrants and refugees' rights.
   - / Cultural differences and similarities Sharing experiences
   - / Benefits of integration and workplace cohesion.

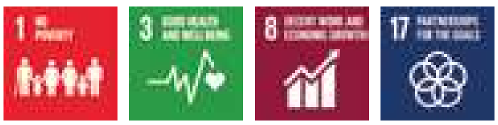
3. New surveys conducted to assess training learning outcomes.

02.06/ Social Protection

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:	**10 factories** with **11,536 workers**
PROGRAMMES WITH COMMUNITY INVOLVEMENT:	Programmes in **India** and **Turkey.**

RELATED SDGS



CORE STAKEHOLDERS

Swasti / Pratham / Aung Myin Hmu / Çağdaş Türkiye'nin Gelecek Güvencesi / Istanbul Bilgi University

ENABLING THE WELL-BEING OF WORKERS IN THE SUPPLY CHAIN.

Social protection is defined as the set of policies and programmes designed to curb and prevent vulnerability. Social protection extends not only to the workers, but also to their family, and covers concepts such as protection of maternity, unemployment, education of minors, care for disabled and elderly people, and health protection, in addition to others. According to the ILO, only 27% of the world's population has adequate social protection. And more than half does not have access to any coverage.

Social protection has been identified as one of the core areas for achieving the global goals of our *Workers at the Centre 2019-2022* Strategy, while contributing to achieving the SDGs 1, 3, 8 and 17. Along these lines, social protection is a concept that, despite not being one of the 17 SDGs of the United Nations 2030 Agenda, is a necessary and cross-cutting component in order to achieve other goals. Therefore, working to improve social protection in our supply chain is aligned both with our principles and values as a Company and with our commitments to stakeholder groups.

The industry dimension plays a key role in this priority area. Offering adequate social protection to workers involves governments and public bodies, as well as local and international civil society organisations, which makes cooperation between all stakeholder groups fundamental. To do so, when implementing our programmes we partner with local NGOs that have in-depth knowledge and experience on the reality and challenges in the area in which they operate.

Upon creating this new framework, we aim to identify the priorities within the broad concept of social protection through which we can have a positive short-term impact, while being mindful of the long-term goals. To structure our work, we have defined four specific goals to address noteworthy issues in the global context and particularly vulnerable groups.

Through due diligence in human rights, we have identified social protection as one of the Priority Impact Areas of our Workers at the Centre 2019-2022 Strategy.

STRATEGY ON SOCIAL PROTECTION IN THE SUPPLY CHAIN

- FACILITATING ACCESS TO PROPER NUTRITION AND DRINKING WATER
- ENSURING ALL WORKERS HAVE ACCESS TO SOCIAL PROTECTION AND SOCIAL BENEFITS
- PARTNERING WITH LOCAL COMMUNITIES TO ALLEVIATE POVERTY AND PREVENT UNDERAGE WORK
- PROMOTING THE PERSONAL HEALTH AND WELL-BEING OF WORKERS

- AWARENESS-RAISING AND TRAINING
- PARTNERSHIPS WITH STAKEHOLDERS
- WORK WITH COMMUNITIES
- CONSTANT FOCUS ON THE WORKER'S WELL-BEING

The strategy is implemented through the following areas of work:

- Facilitating access to proper nutrition and drinking water: we seek to guarantee these universal rights for all the workers in our supply chain. Training not only suppliers, but also the workers themselves, is crucial to achieving these rights.

- Ensuring all workers have access to social protection and social benefits.

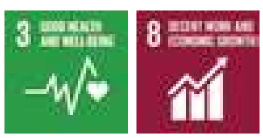
- Partnering with local communities to alleviate poverty and prevent underage work: At Inditex we have a Remediation Plan in the event of identifying cases where minors are forced to forsake their education to contribute to the family economy. We also develop specific programmes to tackle possible causes at their root.

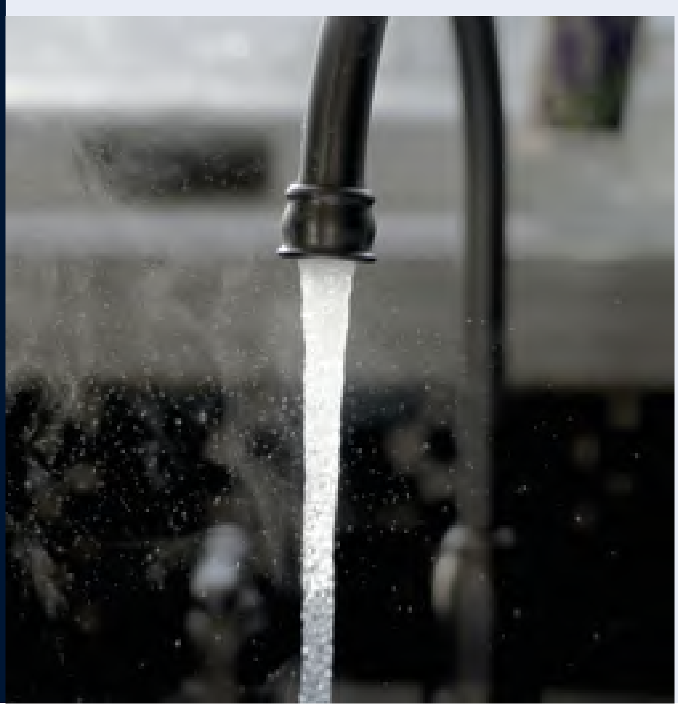
- Promoting the personal health and well-being of workers: In 2019, we launched a pilot project in India, in collaboration with the organisation Swasti, focused on the well-being of 7,082 workers from five of our suppliers in the country.

02.06.01/ Facilitating access to adequate nutrition and drinking water

Access to adequate nutrition and drinking water is one of the universal rights we want to guarantee for workers in our supply chain. Our Code of Conduct requires suppliers to provide drinking water to all workers and provide food storage facilities where required. In many countries it is common for workers to eat in factories: whether the food is prepared in canteens at the factories or by the workers themselves. However, the quality of food and water can be affected by climate and environmental conditions, and to protect workers' health it is vital to prevent this from happening. Training suppliers — and also the workers themselves — is key to ensuring attention is paid to adequate nutrition and food storage.

KEY CONTRIBUTION





Improving food storage facilities and the supply of drinking water

Work commenced on a pilot project in Myanmar in 2019, with the support of local organisation Aung Myin Hmu, to improve food storage facilities and the supply of drinking water in five factories from our supply chain, reaching a total of 4,454 workers.

The project includes creating properly temperature-controlled and ventilated hygienic storage rooms suitable for storing food in optimum conditions. By the end of 2019 these had been successfully installed in five of the participating factories. This was complemented by showing training videos on healthy and hygienic habits during meal breaks.

Training was also provided at all factories.

THE MAIN TOPICS COVERED WERE:

1. Drinking water and adequate hydration
2. Nutrition and healthy eating
3. Health and hygiene

02.06.02/ Acces to social protection and social benefits

Social security systems vary from country to country, and all have their own characteristics. Our compliance programme encompasses the assessment and improvement of social security management systems conducted in our suppliers' factories. For this reason, we have carried out social security risk assessments at our clusters, so we can understand the systems and challenges workers face in gaining full access to their benefits and rights, and to develop action plans tailored to each situation.

Our goal is for all workers to have access to social security and other social benefits, regardless of the characteristics of the systems in place at a local level. Ultimately, if the systems are insufficient in guaranteeing the well-being of workers, we collaborate with the relevant institutions and organisations to develop or add to existing systems where necessary.

02.06.03/ Alleviating poverty and preventing underage work

Eradicating poverty is the first of the 17 Sustainable Development Goals and almost all of the remaining SDGs rest on achieving it. Poverty is the root cause of many of the challenges society faces, and eradicating it is the first step towards achieving full social protection and well-being in communities.

Code of Conduct Remediation Plan

One of the potential consequences of poverty is the use of workers under the legal working age, as a lack of income may lead to minors being forced to abandon their education in order to contribute to the household economy. At Inditex, we have a Remediation Plan in place to implement when we identify any such instances. The core concept is to protect and guarantee people's rights, in particular their right to education.

In this sense, as soon as the plan is put into practice, the supplier is responsible for ensuring they receive an education until they reach legal working age, or the age stipulated by our Code of Conduct if this is higher. During this time the supplier must either hire another family member or pay a sum equivalent to the wage the person was receiving, thereby ensuring the family is not left without a source of income. Another fundamental aspect of the plan is the development of preventive measures on the part of the supplier, to avoid the situation repeating itself. These plans are conducted in cooperation with local organisations, such as Pratham in India or CYDD (Association for the Support of Contemporary Living) in Turkey.

As well as putting individual corrective plans in place, we also develop programmes in the community to avoid these situations from occurring and to tackle the potential root causes before they arise.

Sankalp - Underage work prevention

We started the Sankalp Programme in collaboration with Pratham, an NGO in India, in 2015. The main goal is to work with communities to raise awareness of the benefits of education and the harm underage work brings with it. In addition, training centres have been set up to complement schools, where children can go after classes to continue their learning.

In 2019 we continued with the implementation of Sankalp in five towns in India, where the communities play a fundamental role in ensuring the project is ongoing and sustainable. Vigilance Groups have been set up, trained by the communities themselves, which ensure the continuation of schooling until the age of 16 at a minimum. Training parents and adults in the community on the importance of education is fundamental to the success of the project.

Promoting education in Turkey

We are collaborating with İstanbul Bilgi University in Turkey to promote education and reduce the number of pupils who abandon their studies in vulnerable communities. The project includes collaborating with the community and local authorities to establish effective mechanisms to prevent the abandonment of studies.

Highlights of 2019 activities include summer schools with 17 children aged 9 - 14 with fun and educational workshops and activities to educate them on their rights and motivate them to continue their education.

02.06.04/ Health and personal well-being

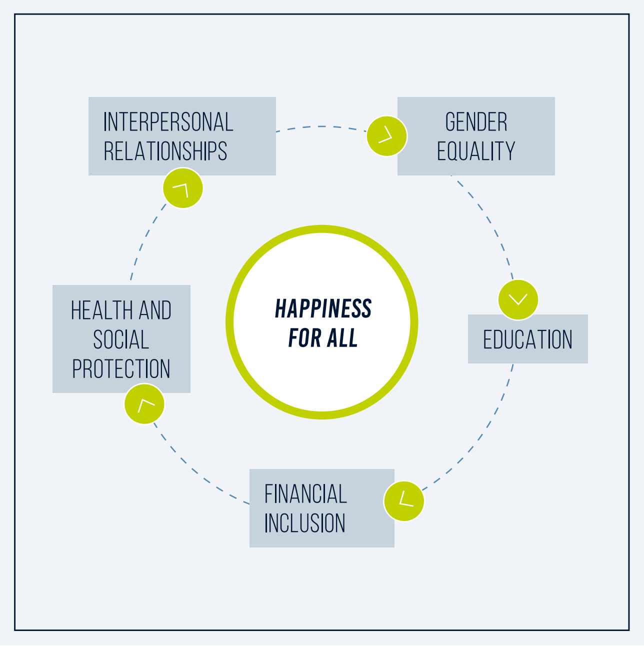
Well-being and happiness among workers have numerous benefits. Happy people with a high level of psychological and social well-being benefit from improved physical and mental health, develop healthy personal and professional relationships, and tend to help their peers more, both in their own communities and the workplace.

As such, health and wellbeing are directly connected. In this vein, the well-being programmes under the social protection strategy framework are a positive complement to the activities under the workplace health and safety umbrella.

Happiness for All project

We started a pilot scheme in India in 2019, together with the Swasti organisation, focusing on the well-being of 7,082 workers from five of our suppliers in the country. The project aims to improve the well-being of workers, with a long-term approach encompassing family members and communities.

Participating suppliers receive expert support, technical guidance, and training to set up integrated centres that offer workers solutions relating to social benefits available in India and the promotion of well-being. The objective extends the concept of well-being from the factory to the community. In 2019, guidance committees were set up with designated happiness experts to ensure the internal roll-out of the project with each supplier.



02.07/ Protection of labour rights in the production of raw materials

2019 KEY INDICATORS

FACTORIES INVOLVED IN IMPROVEMENT PROJECTS AND PROGRAMMES:	**4 factories** with **4,113 workers**
PROGRAMMES WITH COMMUNITY INVOLVEMENT:	Programmes in **China, India, Pakistan** and **Mali.**

RELATED SDGS

CORE STAKEHOLDERS

International Labour Organization / Tata Institute of Social Sciences

IMPROVING THE HUMAN AND LABOUR RIGHTS OF THE WORKERS IN THE SUPPLY CHAIN OF RAW MATERIALS THROUGH PROACTIVE ACTIONS IN TERMS OF THE WORKPLACE, THE COMMUNITY, AND INDUSTRY.

Due to the complex structure of the production of raw materials, the reality of those working with these products is different to that of the workers at the factories of the finished product.

However, and as workers in our supply chain, Inditex's commitment to them is the same. We want to promote respect for their human and labour rights, as laid down in SDG 8.

Our strategy for the protection of labour rights in the production of raw materials was consolidated in 2019. There is an holistic approach to protecting the rights of these workers that seeks to join forces with various players, including local and international organisations, and the communities themselves. For example, to strengthen the progress of the stability of the cotton supply chain, we partner with other sector agents such as the *Better Cotton Initiative* (BCI), Textile Exchange, and *Organic Cotton*

PROTECTION OF LABOUR RIGHTS IN THE PRODUCTION OF RAW MATERIALS

GOALS

- / Championing the well-being of workers in the supply chain of raw materials.
- / Increasing the responsibility of all the players in the supply chain as regards sustainability.
- / Establishing best practices and recommendations for the raw material supply chain.

2019 KEY FOCAL POINTS

COTTON SUPPLY CHAIN

LEATHER AND HIDE SUPPLY CHAIN

Identifying the most relevant stakeholder groups in each area.

Due diligence in the supply chain of the various raw materials.

Prioritising intervention according to the impact level identified.

Applying best practices and participative efforts to protect the rights of workers.

Accelerator, in addition to – of course – collaborating with the International Labour Organisation.

The strategy is implemented through the following areas of work:

- Promoting the well-being of workers in the supply chain of raw materials: Our main initiative to strengthen the well-being of workers involved in the production of raw materials is the public-private partnership (PPP) we hold with the International Labour Organization.

- Raising the responsibility of all the players in the supply chain of raw materials as regards sustainability, for our raw materials to comply with all the standards.

In 2019, we signed an agreement with the *Tata Institute of Social Sciences* (TISS) in India, to undertake a project to analyse and improve the conditions of the country's leather production chain. Within the framework of the project, due diligence will be conducted on human rights with regard to the supply chain of this material, in order to identify priority fields of action and to carry out the action plans necessary to address the core challenges identified. The results of the due diligence will be included in mechanisms to promote the respect for human rights.

We have partnered with four suppliers (with 4,113 workers) to undertake this project. The goal is to replicate it in other countries that are also suppliers of leather as a raw material.

FEATURED CONTRIBUTION

CORE ACTIONS:

MAPPING AND IDENTIFYING THE COTTON PRODUCTION CHAIN

RAISING AWARENESS ON LABOUR RIGHTS

DEVELOPING THE SKILLS OF WORKERS

DIALOGUE WITH CIVIL SOCIETY AUTHORITIES AND ORGANISATIONS

Public private partnership with the International Labour Organization (ILO) for the cotton supply chain

In 2017, Inditex signed with the ILO a Public Private Partnership (PPP) to strenghten the fundamental principles and labour rights in cotton production and contribute to the sustainability of this raw material supply chain.

During the three years that we have been implementing this PPP, Inditex has collaborated with ILO to promote fundamental rights in cotton-producing communities in India, Pakistan, China and Mali. To achieve it, a cooperative approach with different stakeholders nationally and in the communities themselves is key.

To implement this Agreement, local representatives of ILO were appointed in 2018 as project coordinators, responsible for initiating the activities that fall within the scope of the project with the support of Inditex's local Sustainability teams.

Likewise, in 2019 a round of consultations took place to involve a larger number of stakeholders to implement the agreement. Additionally, training was imparted to the communities involved in cotton production and harvesting in Pakistan. During such training sessions, awareness was raised among cotton workers and their families regarding their fundamental labour rights, specific health and safety issues, social dialogue and information about applicable laws and regulations.

Within the framework of this Agreement, in which China is a collaborating party, projects are also being developed in the provinces of Hebei, Shandong, Hubei and Anhui.

/ Increasing knowledge on the fundamental principles and rights at work in the cotton supply chain.

/ Promoting respect for the fundamental principles and rights at work in cotton-producing communities.

/ Contributing to meaningful social dialogue and collaboration, at industry level, relating to fundamental principles and rights at work.

STRATEGIC FRAMEWORK OF THE AGREEMENT

We partner with bodies such as the International Labour Organization on the sustainability of the cotton supply chain.

- Creating best practices and recommendations for the raw material supply chain: Partnering with various internal and external stakeholder groups is a fundamental part of this goal, since we seek to implement best practices that are not only exclusive to Inditex, but which serve as a benchmark for the entire industry.

The strategy for the protection of labour rights of workers in the supply chain of raw materials is backed by the environmental sustainability strategy, in that they complement each other in order to achieve the production and consumption of sustainable and responsible raw materials. As a result of the confluence of both strategies, we contribute to SDG 12 (Responsible consumption and production).

A number of reports were released in 2019, denouncing potential non-compliance practices in social and labour matters in some regions of central Asia, where Inditex does not have commercial relations with any factory.

Additionally, Inditex conducts thorough due diligence across our supply chain in the region through our internal teams and expert external partners to ensure the absence of forced labour and compliance with our Code of Conduct and international labour standards, including:

- Actions at Community level within the Public Private Partnership with the International Labour Organization to enhance human and labour rights covering the fundamental rights and principles at work, including the prevention of forced labour.
- Actions at Industry level, as established in the UN Guiding Principles on Business and Human Rights and in collaboration with the relevant stakeholders to promote the human and labour rights of workers within the global textile supply chain.

Furthermore, Inditex is a signatory to the *Uzbek Cotton Pledge* for the eradication of forced labour in the production of cotton in Uzbekistan. https://www.sourcingnetwork.org/uzbek-cotton-pledge

03/ Compliance

The *Workers at the Centre 2019-2022* Strategy is supplemented by cross-cutting actions to verify and guarantee compliance with the Code of Conduct and international standards, as well as to work with our suppliers and stakeholder groups on the continuous improvement of our supply chain.

03.01/ Assessing compliance

All the facilities required to produce our items must comply with the Code of Conduct for Manufacturers and Suppliers. To verify that it is applied correctly and to detect potential deviations in the social field, we carry out a *pre-assessment* on companies before they enter the supply chain, and regular social audits on companies once the business relationship has begun.

More information about pre-assessment audits on page 93 of this Annual Report.

The methodology of the Social Audits implemented in Inditex was initially designed in 2007 in partnership with the former International Textile, Garment and Leather Worker's Federation (currently integrated in IndustriALL Global Union), the University of Northumbria and the Centre for Business and Public Sector Ethics of Cambridge University. This methodology has been updated several times and includes, among other protocols:

- Interviews with the workers and their representatives.
- Review of documentation related to the working conditions of workers.
- Visits to the facilities of the audited company.
- Interviews with management.

The main aim of the audits is to verify the degree of compliance with Inditex's Code of Conduct and set up Corrective Action Plans, where necessary, to ensure that human and labour rights are upheld and to correct any detected non-compliance.

Social audits can be conducted by internal and external auditors, but always without notifying the company to be audited in advance. To ensure the quality of the audits and that our methodologies are correctly applied, we make major efforts in training external auditors. Last year we worked with 793 external auditors[1], of which 756 were trained in 2019.

In 2019, 6,411 social audits[2] were carried out, compared to 5,359 in 2018. This rise is chiefly due to progress in the traceability of materials and the inclusion of non-textile items within the scope of the audits.

SOCIAL AUDITS IN 2019

GEOGRAPHIC AREA	NUMBER
Africa	406
Americas	19
Asia	3,020
Europe outside the EU	1,660
European Union	1,306
TOTAL	**6,411**

(1) Includes auditors that have conducted social, *pre-assessment,* traceability, and special audits in 2019.

(2) A company may receive more than one social audit during a fiscal year. Each audit carried out is considered when accounting for audits.

As a result of the social audits, suppliers and manufacturers are classified according to their degree of compliance with the Code of Conduct. In 2019, the suppliers in operation are classified as follows:

	2019(**)		2018	
CLASSIFICATION (*)	NUMBER OF SUPPLIERS	PERCENTAGE (%)	NUMBER OF SUPPLIERS	PERCENTAGE (%)
A	784	40%	661	35%
B	1,051	53%	1,045	56%
C	44	2%	80	4%
CAP	38	2%	47	3%
PR	68	3%	33	2%
TOTAL	**1,985**	**100%**	**1,866**	**100%**

(*) **Supplier A:** Complies with the Code of Conduct.
Supplier B: Does not comply with some non-relevant aspect of the Code of Conduct.
Supplier C: Does not comply with some sensitive, but not conclusive, aspect of the Code of Conduct.
Supplier in Corrective Action Plan (CAP): Breaches of the Code of Conduct triggering the immediate implementation of a Corrective Action Plan.
Supplier PR: Audit in progress.

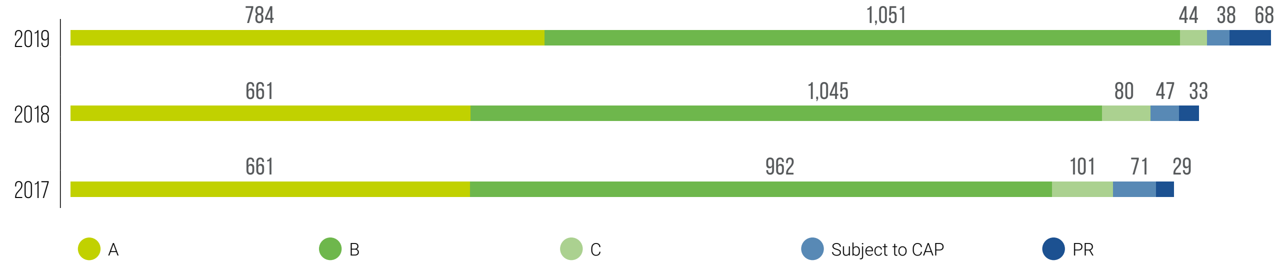
(**) In 2019 we have extended the scope of the information reported on suppliers including, in addition to the previous years, non-textile items. It includes suppliers with more than 20,000 purchasing units in the 2019 spring/summer and autumn/winter campaign. Suppliers producing less than 20,000 units account for 0.27% of overall production.

It is worth noting that, in 2019, 97% of the textile and non-textile items (extended scope) were purchased at A or B-ranked suppliers, which represent the highest degrees of compliance in terms of social sustainability.

More information about Inditex's responsible purchasing practices on page 94 of this Annual Report.

Supplier ranking has improved year upon year, as a result of our efforts to ensure that our workers' conditions are adapted to the Code of Conduct, and due to the joint work with suppliers and our stakeholder groups on the continuous improvement of our supply chain.

CHANGES IN THE RANKING OF SUPPLIERS IN THE LAST THREE YEARS



It is worth stating that the social ranking of the supplier also determines the possibility of producing *Join Life* products. This demonstrates how sustainability criteria are fundamentally relevant in purchasing practices.

More information about *Join Life* on pages 83 of this Annual Report.

Social audits are also a highly important information source for the impact approach, since they make it possible to identify the core challenges in each country regarding the Code of Conduct. In doing so, our teams can assess and identify which actions to take to overcome them.

PERCENTAGE OF COMPLIANCE WITH THE CODE OF CONDUCT IN THE ACTIVE FACTORIES (1) OF SUPPLIERS WITH PURCHASES IN 2019

	AFRICA	AMERICAS	ASIA	EUROPE OUTSIDE THE EU	EUROPEAN UNION
No forced labour	> 90	> 90	> 90	> 90	> 90
No work by youths or child labour (2)	> 90	> 90	> 90	> 70	> 90
No discrimination	> 90	> 90	> 90	> 90	> 90
Respect for FOA (3) and collective bargaining	> 70	> 90	> 90	> 90	> 90
No harsh or inhumane treatment	> 90	> 90	> 90	> 90	> 90
Hygiene at work	> 50	> 70	< 50	< 50	< 50
Wage compliance	> 50	> 50	< 50	> 50	> 50
Working hours	> 70	> 90	< 50	< 50	> 90
Environmental awareness	> 90	> 90	> 90	> 90	> 90
Regular work	> 70	> 90	> 90	> 70	> 70
Implementation of the Code (4)	< 50	> 70	< 50	< 50	< 50

> 90 > 70 > 50 < 50

(1) Factories blocked in 2019 not included.
(2) Includes the lack of suitable systems for verifying the age of workers.
(3) Freedom of association.
(4) Includes the lack of suitable systems for registering and communicating with workers.

In addition to social audits, we conduct special audits, which focus on a specific area for improvement. Some of the objectives of these audits include assessing workers' conditions from a health and safety perspective, and conducting structural technical assessments. Like social audits, they can be carried out by external or internal auditors.

SPECIAL AUDITS IN 2019

GEOGRAPHIC AREA	NUMBER
Africa	57
Americas	112
Asia	1,117
Europe outside the EU	236
European Union	97
TOTAL	**1,619**

03.02/ Continuous improvement

Working with suppliers and manufacturers is crucial to achieve the ongoing improvement of employees' working conditions. In addition to the action taken in the Priority Impact Areas in this regard, Corrective Action Plans are another tool used to optimise the supply chain from a social perspective.

Each social audit triggers, if so, the instant application of a Corrective Action Plan (CAP) that includes measures that the supplier must apply to improve its degree of compliance with the Code of Conduct, as well as the terms for its implementation.

FEATURED CONTRIBUTION

8 DECENT WORK AND ECONOMIC GROWTH

17 PARTNERSHIPS FOR THE GOALS

SOCIAL & LABOR CONVERGENCE

Social & Labor Convergence

Although the audit-focused compliance approach has played an important role improving social and labour conditions over the past two decades, it has also led to a proliferation of audits and consumed many of the resources devoted to the sustainability management. Despite being a valuable tool, there are also limits to the audits' usefulness.

Inditex supports and is part of the Social & Labor Convergence initiative, the aim of which is to create an efficient, scalable and sustainable solution for social audits and avoid duplicative efforts. Together we are working to implement the first converged industry-wide framework for assessing social and labour conditions so that the resulting data can be shared and analysed. The time and resources saved as a result can be redeployed to promote lasting improvements.

DEVELOPING A CORRECTIVE ACTION PLAN

Inditex's Social Sustainability teams and its buying teams, provide the supplier with ongoing support throughout the Plan. On the one hand, they advise it on the best way to implement the corrective measures and, on the other hand, they monitor it to be able to influence the supplier and take action before the stipulated time has elapsed, if it is detected that the plan is not progressing. The competence review that is carried out at the mid-point of the CAP, for the on-site verification of its degree of progress, is particularly relevant to this monitoring.

In addition to our teams, NGOs, trade unions and other civil society organisations can take part in drawing up these plans, which are a good example of Inditex's philosophy of always supporting suppliers. However, we have a zero tolerance stance towards those which do not make good use of improvement opportunities.

Thus, in 2019, 25 suppliers were rejected for reasons related to breaches of the Code of Conduct. This prevents them from continuing to receive orders from any brands in the Inditex Group.

SUPPLIERS REJECTED IN 2019

GEOGRAPHIC AREA	SUPPLIERS WITH PURCHASES (1)	REJECTED DUE TO A BREACH OF THE CODE OF CONDUCT	REJECTED FOR COMMERCIAL REASONS	SUPPLIERS IN OPERATION AT 31/01/2020
Africa	161	7	1	153
Americas	17	0	5	12
Asia	1,107	4	19	1,084
Europe outside the EU	215	10	1	204
European Union	485	4	5	476
TOTAL	**1,985**	**25**	**31**	**1,929**

(1) Suppliers of fashion items with production over 20,000 units/year. Suppliers with lower productions account for 0.27% of total production.

Ongoing improvement, advice, and support are key to our relationship with suppliers.

Blocking a supplier or factory is the last resort. Therefore, support from Inditex is not solely limited to implementing CAPs when non-compliances have been demonstrated, but it also includes different actions to prevent them from occurring, proactively seeking the ongoing improvement of the supply chain. Our goal is to enter into an ongoing partnership throughout our relationship with suppliers, and cooperate with them to improve their supply chains and to champion the human and labour rights of their workers.

Our clusters play a key role in strengthening relations with suppliers, since they comprise local professionals with different skills with who are experts in sustainability , who make up multidisciplinary teams in order to understand and address local realities in the supply chain and support suppliers when addressing global challenges.

Collaboration with suppliers is mirrored in the continuous improvement both of factories and their facilities. This can be seen in the fact that the percentage of A or B-ranked suppliers (the highest degrees of compliance within Inditex's own methodology) is higher in those that have formed part of our supply chain for longer and, therefore, those with whom we have spent more years undertaking improvement programmes and initiatives.

SUPPLIER TRAINING IN 2019

1,018 SUPPLIERS TRAINED IN GROUP SESSIONS

565 INDIVIDUAL AWARENESS-RAISING MEETINGS WITH 461 SUPPLIERS

FEATURED CONTRIBUTION

CORE SUBJECTS

CODE OF CONDUCT FOR MANUFACTURERS AND SUPPLIERS

INDITEX REQUIREMENTS AND PROCEDURES

SUBJECTS RELATED TO THE PRIORITY IMPACT AREAS AND THEIR VARIOUS INITIATIVES

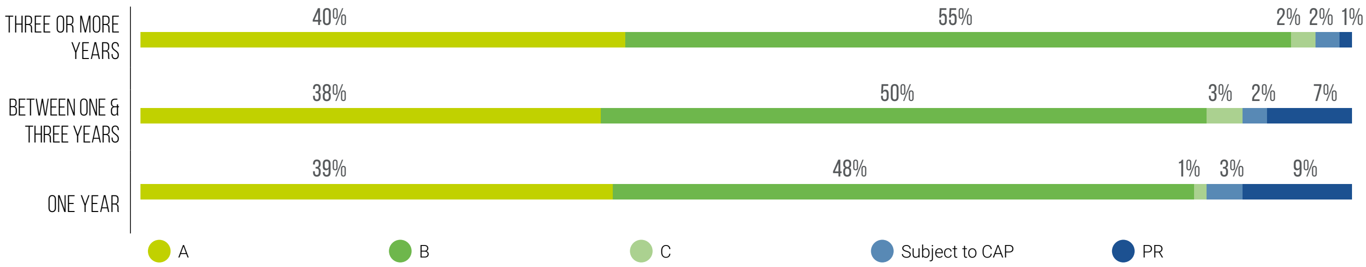
- Worker Participation
- Living Wages
- Women empowerment
- Occupational Health and Safety
- Protection of Migrants
- Social Protection
- Protection of labour rights in the production of raw materials

TYPES OF TRAINING

1. **Internal:** given by the Inditex teams
2. **External:** given in collaboration with organisations such as:

ILO · IndustriALL · BetterWork · BSR

RANKING OF SUPPLIERS[1] ACCORDING TO THEIR BUSINESS RELATIONSHIP WITH INDITEX (%)



(1) Suppliers of fashion items with production over 20,000 units/year. Suppliers with lower productions account for 0.27% of total production.

We provide advice to suppliers and keep in constant communication with them, to enable them to share our improvement goals and to raise awareness on the fact that upholding and championing the rights and well-being of workers ensures the sustainability of their own supply chains.

Similarly, carrying out a responsible exit strategy of suppliers in the supply chain is one of the commitments in the field of purchasing practices that we have agreed with members of the ACT initiative. This means that, in the event that – for duly-grounded reasons – we decide to cease operations with a supplier, the relationship will be terminated in a committed manner. In doing so, we carry out a prior accompaniment and monitoring task, in order to attempt to curb the impact this may involve.

More information about the responsible purchasing commitments and the ACT initiative on page 94 of this Annual Report.

Environmental Management of the Supply Chain

SDG	Goals	Inditex contribution
6 CLEAN WATER AND SANITATION	6.3	At Inditex we are aware of the impact the textile industry has on water consumption. For this reason, we devote major efforts and resources to ensuring the compliance, improvement and strengthening of the environmental commitments of our supply chain and to achieve *Zero Discharge of Hazardous Chemicals* (ZDHC Commitment) in 2020.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.4	The *Ready to Manufacture* and *Green to Wear* programmes ensure compliance with our environmental and product health and safety standards during their production with a reduced consumption of energy, water and chemical products. We have merged these two programmes into the GtW 2.0, enabling us to continue to progress in improving the facilities in the supply chain and achieving our goals within the Greenpeace *Clean Factory Approach*.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2 12.4	Through the *Green to Wear* programme, we encourage sustainable environmental behaviour in our supply chain; we foster the best practices in manufacturing; and we encourage efficiency of resources and reducing and correctly managing waste.
13 CLIMATE ACTION	13.1	We are committed to stop climate change and to reducing the impact on natural resources. In pursuit of this goal, we have an environmental sustainability strategy based on quality assurance and improvement throughout our supply chain. Furthermore, in 2019 we became one of the founding members of the *Fashion Pact,* designed to drive environmental sustainability in the textile and fashion industries, the main lines of action of which include the fight to stop climate change, in addition to other aspects.

More information on pages 328 and 329 of this Annual Report.

FACILITIES USED WHEN MANUFACTURING A GARMENT	SPINNING	WEAVING	DYEING	PRINTING	WASHING/FINISHING	SEWING
APPLICATION OF OUR PROGRAMMES	*THE LIST, BY INDITEX*	*THE LIST, BY INDITEX*	*THE LIST, BY INDITEX* RCA GTW 2.0 + (GTW+RTM)	*THE LIST, BY INDITEX* RCA GTW 2.0 + (GTW+RTM)	*THE LIST, BY INDITEX* RCA GTW 2.0 + (GTW+RTM)	*THE LIST, BY INDITEX* PICKING RCA

At Inditex we are committed to stop climate change and to reducing the pressure on natural resources. To do so, we have an environmental sustainability strategy in place based on the control and improvement of quality throughout the production chain, ensuring that all our items meet the exacting health, safety and environmental sustainability standards.

We have also developed the programmes *The List, by Inditex* and *Ready to Manufacture* for the improvement and supervision of chemical products used in the industry as well as the facilities where the items are manufactured. In both instances, the programmes are trailblazers in gaining a better understanding both of the substances present in production, and the commercial chemical products used in manufacturing.

By implementing them throughout our supply chain and in the chemical industry that manufactures dyes, pigments and ancillary chemicals, we also strive to comply with Greenpeace's *Clean Factory Approach*.

01/ *The List, by Inditex*

23,373 CHEMICAL PRODUCTS REGULATED IN THE IV EDITION OF THE PROGRAMME

In 2013, we designed and implemented *The List, by Inditex*, a pioneering programme in the textile and leather industry, which seeks to improve, with the involvement of the chemical industry, the quality of the chemical products used when manufacturing items.

The List, by Inditex ensures compliance with the chemical restrictions covered under the product health standard *Clear to Wear* and the commitment of Inditex to achieve the *Zero Discharge of Hazardous Chemicals* in 2020 (also known as *Zero Discharge* or the ZDHC Commitment).

By conducting a thorough assessment of the manufacturers and the chemical substances they use, *The List, by Inditex* classifies the chemical products pursuant to their degree of compliance with the *Clear to Wear* standard and *Zero Discharge*.

Likewise, work is also done to perfect the existing production processes, as this has a direct impact on the improvement of chemical products. Where such an improvement cannot be achieved, R+D programmes are defined to create new chemical products, alternative to the existing ones.

Similarly, we promote the assessment and promotion of chemical products included on *The List, by Inditex* which, as well as being safe, provide advantages in environmental sustainability and water and/or energy savings in the production process. We also strive to boost products that make it possible to extend the useful life of the item or the productivity of the facility that uses them.

The List, by Inditex in 2019

- We conducted 17,641 analyses, enabling the classification of 27,756 chemical products sold by 26 manufacturers.

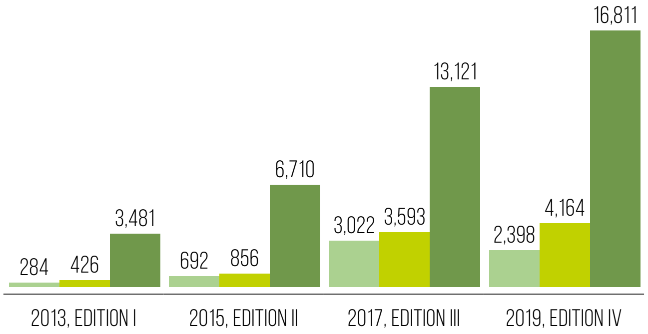
- We published the IV Edition *of The List, by Inditex*, available on our corporate website, with a total of 23,373 chemical products classified and sold by 24 manufacturers.

- As a result of our collaboration with the organisation ZDHC (*Zero Discharge of Hazardous Chemicals*), the classification of chemical products laid down by *The List, by Inditex* will be made available on the ZDHC Platform (ZDHC Gateway) in 2020.

Changes in the main indicators of the programme *The List, by Inditex* by published edition:

	1ST EDITION	2ND EDITION	3RD EDITION	4TH EDITION
Manufacturers	10	15	22	24
No. of manufacturer requests (acceptance %)	10 (100 %)	5 (100 %)	78 (13 %)	98 (4 %)
No. of chemical products classified	4,191	8,258	19,736	23,373
No. of analyses	1,774	8,289	34,605	83,257

CHANGES IN THE SUBSTANCES REGULATED BY *THE LIST, BY INDITEX*, BY EDITION



Chemical products "A": Their use is permitted in Inditex production with no further analysis by the institutions that use them.

Chemical products "B": The use of these products in the Inditex supply chain is subject to further analyses during production, as laid down in the *Ready to Manufacture* code.

Chemical products "C": The use of these chemical products is prohibited in Inditex production.

Our commitment: *Zero Discharge Commitment and implementation of the best wet processes throughout the supply chain in 2020.*

02/ Ready to Manufacture

MORE THAN 800 SUPPLIERS INVOLVED AND 1,373 AUDITS OF WET PROCESS FACILITIES

In 2013 we designed and implemented *Ready to Manufacture* (RtM), a benchmark programme in the textile and leather sector that – through the direct involvement of the supply chain – seeks to improve manufacturing practices at the facilities where the items are produced. In the same way as *The List, by Inditex* in terms of the classification of chemical substances, the goal of *Ready to Manufacture* is to oversee compliance with the *Clear to Wear* standard and *Zero Discharge* in 2020.

RtM includes a code of best practices for the production of textile and leather items, applicable at wet processes facilities (dyeing, washing, printing and tanneries) across the suppliers' production chain. It also has a unit of technological experts who assist with the appropriate implementation of the programme, through recurring training and audits.

Specifically, these audits also serve to verify that the facility correctly selects chemical products. This makes *The List, by Inditex* a tool that is directly linked to the *Ready to Manufacture* code. Since 2015, RtM has achieved an overall improvement of 73% at wet process facilities compared to their initial audit.

During 2019, *Ready to Manufacture* has been merged with our environmental standard *Green to Wear*. As a result, the new standard *Green to Wear 2.0* (GtW 2.0) was created and published on our corporate website, to strengthen the sustainable management of chemical substances in the supply chain and to ensure its commitment within our Sustainability Roadmap.

More information about *Green to Wear 2.0* and *Ready to Manufacture* on pages 148 and 149 of this Annual Report.

In 2019, and using the previous methodology, a total of 1,373 audits[1] have been conducted on wet process facilities associated with 844 suppliers.

More information about the *Ready to Manufacture* audits by process type and geographic location in the Annex on Model Sustainability Indicators, on pages 322 and 323 of this Annual Report.

03/ Water management throughout the supply chain

At Inditex we are aware of the impact the textile industry has on water consumption. Our supply chain uses water in the farming of cotton and other fibres, as well as in the wet processes to manufacture garments (washing, dyeing, and printing). Therefore, we devote major efforts to guaranteeing the compliance, improvement and strengthening of the environmental commitments of our supply chain.

03.01/ Commitment to Zero Discharge: *Green to Wear*

The axis of water management in our supply chain is our own standard *Green to Wear,* with which we are progressing in our ZDHC Commitment for 2020. This standard seeks to reduce the environmental impact of textile production and to improve the health and safety of the items and the workers on the supply chain involved in their production.

The wet process facilities we work with, are assessed according to the *Green to Wear* standard, which includes indicators that assess the sustainable and efficient management in areas such as raw materials, water, technology and processes, chemical products, waste and wastewater. Since its launch in 2014, 1,776 environmental assessments have been performed.

These assessments give rise to improvement actions, boosting the progress of the environmental management of these production facilities and enhancing environmental sustainability. In this way, during 2019, 136 corrective plans have been successfully assessed at our suppliers' plants. Along these lines, and in pursuit of greater transparency, we have made available to the public at large, through our corporate website, the list of factories that carry out wet processes and which form part of our supply chain.

The merger in 2019 of *Ready to Manufacture* and *Green to Wear*, the two core programmes in the sustainable management of wet process facilities, has enabled us to launch the standard *Green to Wear 2.0 (GtW 2.0)* at the start of 2020. The new standard, also available on our corporate website, enables a more comprehensive control of the

(1) The difference in audits compared to the previous year is due to the change of strategy – addition of the Ready to Manufacture audits to the Green to Wear standard. This means that the programme was only in force in the first eight months of 2019.

facilities in the supply chain and compliance with the goals linked to Greenpeace's *Clean Factory Approach*.

More information about *Green to Wear 2.0* and *Ready to Manufacture* on pages 148 and 149 of this Annual Report.

In parallel, and to ensure our ZDHC Commitment has the maximum guarantees as regards the responsible use of chemical substances, in 2016, we launched a multidisciplinary applied research programme in partnership with academic institutions and research centres of international standing. The goal is to develop tools and techniques that ensure that hazardous substances in the textile and leather industry are eradicated.

Significant progress has been made in 2019 – within the framework of this initiative – to create the first inventory of chemical substances of the textile and leather industry, benchmarking has been completed, and the existing scientific literature has been integrated in order to determine the risk of the identified chemical substances. Experimental measurements and computational methods have also been developed, making it possible to identify the risks not set out in the scientific literature.

Our commitment to *Zero Discharge* has also been backed by Greenpeace, which deems us to be *leaders* in its *Detox Catwalk*, the assessment used by the organisation to measure the compliance of the commitments of textile brands with its campaign *Detox 2020*. The latest edition of its *Destination Zero* report, published in 2018, recognises us as "leaders in this paradigm shift" and highlights that "Inditex has taken tangible steps to meet its *Detox* commitment, having already eliminated PFCs from all its clothing, footwear and accessories and informing its suppliers of its intention to eliminate APEOs and phthalates from its global supply chain".

Collaboration with ZDHC and the Chinese Institute of Public and Environmental Affairs (IPE)

Beyond compliance with the *Zero Discharge* commitment, we partner with ZDHC (its promoting organisation) supporting initiatives such as the ZDHC Platform, to help our suppliers to disclose the results of wastewater analyses obtained from environmental assessments of wet processes of the *Green to Wear* standard.

Our collaboration with the Chinese Institute of Public and Environmental Affairs (IPE) in the improvement of environmental management in the Asian country's supply chain and the publication of the results of wastewater analyses on its website is also very important. In 2019 we included over 150 textile suppliers in the IPE green supply chain roadmap, where the environmental data of the facilities are made public in real time. These actions have resulted in us being among the *top 5* (out of a total of 438 brands) in its *Corporate Information Transparency Index* (CITI).

In addition, we have invested more effort in the environmental management of the supply chain beyond textile facilities, having included upstream suppliers such as chemical product suppliers and centralised effluent treatment plants.

As well as the aforementioned commitments regarding transparency, we have a *PFC Free Policy* in place that all our suppliers must observe and which requires these compounds to be eliminated from our garments.

Product Health and Safety

PRODUCT HEALTH AND SAFETY

- OUR HEALTH AND SAFETY STANDARDS
  - *Safe to Wear*, *Clear to Wear*, I+Cosmetics, I+FCM, I+Home Fragrance & Candles, I+Child Care Furniture
- HEALTH AND SAFETY CONTROL PROCEDURES
  - *Picking* Programme
  - New evaluation of a product before being distributed
  - Laboratory *Approval Programme (APPLABS)*
  - Root Cause Analysis (RCA)
  - Analysis optimisation
  - Recovery of non-compliant productions
- TRAINING AND AWARENESS-RAISING

SDG	Goals	Inditex contribution
3	3.9	Inditex's commitment to product excellence is embodied in our health and safety standards, which are constantly evolving to reach demanding levels of requirements that are ever-increasing. During 2019, we continued to review all our standards of garments, footwear and accessories, *Clear to Wear* and *Safe to Wear*, as well as our I+ standards (IPLUS: *Inditex Precautions and Limits for Users' Safety*) for cosmetics and items that come into contact with food. Moreover, we published two new standards: *Childcare furniture* and *Home fragrances and candles*.
12	12.4	To ensure that all our products comply with the most demanding standards of health, safety and environmental sustainability, we have developed a comprehensive control and improvement programme that covers all production phases, with which compliance is mandatory for our entire supply chain. Moreover, we have our own Restricted Substances List for Manufacturing (RSLM), which is applicable to all product manufacturing in which chemical substances subject to specific restrictions or to prohibition of use are specified.

More information on pages 328 and 329 of this Annual Report.

Inditex has in place the most exacting product health and safety standards, which are mandatory and which apply to all the goods[1] we sell, and are a benchmark for manufacturing practices of all the suppliers across our supply chain.

Likewise, and in partnership with technology companies, research centres and international laboratories of reference, we verify the appropriate implementation of our standards using own and innovative programmes that include:

- The analysis of both the goods and the chemical products used in the production thereof.

- Conducting recurrent audits both at the facilities involved in manufacturing the goods, and at the factories that produce the chemical products used to produce our goods.

This requirement for our products is also applicable to the chemical industry, responsible for producing dyes, pigments and ancillary chemicals used in the textile and leather industries within *The List, by Inditex* Programme.

The demanding level of requirements for our products also extends to the chemical industry, which is responsible for producing dyes, pigments and ancillary chemicals used in the textile industry.

(1) With regard to items outside the scope of the product health and safety standards of Inditex, they are subject to minimum requirements reports. Reports are especially created pursuant to the statutory requirements which apply to the type of product and the markets where they are sold.

Thus, and based on the premise of working towards the excellence of our products, Inditex has a team of scientists and technology experts that monitors any novelties and revisions related to regulations on health and safety. It is also in charge of identifying the chemical substances used in the industry and evaluating every manufacturing process of our products. This effort ensures that items meet the highest levels of health and safety, regardless of the specific regulations and legislation that may apply in each market.

As a result of this process, we have succeeded in going beyond the Restricted Substances List for use in the textile industry in the preparation of our product standards. We have contributed our additional knowledge, which identifies regulated substances and controls manufacturing processes, while at the same time we have proposed the use of alternative technologies to prevent *non-conformities*. This knowledge is a highly useful point of reference for our manufacturers and for the industry as a whole with respect to ensuring the health and safety of production.

01/ Our Health and Safety Standards

During the 2019 financial year, we reviewed all our health and safety standards for garments, footwear and accessories, *Clear to Wear* and *Safe to Wear*, as well as our I+ standards (IPLUS: *Inditex Precautions and Limits for Users' Safety*) for cosmetics and items that come into contact with food.

Our *Clear to Wear* (CtW) product health standard has expanded its scope to cover not only the substances included in international regulations but also those that, even though there is no specific regulation, have a direct impact on the environment and health. This expansion is in line with the commitments established by our Sustainability Roadmap, and it will be applicable in the 2020 financial year.

At the same time, we continue to work on our standard, *Safe to Wear* (StW), thereby updating it according to new legal requirements and increasing its scope to the new types of articles that we market for children. The I+FCM and *I+Cosmetics* standards, which in 2020 will have a second version, have also been aligned with the latest regulatory novelties.

Finally, and within our strategy over the last five years of creating and developing the I+ standards (IPLUS: *Inditex Precautions and Limits for Users' Safety*) for all types of products that we market, the first versions of the *I+Home Fragrance & Candles* and *I+Child Care Furniture* standards have been published, which will be implemented in 2020.

Likewise, for our environmental commitments, particularly the ZDHC *(Zero Discharge of Hazardous Chemicals)* Commitment in 2020, we have our own *Restricted Substances List for Manufacturing* (RSLM). Our RSLM, available on our corporate website and applicable to all manufacturing processes of our products, specifies the chemical substances that are subject to specific restrictions or whose use is prohibited.

With the information generated in our control programmes and in the processes of updating our standards, we can identify new substances that are used in the textile and leather industry and can continuously evaluate their safety. Thus, if we identify a new substance that has a direct impact on the environment or on health, we integrate it in our RSLM and in our product standards. In 2019, we updated this RSLM, which includes over 750 substances.

	safe to wear	clear to wear	i+COSMETICS	I+FCM	i+Home Fragrances & Candles	i+Child Care Furniture
TYPE	PRODUCT SAFETY	PRODUCT HEALTH			PRODUCT HEALTH AND SAFETY	
SCOPE	GARMENTS, ACCESSORIES AND FOOTWEAR	GARMENTS, FABRICS, ACCESSORIES, FOOTWEAR AND HOME TEXTILE	COSMETICS	PRODUCTS IN CONTACT WITH FOOD	AMBIANCE PRODUCTS FOR THE HOME DECORATIVE CANDLES AND THEIR ACCESSORIES	CHILDREN'S FURNITURE AND CHILD CARE ARTICLES

Safe to Wear

Safe to Wear (StW) is our product safety standard, which applies and is mandatory for the apparel, footwear, accessories, trimmings and fabrics supplied. It has been developed in partnership with international safety experts in clothing for children, in accordance with the most demanding laws and regulations in the field.

In addition to covering the design, the fastening degree of small parts, sharp points and sharp edges in clothing for children, the standard restricts parameters such as flammability in goods for both children and adults. In 2019, its third version was strengthened, and significant advances were made in updating it.

Clear to Wear

Clear to Wear (CtW) is our product health standard, which applies and is mandatory for the apparel, footwear, accessories, trimmings and fabrics supplied. It has been developed by scientific and technological advisers, research centres and academic institutions, pursuant to the most demanding laws and regulations regarding health of the product.

In addition to regulating parameters and substances whose use is legally limited, *Clear to Wear* restricts the use of substances that, while they are not contemplated in legislation in force, could compromise health. It also includes REACH (legislation of the European Union that regulates the *Registration, Evaluation, Authorisation and Restriction of Chemicals*). Compliance with this EU regulation is mandatory for our suppliers. In 2019, its forth version was strengthened, and progress on updating it continued, with which compliance will be mandatory in 2020.

I+Cosmetics

This is our product health standard, which applies and is mandatory for all our cosmetic products. I+Cosmetics, has been developed in partnership with scientific and technological advisers, research centres and academic institutions, according to the most demanding laws and regulations on health of the product in the cosmetics sector. In addition to covering parameters and substances whose use is restricted by law, it limits the maximum level of impurities allowed in starting materials.

In 2019, its first version was strengthened, and progress continued on mandatory compliance by 2020.

I+FCM

In addition to covering parameters and substances whose use is restricted by law for all types of materials used in goods in contact with food. And it was drafted in accordance with the most demanding food health and safety regulations.

In addition to covering parameters and substances which use is restricted by law for all types of materials used in goods in contact with food (polymer, rubber, crockery, glass, metal, paper, or wood, among others) it restricts the transmission in ordinary or foreseeable use conditions, of chemicals comprising the goods to the food they are in contact with. In 2019, the implementation of its first version was strengthened, and progress on updating it continued, with which compliance will be mandatory in 2020.

I+Home Fragrance & Candles

This is our product health and safety standard that is applicable to candles, incense and other ambiance products for the home. It regulates health parameters and substances whose use is legally limited. As with all other standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to customer health. Its first version was published in 2019.

I+Child Care Furniture

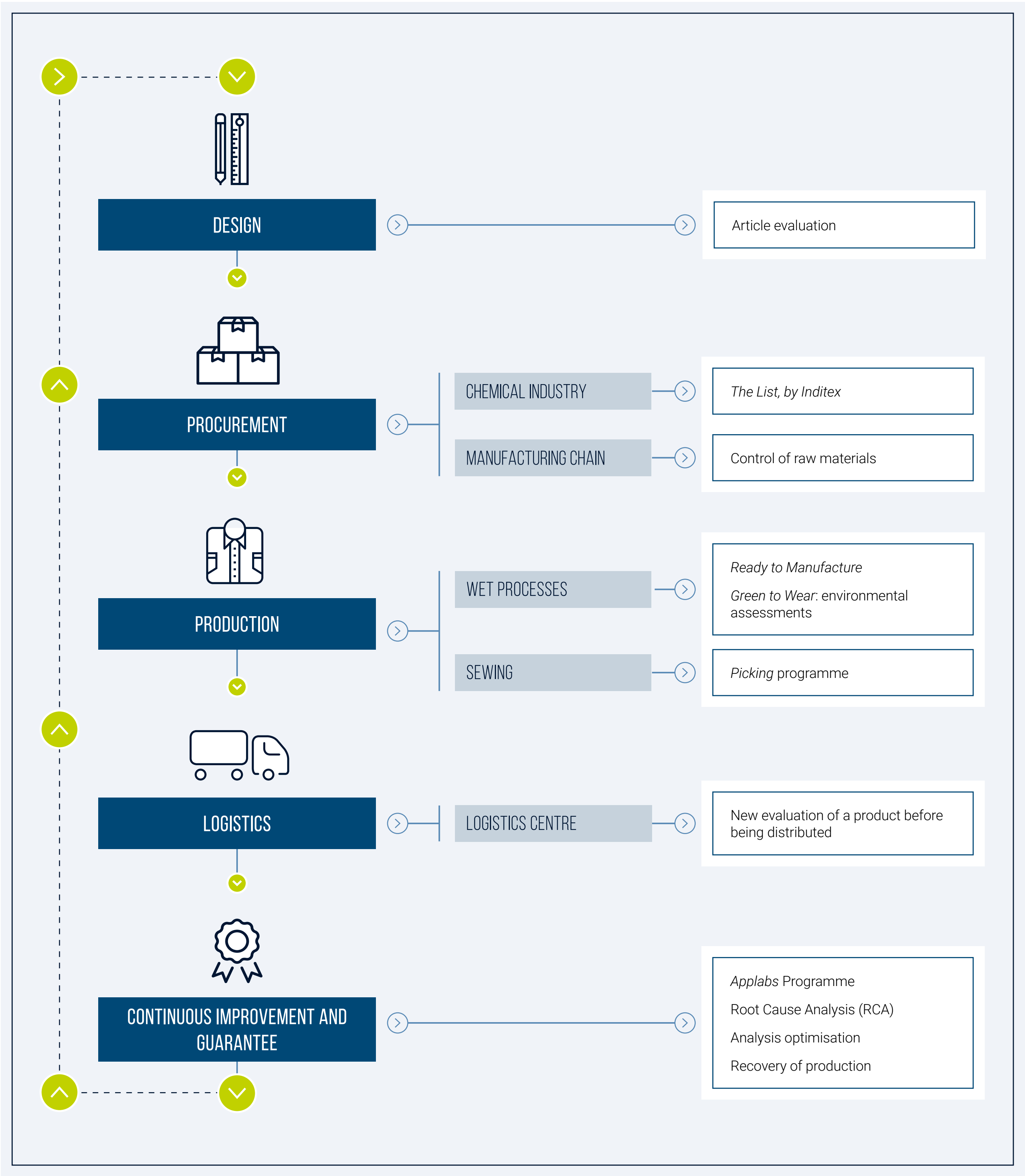
This is the Inditex product health and safety standard that is applicable to childcare articles such as changing tables, high chairs and cribs. It regulates health parameters and substances whose use is legally limited. As with all other standards, it seeks to ensure that our products meet the necessary characteristics to avoid risks to customer health. The first version of the standard was published in 2019.

During 2019, we reviewed all our health and safety standards of garments, footwear and accessories, Clear to Wear and Safe to Wear, as well as our I+ standards (IPLUS) for cosmetics and items that come into contact with food.

103-2, AF18

02/ Health and safety control procedures

Inditex's collections are present in 202 markets. To ensure that all our products comply with the most demanding standards of health, safety and environmental sustainability, we have developed a comprehensive control and improvement programme that covers all production phases and with which compliance is mandatory for our entire supply chain.



More information about the *Green to Wear* and *Ready to Manufacture* standards and about *The List, by Inditex* programme in the Environmental Management section of the supply chain, on pages 148 y 149 of this Annual Report.

02.01/ *Picking* programme

OVER 890,000 ANALYSES AND TESTS AND OVER 56,000 INSPECTIONS OF OUR MANUFACTURERS

In 2011, we designed and implemented, *Picking*, a control and analysis programme which seeks the effective identification of *nonconforming* finished items during the production process, with the involvement of scientific and technological advisers and the support of benchmark international suppliers of analytical services.

Specifically, *Picking* is our benchmark instrument because it is constantly adapting to our production and logistics model. It thus guarantees that all the items we market comply with our health and safety standards.

02.01.01/ Design and manufacturing stage

In the design stage, units of experts on product health and safety of each one of our brands assess the risk of items. In the manufacturing phase, outside inspectors take representative samples of the on-site production of all risk items, on which laboratories conduct analyses and tests.

A detailed evaluation of such samples determines whether the product is approved, rejected, or requires recovery processes to be compliant with Inditex standards. In 2019, 56,352 inspections were conducted, in which 899,046 analyses and tests were executed.

More information on the level of compliance of our products by geographic area of manufacturing in the Annex on Sustainability Indicators, on pages 322 and 323 of this Annual Report.

The laboratories that provide support for the programme, distributed in different clusters of suppliers, are relevant players in the *Picking Programme*. Their work is therefore standardised, with innovative and optimised analytical methods that are subject to strict follow-up on the quality of their results and on the service they provide.

Having control instruments that quickly and accurately establish the conformity of our standards is a constant challenge for Inditex. Therefore and to supplement the Picking *Programme*, we have implemented so-called *Minilabs*, portable laboratories the size of a carry-on luggage case, which allow conducting *screening* tests of six substances and parameters regulated in the *Clear to Wear* standard at any given time.

Thanks to the Minilabs, we have conducted testing at the factories themselves, thereby improving the efficiency of our control systems. In 2019, a total of 2,977 *Picking* inspections were performed with *Minilabs*, which involved 36,929 analyses and *screening tests*. In addition to this and in order to expand the coverage of this system, we want to expand the scope to all manufacturing countries.

In accordance with *Picking*, we can make decisions there and then, such as the possibility of recovering and *saving* any affected production before being delivered. It is also important to raise supplier awareness, given that the analyses are conducted in their presence and at their own facilities.

In addition, in 2019 we began collaborating with the *Massachusetts Institute of Technology* (MIT) to identify and evaluate points of improvement within this control programme.

02.02/ New evaluation of a product before being distributed

With the design and production concluded, all items are sent from manufacturing countries to our distribution centres. This is when our health and safety technicians evaluate the products, supervise the results of all the analyses performed and conduct product safety inspections, especially on small parts, shoelaces and strings.

In addition, we conduct random verification analyses of the productions we receive at distribution centres, for which we also use our internal laboratories and the analytical support network of the *Picking Programme*.

If design modifications or incidents in the initial risk evaluation of the production are detected, then any additional analyses and corrections that are needed are performed at that time to guarantee compliance with Inditex's standards.

02.03/ Laboratory *Approval Programme* (APPLABS)

13 AUDITS OF EXTERNAL LABORATORIES AND 7,763 ANALYSES OF SAMPLES

To establish if a production complies with our standards, we rely on testing by external laboratories. And given the production model and the strict limits of our standards, we seek maximum reproducibility, accuracy and precision.

Confidence in these laboratories is cemented in an external laboratory approval programme called *Applabs*. It was designed and developed together with the University of Santiago de Compostela and has several stages:

- Conducting on-site audits that verify, among other aspects, the technical competency of the laboratory's personnel and their diligence with the analyses.

- Monitoring of the results of each laboratory by comparing them. Those whose results deviate from the quality levels we demand are submitted to corrective actions; and if these actions are not passed, the laboratory is excluded from the Group's laboratory network.

- The creation of mixed technical committees for discussing matters such as the detected problems, any optimisation actions or the introduction of new analysis methods, among others.

In 2019, a total of 13 on-site audits were conducted of external laboratories, in addition to 30 comparison exercises, which involved analysing 7,763 samples.

02.04/ Root Cause Analysis (RCA)

27 RCA AUDITS

Whenever an item does not comply with *Clear to Wear* requirements, Inditex conducts a *Root Cause Analysis* (RCA) to understand what has happened and to study new improvement strategies.

In such RCAs, textile or leather experts evaluate the facilities (dyeing, washing, printing and tanneries) that are involved in manufacturing the affected item to determine that origin of the problem. After the problem has been identified, a corrective action plan (CAP) is established for the factory, thereby avoiding future incidents and at the same time verifying implementation of the *Ready to Manufacture* programme.

In 2019, 27 RCA audits were conducted. The results showed that in 89% of the cases the supplier, in their manufacturing, had used chemical products not permitted by *The List, by Inditex* and/or had not applied adequate controls to these products prior to manufacturing. The cross-contamination between different productions that did not follow adequate manufacturing conditions caused the remaining 11% of the detected problems.

Additionally, other sources of non-conformity are the use of fabrics with the presence of restricted substances resulting from prior processing stages, or inconclusive audits. This information allows us to enrich and provide feedback to our *Ready to Manufacture*, *Green to Wear* and *The List, by Inditex* programmes, thereby ensuring the continuous improvement of those programmes.

02.05/ Analysis optimisation

Within the framework of *Picking*, Inditex is collaborating with specialised researchers in the textile industry on the development of prediction tools for manufacturing technologies with a greater risk of generating *non-conformities*.

Thus, and in accordance with a continuous updating and improvement process, we can compare conformity with standards in a greater number of references and with a fewer number of analyses. All without varying the commitment to and maximum responsibility for the health and safety aspects of our products.

02.06/ Recovery of non-compliant production

In order to be able to reduce productions that are discarded due to *non-conformities* with our standards, we work with our scientific and technology partners on recovering productions by eliminating the substances that are the causes of *non-conformities*. Due to this collaboration, we have implemented production recovery protocols for cases in which substances such as arylamines, phenols, formaldehyde and phthalates are present, as well as protocols for perfecting pH that is too high or low.

Once the article recovery process has ended, all the generated waste is duly processed at waste management centres for the correct elimination thereof and isolation from the environment.

In order to be able to reduce productions that are discarded due to non-conformities with our standards, we work with our scientific and technology partners on recovering such productions by eliminating the substances that are the causes of non-conformities. Once the recovery process has ended, all the generated waste is duly processed for the elimination thereof and isolation from the environment.

103-3, 416-1, 416-2

03/ Training and Awareness-raising

The Group relies on scientific teams and technology experts who identify regulatory developments, construe the restrictions thereof, select analytical methodologies and carry out in partnership with the chemical industry, a thorough evaluation of chemical products and manufacturing processes where *non-conformities* might appear.

As part of this careful process, the design of our standards goes beyond the limitations of a classic Restricted Substances List (RSL), bringing in additional expertise that allows us first to identify hazardous chemicals and manufacturing processes and secondly, to propose alternative products or manufacturing technologies to avoid *non-conformities*. This information is very helpful for our manufacturers and is a key strategic element of the training and information actions across our supply chain.

Thus, we regularly give training on specific and relevant elements of the health and safety standards addressed to technical and managerial staff of suppliers. In 2019, experts on product health and safety from our Sustainability Department provided training and gave technical advice in the main clusters: Portugal, Morocco, Turkey, China, Bangladesh, India and Pakistan.

At the same time, regarding awareness-raising among internal design and buyers teams, we have reinforced the department of product health and safety across all our brands for the purposes of:

- Giving ongoing training to commercial and design teams on product health and safety issues.

- Providing technical assistance onsite to commercial and design teams.

- Cutting the time required to detect potential breaches and providing solutions best suited to the specific type of product.

Refreshment training is provided to these units of experts in partnership with academic institutions and scientific and technology companies.

In 2019, 13 training sessions were provided to 139 attendees from internal groups of design, procurement and the department of product health and safety itself (21 training sessions and 250 attendees in 2018, respectively).

Decarbonisation and circularity

DECARBONISATION AND CIRCULARITY

OUR FOCUS ON ENERGY AND WATER

- Global energy consumption
- Major commitment to renewable energies
- GHG (greenhouse gas) emissions
- Energy management
- Water management

CIRCULAR ECONOMY

- *Closing the Loop*
- *Zero Waste*
- *Green to Pack*

SDG	Goals	Inditex contribution
6 CLEAN WATER AND SANITATION	6.4	The Global Water Management Strategy constitutes the roadmap that allows us to work with all our stakeholders towards a sustainable and rational water management. Our bases for water management follow the principles included in the initiative, *CEO Water Mandate*, promoted by the United Nations Global Compact.
7 AFFORDABLE AND CLEAN ENERGY	7.3	The Global Energy Strategy is one of the cornerstones of our commitment to environmental sustainability for promoting the rational and efficient use of energy throughout the entire value chain, while at the same time reducing GHG emissions and helping to mitigate the risks associated with climate change.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.4	Eco-efficiency is a priority at all facilities of the Group, and therefore major investments are being made in this area. Moreover, in order to ensure that our facilities meet the most cutting-edge requirements in terms of sustainable construction, since 2009 we have been certifying our more emblematic facilities under the most prestigious standards in sustainable construction: LEED and Breeam.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2 12.5	Our *Closing the Loop* programme is helping us to close the production circle of our garments through the installation of collection containers. Moreover, we are working towards the goal of ensuring that, by 2023 and by integrating the circular economy concept in our business model, none of the waste generated by our activities in offices, logistics and stores ends up in a landfill.
13 CLIMATE ACTION	13.1	At Inditex we support the fight against climate change and we strongly support energy efficiency and the use of certified energy from renewable sources. Our work within the scope of decarbonisation of the entire value chain is closely related to the actions we undertake to reduce energy consumption, to reuse water and to recycle the materials generated in our own operations.

More information on pages 328 and 329 of this Annual Report.

At Inditex, we understand that advancing in a sustainable business model means being more efficient with the resources we use. Given that half of the total greenhouse gases (GHG) and over 90% of the loss of biodiversity and of water stress are due to the extraction and transformation of resources, we continue to advance in our strategy to reach an economy that is climate-neutral, efficient in the use of resources and competitive.

Our three strategies on environmental topics (Energy, Water and Biodiversity) articulate the efforts we make to attain environmental excellence.

Our work within the scope of decarbonisation of the entire value chain is closely related to the actions we are undertaking to reduce energy consumption, to reuse water and to recycle the materials generated in our own operations. The reduction of our energy consumption and of carbon emissions helps to reduce global warming and its effects on biodiversity. Circularity is an important tool for advancing towards decarbonisation.

We are committed to integrated improvement in managing the material needs of our products and industrial processes. The objective is to transform the concept of waste so that it is considered a valuable resource that can be recovered and reintroduced as a raw material in production systems. In addition, and applying eco-design techniques, it is possible to not only extend the useful life of products and materials, but also maximise their recycling possibilities, consequently attacking the generation of waste at its origin.

This change of paradigm, which generically is called the "Circular Economy", is evident at Inditex through the various global initiatives on closing the life cycle of our garments and of the materials we use in our activity.

In 2019 we became one of the founding members of the *Fashion Pact,* designed to drive environmental sustainability in the textile and fashion industries, mainly geared to stop climate change, protect the oceans and conserve biodiversity. Moreover, the pact encourages the participation of member companies in other complementary industry initiatives, supporting the development of accelerators to help achieve the challenges ahead.

As a signatory Company, we are committed to working within the framework of the *Science-Based Targets* (SBT) initiative, which establishes reduction targets based on scientific research, and whose strategy can be summarised into three aspects that are essential for the protection of the planet:

- **Stop climate change:** focusing its actions to achieve zero net GHG emissions by 2050, seeking to control global warming below 2ºC.
- **Restore biodiversity:** development and application of SBT goals to protect and restore ecosystems, as well as the implementation of specific actions in the supply chain such as the elimination of raw materials whose extraction requires intensive and high impact consumption.
- **Protect the oceans:** some of the measures laid out are the elimination of single use plastic by 2030 and the development of research on microplastic to be carried out along with the valuable work already carried out by other initiatives also supported by Inditex, such as the Ellen MacArthur Foundation, Sustainable Apparel Coalition, Textile Exchange, the United Nations Framework Convention on Climate Change, *Better Work* and *Zero Discharge of Hazardous Chemicals* (ZDHC).

The *Fashion Pact* is aligned with another commitment undertaken by the Group in December 2018, known as *Fashion Industry Charter for Climate Action*, under the auspices of the UN Climate Change Office. To achieve specific progress in this commitment, six working groups were set up to enable the signatories to define the steps to be taken, as well as the establishment of an initial target to cut GHG emissions by 30% by 2030 and other specific measures such as the gradual elimination of coal boilers and other carbon sources to generate heat and electricity at their own companies and direct suppliers.

But the most efficient use of resources is not only a maxim for our products but also for our facilities: headquarters, stores and logistics centres. To implement it, we have established various objectives, such as the delinking of our energy consumption and of GHG emissions, the commitment to renewable energies and the efficiency of our shipments.

In favour of transparency and of disseminating relevant environmental and social information, Inditex has fostered the creation of the Brand and Retail Module (BRM) in the Sustainable Apparel Coalition (SAC). The drafting of the BRM ended after several years of collaborative work with different members from the SAC and from other organisations, and it's already available to any brand or retailer. The objective of the BRM is to evaluate the level of maturity of companies in environmental and social management and to drive improvement by drawing up a roadmap towards the best available practices in areas such as the use of raw materials, suppliers, manufacturing, distribution centres, transport, stores or containers and packaging.

Our focus on energy and water

Energy is a critical component of the fashion distribution business (in both its direct and indirect operations), and the efficient and low-impact use of energy is essential for our approach to sustainability. At Inditex we support the fight against climate change and we strongly support energy efficiency and the use of certified energy from renewable sources. Hence our commitment to actively contribute to the protection of the environment by reducing our environmental impact on water and making changes that help our planet to remain under the global warming limit established in the Paris Climate Agreement.

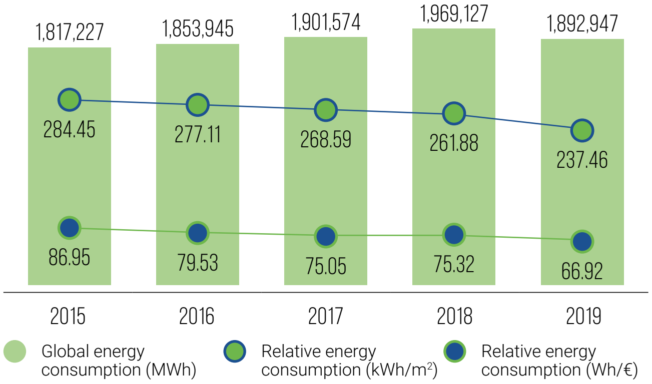
The Global Energy Strategy is one of the cornerstones of our commitment to environmental sustainability for promoting the rational and efficient use of energy throughout the entire value chain, while at the same time reducing GHG emissions and helping to mitigate the risks associated with climate change – for example, the availability and price of cotton, one of the essential raw materials.

Since the early 90s we have been developing our own systems for improving energy consumption and reducing GHG emissions. Since then, our commitment in this area has grown exponentially, as has our activity. We continued to advance in 2019, achieving a 35% reduction per m^2 in emissions pertaining to scopes 1 & 2 and promoting energies coming from clean sources: 63% of our global electricity consumption in 2019.

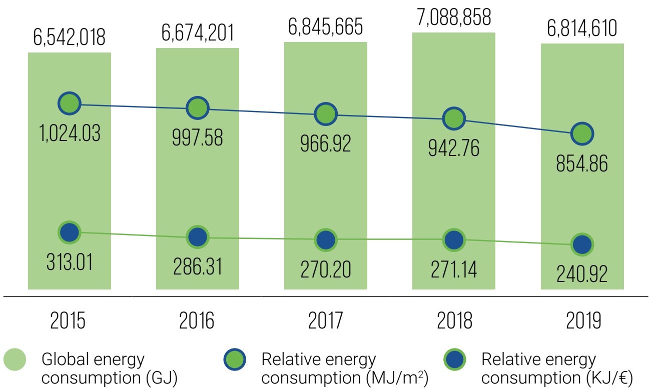
This commitment in the fight against climate change has been recognised for the third consecutive year as being in the 'Leadership A-' category in the CDP Climate Change index. This list integrates companies that comply with the maximum criteria of the Carbon Disclosure Project regarding strategy, objectives and actions related to the risks and opportunities of climate change.

01/ Global energy consumption

GLOBAL ENERGY CONSUMPTION (MWH) (*)



GLOBAL ENERGY CONSUMPTION (GJ) (*)

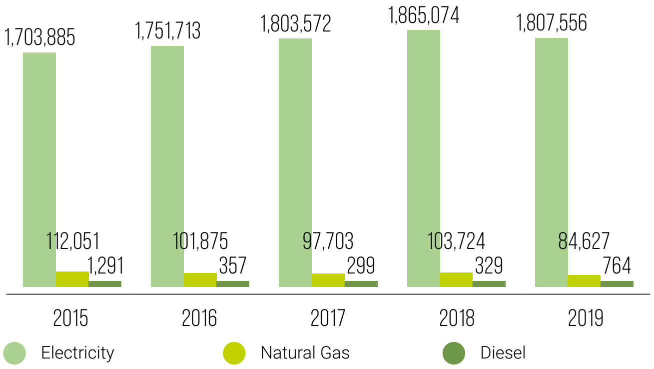


(*) This indicator records all the energy consumed at our Group's own factories, headquarters, logistics centres and own stores. The surface areas of the logistics centres, headquarters and own factories have been updated.

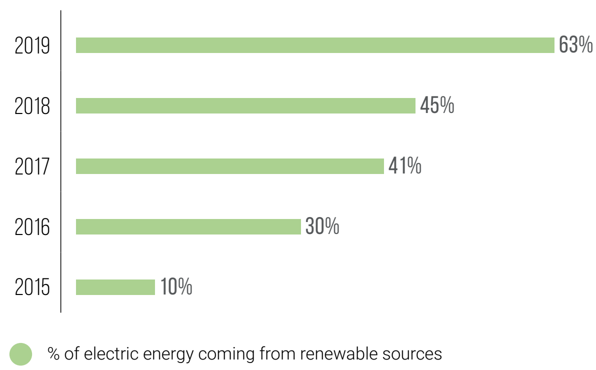
In 2019, we succeeded in reducing our energy consumption by 9% per square metre and reducing electricity consumption by 9% per square metre at corporate headquarters, logistics centres and our own stores and factories. This was possible due to the measures implemented to improve our energy efficiency.

Our commitment: *80% of consumption from renewable sources in all our facilities (headquarters, logistics and stores) by 2025.*

GLOBAL ENERGY CONSUMPTION (MWH)



PERCENTAGE OF ELECTRIC ENERGY COMING FROM RENEWABLE SOURCES (*)



(*) In the case of Spain, China, Italy and Portugal, the period for the data is the calendar year, instead of the tax year (time period of this statement).

The energy used comes mainly from the supply network and, to a lesser extent, from the consumption of natural gas and diesel. The increase in diesel consumption is due mainly to filling the tanks of the electric generator units for opening of the Lelystad logistics centre.

02/ Major commitment to renewable energies

Our commitment to renewable energies continues to be strong, through the generation and the purchase of energy from renewable sources. We invest in our own renewable energy generation facilities when it is technically viable, which has led us to having thermal solar, photovoltaic and wind energy facilities, as well as facilities that make use of geothermal energy.

In 2019, 63% of the Group's electricity needs were covered by clean energy. This represents a total sustainable energy consumption of 1,144,020 MWh in our facilities located in Spain, Germany, Austria, Belgium, Brazil, China, South Korea, United States, France, Greece, India, Italy, Netherlands, Ireland, Luxembourg, Norway, Poland, Portugal, United Kingdom, Switzerland and Turkey, thus avoiding the emission of over 415,474 tons[1] of GHG emissions.

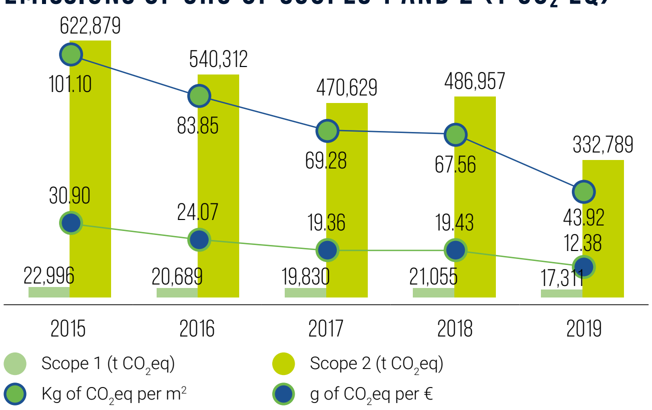
We also have co-generation plants, which enable the simultaneous production of heat and energy using low-carbon fuel. During 2019 a total of 7,785 MWh of electrical energy and 11,002 MWh of thermal energy were generated by these plants. In addition, in 2019 a total of 577 MWh of thermal energy has been generated from renewable installations using geothermics and solar panels.

(1) The emission factors applied to the energy mix of each of the countries are those pertaining to the *GHG Protocol Tool for Purchased Electricity*, Version 4.9 of the *World Resources Institute*, 2017.

03/ GHG emissions

All the actions as a whole that have been implemented to foster energy efficiency, together with the materialisation of our commitment to renewable energies, has allowed us to achieve a 35% reduction per m² in emissions related to scopes 1 and 2 (achieving 43.92 kilograms of CO_2eq per square metre).

EMISSIONS OF GHG OF SCOPES 1 AND 2 (T CO_2 EQ) (*)



(*) The Scope 2 data are calculated according to the market-based method following the GHG Protocol guidance for the calculation of Scope 2, World Resources Institute (WRI), 2015. Due to the emission factors used, the data provided match the data calculated according to the located-based method. The surface areas of the logistics centres, headquarters and own factories have been updated.

Scope 1: Direct emissions. These are GHG emissions associated with stores that are under the direct control of the Inditex Group.

Scope 2: Indirect emissions. They are associated with the generation of electricity acquired by the Inditex Group.

Scope 3: An additional scope that includes the indirect emissions associated with the production chain of goods and services produced outside the organisation.

During 2019, we continued to improve the system for capturing and calculating indicators, thereby allowing us to expand the reporting of our calculation of scope 3 emissions. The preceding graph shows the breakdown of our GHG emissions based on the categories established by the GHG Protocol.

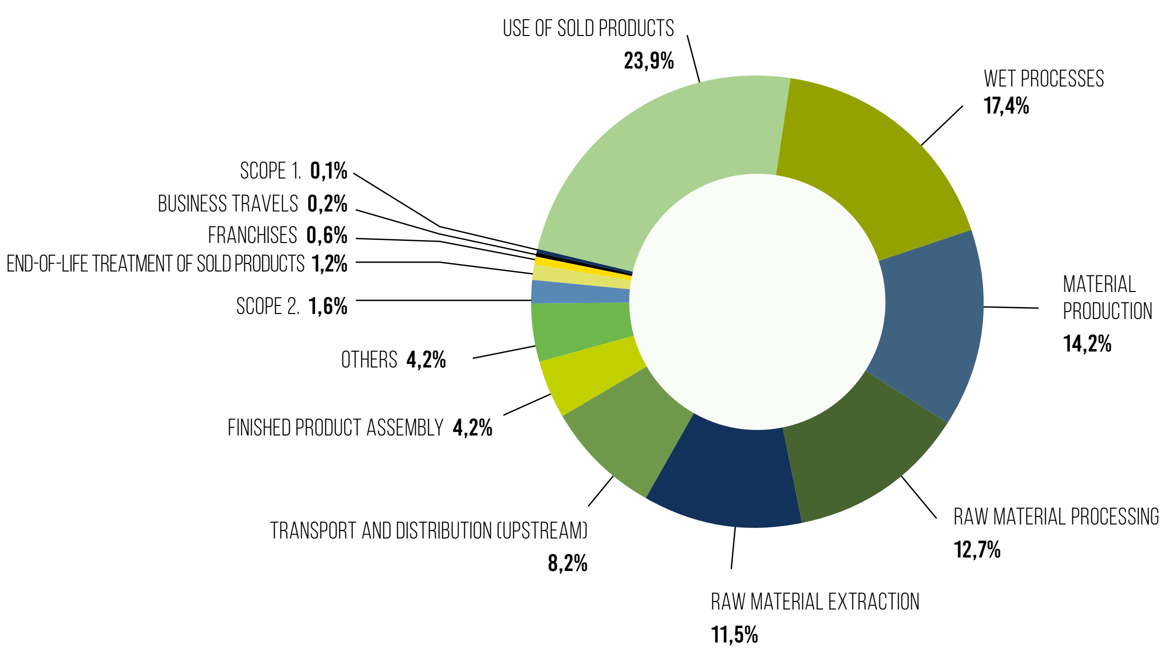
For the purpose of achieving greater transparency, the *Purchased goods and services* category (according to the GHG Protocol) is subdivided into the following categories: raw material extraction, raw material processing, material production, wet processes and finished product assembly.

The *use of sold products* category includes the emissions coming from the use that a customer makes of our products, thereby considering the different washing and drying patterns.

The *others* category includes the emissions associated with *capital goods*, *employee commuting*, *fuel and energy/ related activities* and *waste generated in operations*.

EMISSIONS OF GREENHOUSE GASES (GHG)

OVERALL TOTAL: 20,530 KT CO_2EQ



The commitment to clean energies and the implementation of circular management models at our headquarters and logistics centres are the cornerstones of our Environmental Management System.

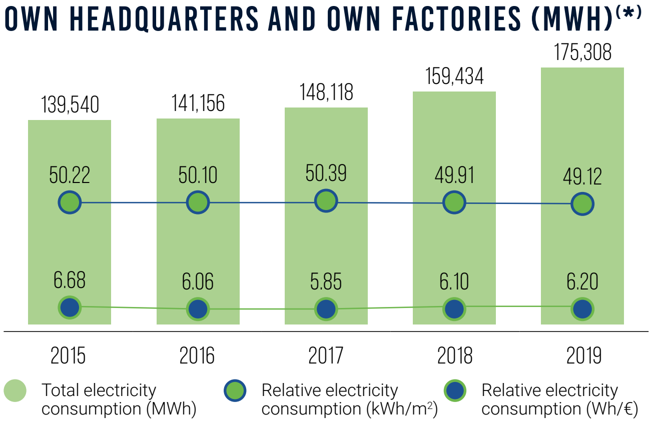
04/ Energy Management

04.01/ Energy management at logistics centres, own factories and offices

Eco-efficiency is a priority in all Group facilities; therefore, significant investments are being made in this area in order to meet the standards set out in the Instruction for Proper Environmental Management for the logistics centres, thus ensuring that all our facilities and platforms are eco-efficient. The daily management of eco-efficiency promotes good practices between our employees, which allows obtaining control of the consumption of resources and applying measures to reduce that consumption.

Thanks to these practices, we've reached a 2% reduction in consumption related to electric energy per square metre in comparison with 2018. Some of the notable measures applied include the renovation of old equipment, the replacement of fluorescent light fixtures with high-efficiency LED bulbs and the use of lithium-ion batteries, thereby reducing energy requirements.

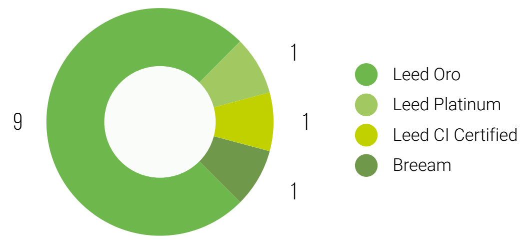
ELECTRIC ENERGY CONSUMPTION AT OWN LOGISTICS CENTRES, OWN HEADQUARTERS AND OWN FACTORIES (MWH)(*)



(*) The surface areas of the logistics centres, headquarters and own factories have been updated.

The increase in electricity consumption in absolute terms is due to the coming into operation of the new Logistics Connection Point in Lelystad (Netherlands), in addition to the construction of Zara's new online studios in Arteixo (Spain).

LEED AND BREEAM CERTIFICATIONS IN DISTRIBUTION CENTRES AND FACILITIES



In order to ensure that our facilities meet the most cutting-edge requirements in terms of sustainable construction, since 2009 we have been certifying our more emblematic facilities under the most prestigious standards in sustainable construction: *LEED* and *Breeam*.

The LEED certification has been secured for the Inditex central services (Phase I, II, III) and the LEED Gold has been granted for the new Central Services headquarters. The Zara Logistics offices have also been LEED Gold certified. Meanwhile, the Inditex Data Processing Centre in Arteixo has obtained the LEED Platinum standard and, in addition, in 2019 and 2018 it maintained its ISO 50001 standard, certifying its energy management and more sustainable and efficient energy use.

The commitment to clean energy and the implementation of circular management models in our headquarters and logistics centres are the cornerstones of our Environmental Management System ("EMS"), which is certified under the ISO 14001 international standard. The EMS is implemented at all logistics centres, corporate headquarters and Company-owned factories, except for the new textile warehouse (in A Laracha, Spain) and the new Logistics Platform in Lelystad (Netherlands), which were undergoing the certification process at the end of 2019. Inditex has a 25-people team responsible for monitoring and assessing the appropriate implementation of the EMS and the prevention of environmental risks associated with these centres.

During 2019 and 2018, the Inditex Group has not been charged through available channels any significant penalty or sanction for non-compliance with environmental laws and has no facilities located in protected areas.

Our offices are now an extension of the Group's philosophy: think and act responsibly and sustainably to generate shared value and to advance towards a circular economy.

Inditex has a Risk Management and Control Policy which sets the basic principles, key risk factors and the general framework of action for the management of the risks affecting the Group. The scope of application of this Policy extends to the entire Group and forms the basis of an Integrated Risk Management System. Within the context of the Risk Management and Control Policy, the business units constitute the first line of defence in the management and control of the different risks to which the Group is exposed, including those of a climate-related nature.

Bearing the Group's business activity in mind, the Group has no liabilities, expenses, assets, provisions or contingencies of an environmental nature that could play a significant role in terms of the net assets, the financial situation and results of the company. For this reason, such specific breakdowns are not included in this Annual Report.

Sustainable Offices

We increasingly have to think about how we do things and about how to decrease the pressure on natural resources through innovation, the transition towards clean energy and healthy and sustainable nutrition.

Our offices are now an extension of the Group's philosophy: think and act responsibly and sustainably to generate shared value and advance towards a circular economy.

At Inditex, we have a Manual of Good Environmental Practices at the Office for guiding responsible behaviour at our offices. It is an invitation to all personnel of the Group to mark the difference at their job position in different areas (energy and climate change, water, biodiversity and materials, waste) with small daily gestures.

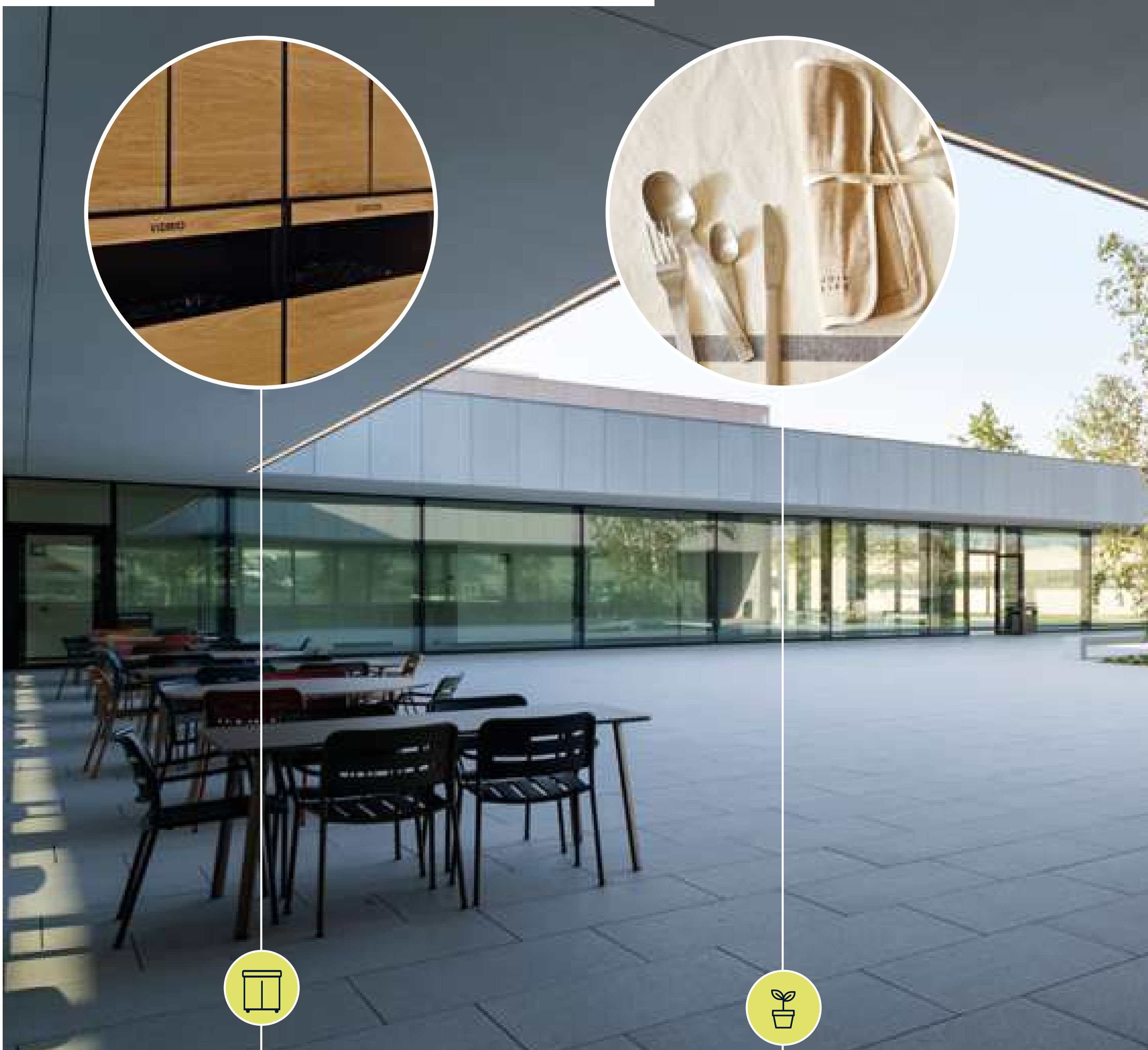
At Inditex we have also placed the focus on the mobility of internal services. Several electric vehicles are also available for internal mobility in maintenance or distribution operations, for example.

Atmospheric emissions and noise pollution

Our logistics centres meet the requirements of applicable legislation on control of atmospheric emissions from combustion equipment. Authorised control bodies carry out regular verifications and checks of the limit values of emissions generated by the combustion equipment (heating boilers and steam boilers) subject to control according to the legislation in force. Such regular controls verify compliance with the emission limit values for the parameters applicable to each case (i.e.: CO, NOx, SO_2 or Opacity).

In addition, the night-time distribution model includes the product supply to the stores at night, when noise pollution levels are more restrictive than in the daytime. Moreover, we have developed an *Unloading Equipment Protocol* calling for reduction of noise during unloading operations.

Sustainable offices



/ All **individual rubbish bins** have been eliminated, and numerous containers have been made available for **separating materials** (paper, organic and inorganic waste, containers, batteries, etc.), thereby favouring the circularity of all these materials because they improve separation and **reduce waste**.

/ Training and awareness-raising. A **web application** has been developed, in which employees can consult where they must send each type of waste according to the **type of available container** in each area. They thus collaborate on the Zero Waste objective that we've set for 2023.

/ Delivery of **"Join Life" bottles** to our employees in various markets to avoid the consumption of small water bottles, which means a **reduction of our waste** and of the environmental impact of single-use plastic.

/ Delivery of **"Join Life" cutlery** to our employees at the Group's central services, thereby reducing the consumption of single-use plastic cutlery in requested picnic services. The textile cover in which they are wrapped is the result of **re-using sanitised and dyed Zara shopping bags**, so that our employees can enjoy the use of a set of quality, sustainable cutlery.

- **The replacement of plastic containers** in vending machine products with glass containers. We have established circuits of returnable containers for our suppliers, which improve separation and collection and improve the circularity of these containers.
- In vending machines, we are committed to **healthy options** that are prepared daily. As a novelty, in 2019 a pilot project has been developed: **a reduced price** (at the end of the working day) **for these perishable products**. We thus promote their consumption and minimise food waste, thereby contributing to reducing the impact of surpluses. This objective is shared with the **Picnic Dinner service**, which was also launched in 2019. It allows our employees to request the dishes from the every day menus of our canteen at the headquarters in Arteixo that aren't consumed.

- **Circularity in our 360° Restaurant**. Starting this year, there are now four canteens at our headquarters that have joined this philosophy, which promotes a healthy life style, creates a commitment to sustainability and protection of the environment and emphasises the value of economy and local products. In 2019, these 360º restaurants served over 4,000 daily meals, with an average of **65% purchased according to KM 0** (the ingredients are sourced within a radius of under 100 km away from the consumer) which encourages the use of local varieties and breeds, ensures sustainable management of water and land and **reduces the carbon footprint and the impact on climate**.
- Likewise, **our canteens** are designed to **save energy** through the use of high-efficiency equipment and systems and by **taking advantage of natural light and resources**. We thus reduce CO_2 emissions and balance the carbon cycle.

***Our commitment:** all Zara stores eco-efficient in 2019 and all other stores by 2020.*

04.02/ Energy management in stores. Eco-efficient stores

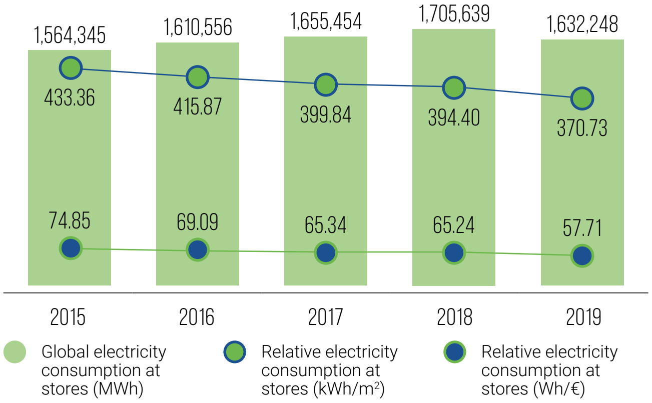
Eco-efficiency is a priority in the design of our stores, which is why we are committed to making all Zara stores eco-efficient in 2019 and all other stores eco-efficient in 2020.

To achieve this, we rely on the Eco-efficient Store Manual, which seeks to ensure that its efficiency and sustainability requirements are fulfilled. Such Manual defines the technical requirements for the different installations and systems of all the stores, as well as the operations to be carried out. In 2019, we had 5,891 eco-efficient stores, which represent 92.7% of the Group's own stores, and Zara has already become the first brand of the Group whose stores comply with the criteria of the Eco-efficient Stores Manual.

We are currently focusing our efforts on increasing the number of stores connected to the centralised consumption management platform, Inergy, which is capable of monitoring the network of connected stores so that they can be adapted to the energy consumption reduction objectives posed in our Sustainability Roadmap by optimising energy consumption and consequently reducing our environmental impact. At the end of 2019, 3,587 own stores were connected to Inergy.

Thanks to all these implemented sustainability and energy efficiency measures, the relative energy consumption per square metre at our stores has been reduced by 6% compared to the preceding year, despite the total increase in the surface area of our facilities.

ESTIMATED ELECTRICITY CONSUMPTION AT OWN STORES (MWH) (*)



(*) The electricity consumption has been calculated on the basis of actual data on the central monitoring platform. In order to estimate average consumption, the data from 1,639 stores has been used, 100% of which are eco-efficient.

Thanks to the eco-efficiency measures implemented in Inditex-owned stores, significant energy savings have been achieved, particularly in air conditioning systems, as these are able to achieve energy yields and efficiency that are at least 20% better compared to conventional equipment.

All these actions to encourage energy efficiency, added to the materialisation of our commitment to renewable energy, has led to a reduction in GHG emission from our business activity.

Meanwhile, at the end of the year, the Group has 40 owned stores that have been certified under the sustainable construction standards *LEED* and *Breeam*: 29 of them are *LEED* Gold, 10 are *LEED* Platinum and one is *Breeam*. During the 2019 corporate year, we obtained 2 new certifications (Oysho – Place du Molard Geneva, Zara – Brickell City Center Miami).

The eco-efficiency measures implemented at our own stores have allowed us to achieve major electricity savings.

Certification of our stores

BUILDING	LOCATION	CERTIFICATION
Zara Park House	London	LEED Platinum
Zara Serrano	Madrid	LEED Platinum
Zara Via del Corso	Rome	LEED Platinum
Zara Kangnam	Seoul	LEED Platinum
Zara Compostela	A Coruña	LEED Gold
Zara Kalverstraad	Amsterdam	LEED Gold
Zara Plaza Cataluña	Barcelona	LEED Gold
Zara Puerta del Angel	Barcelona	LEED Gold
Zara Ismail Building	Bombai	LEED Gold
Zara Madero- Mexico	Mexico	LEED Gold
Zara Krakow	Krakow	LEED Gold
Zara Geneva	Geneva	LEED Gold
Zara Castellana	Madrid	LEED Gold
Zara	Melbourne	LEED Gold
Zara Brickell City Centre	Miami	LEED Gold
Zara Broadway Soho	New York	LEED Gold
Zara Oslo	Oslo	LEED Gold
Zara Opera	Paris	LEED Gold
Zara Champs Elysees	Paris	LEED Gold
Zara Nanjing	Shanghai	LEED Gold
Zara Haas Haus Vienna	Vienna	LEED Gold
Pull&Bear Rotterdam	Rotterdam	LEED Platinum
Pull&Bear Preciados	Madrid	LEED Gold
Pull&Bear Gran Via	Madrid	LEED Gold
Massimo Dutti Serrano	Madrid	LEED Platinum
Massimo Dutti Colon	Valencia	LEED Platinum
Massimo Dutti Sant Feliu	Palma de Mallorca	LEED Gold
Massimo Dutti Paseo Borne	Palma de Mallorca	LEED Gold
Bershka Berlin	Berlin	LEED Platinum
Bershka Colon	Valencia	LEED Platinum
Oysho Diagonal 596	Barcelona	LEED Gold
Oysho Paseo de Gracia	Barcelona	LEED Gold
Oysho Place du Molard	Geneva	LEED Gold
Oysho Roma	Rome	LEED Gold
Oysho Paris	Paris	BREEAM Bueno
Zara Home Munich	Munich	LEED Gold
Zara Home	Palma de Mallorca	LEED Gold
Zara Home Champs Elysees	Paris	LEED Gold
Zara Home The Place	Beijing	LEED Gold
Uterqüe Serrano	Madrid	LEED Platinum

Zara.com: Working to make our online store an eco-efficient web page

The images, videos and information of zara.com are housed at its own data centres and on external servers, which allow streamlining and storing information.

Our main Technology Centre is located at our offices of Arteixo (Galicia). This centre consumes energy that is 100% from renewable sources, and it is certified as LEED Platinum by the U.S. organisation Green Building Council. In addition, in 2019 and 2018 it maintained its ISO 50001 standard, certifying its energy management and more sustainable and efficient energy use.

To streamline access to our web page throughout the world, we also work with external servers. In 2019, 100% of the energy consumed by these servers also came from renewable sources.

04.03/ Management of energy in transport and distribution efficiency

The efficiency of our network of logistics centres is a determining factor for us to be able ship our products to stores twice per week. Moreover, at Inditex we understand that the optimum management of transport and packaging is key to making more efficient use of resources, thereby reducing the emissions associated with our processes. In this regard, we believe that the commitment to sustainability and efficiency also has a positive impact on the business.

In order to improve the efficiency associated with our distribution and logistics operations, various actions have been taken:

- We continue working towards consolidating aerial and maritime imported goods, which has resulted in savings for the Group of 72,357 overland km on a European level in 2019.

- We continue to implement measures to optimise packing and packaging and to increase multimodal transport in certain flows.

- We continue to improve on the density of our shipments, which results in a savings of resource consumption and optimisation of transport. Specifically, we have

continued to improve box-packing controls thanks to the introduction of new protocols for load optimisation, revision and adjustment.

- For another year running, we continue to use the fleet of mega-trucks and to increase the number of routes using giga-trailers, which has enabled us to increase the load volume of the trucks, thus reducing CO_2 emissions.

- Once again this year, we have carried out a significant effort in truck load optimisation to reduce the number of vehicles (2,000 less in 2019) along European road routes. This measure has brought about savings of 3,400,000 km and associated emissions.

- In order to leverage the flows along the routes servicing the European stores and in an effort to avoid empty return truck runs, we use these trucks for goods returns to Spain. During the year we have used 5,400 return truck runs, resulting in savings of 9,200,000 km and associated emissions.

- 85% of the fleet of our overland transport suppliers, accounting for 66.7% of total business turnover of primary overland transport, meets the Euro VI motor standard, the most exacting at present in matters of nitrogen oxide and particle emissions.

- Moreover, we have continued to promote the use of trailers using LNG (Liquified Natural Gas), using this type of vehicle in continuous flows and covering over 540,000 km carrying Group goods in 2019.

- In China we have begun to implement the use of electrical vehicles for last mile delivery to stores, with deliveries made in 42 cities by the end of this year. We have thus managed to implement this form of transport in 67% of stores, which translates into the reduction of GHG emissions and air pollution in cities.

Our employees also get involved in reducing GHG emissions

Since 2019, all our office employees can go to work using the shuttle bus service or sharing a vehicle thanks to the implementation of WESHARE.

Likewise, we have provided electric vehicle charging stations at our headquarters. During this financial year, over 47,000 kWh[1] have been supplied, which help to avoid the emissions associated with the use of fossil fuels.

(1) Electrical consumption by electrical vehicle charging points in Group central service facilities, own logistics centres and own factories.

In order to be able to reduce our water consumption and improve its reuse, we incorporate storm tanks on new projects in order to recover water.

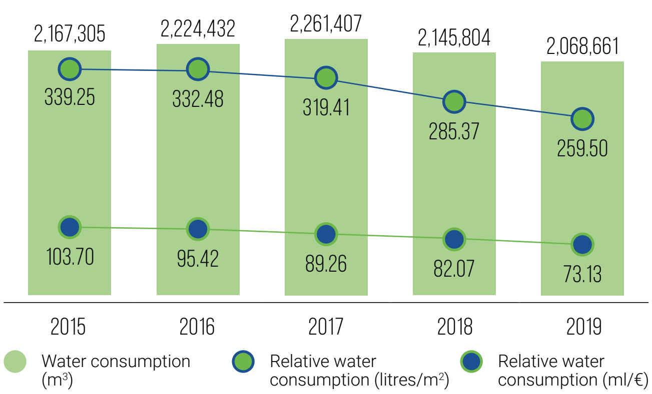
05/ Water management

The Global Water Management Strategy constitutes the roadmap that allows us to work with all our stakeholders towards a sustainable and rational water management. Our bases for water management follow the principles included in the initiative, CEO Water Mandate, promoted by the United Nations Global Compact. Environmental and social aspects are associated in this initiative, given that water in the world affects the quality of river ecosystems, and it is therefore a resource that depends on the development of communities.

05.01/ Water management in distribution and at the point of sale

The largest consumption of water corresponds to domestic use, namely cleaning and toilets, ensuring discharge through municipal wastewater systems. On the other hand, in industrial processes water is mainly used to generate steam and for closed-circuit cooling systems, which use recirculation systems.

WATER CONSUMPTION (M^3) (*)



(*) The calculation methodology has been updated to provide greater precision. The consumption by own stores has been calculated based on the net expenditure per store. The specific average price of 20 markets has been used. For all other markets, we have used the average of m^3/m^2 per format. As a result, the water consumption data for 2018, 2017, 2016 and 2015 have been updated.

When calculating the water consumption of centres, certain consumption figures for January have been estimated, given that the data were not available at the time when this report was being prepared.

The 2018 figure has been updated from the one presented in the Statement on Non-Financial Information.

The surface areas of the logistics centres, headquarters and own factories have been updated.

In 2019, thanks to the implemented water savings and efficiency measures, we reduced relative water consumption per square metre by 9% at our corporate headquarters, own factories, logistics centres and own stores.

In order to reduce our water usage and improve reuse, we have installed storm tanks to collect roof rainwater for irrigation, road cleaning and other services.

Moreover, it is worth mentioning that, during this year, we have been granted authorisation from Aguas de Galicia to reuse 100% of water from the outflow of the treatment plant located in the facilities of Indipunt in Narón. The advanced technology installed in this facility enables water to be reused for irrigation of gardens and toilet systems, resulting in significant savings in water usage for the Indipunt facility. This water recovery project is the first project of its kind approved in Galicia, after having successfully passed the strict control procedures established by the Public Administration.

More information about water management from page 148 of this Annual Report.

Our commitment: *100% of stores with containers to collect used garments in 2020.*

Circular economy

Circularity is an essential aspect in advancing towards decarbonisation of the value chain. Following the principles of the circular economy, air quality can be improved, healthier and cleaner water can be promoted and biodiversity can be protected. All while following strategies that range from reusing garments to a more responsible and sustainable design of products, thereby managing to become more efficient in our use of resources.

The objective is to transform the concept of waste so that it is considered a valuable resource that can be recovered and reintroduced as a raw material in production systems. In addition, and applying eco-design techniques, it is possible to not only extend the useful life of products and materials, but also maximise their recycling possibilities, consequently attacking the generation of waste at its origin.

In order to accelerate the transformation of industry in terms of circularity, we are working in collaboration with different forums and organisations, such as the Sustainable Apparel Coalition and the Policy Hub. In these forums, we share our experiences and best practice with other industry players (brands, retailers, manufacturers, suppliers, NGOs, authorities, scholars, etc.) to generate systemic improvements in the industry.

The circular economy is one of two core axis of Inditex's sustainability strategy, considering both the materials and the processes used to make its garments. Consequently, at Inditex we aim to select more sustainable raw materials, to reduce the consumption of paper, plastic, cardboard, etc. In order to:

- Give garments or materials a second life.

- Transform waste into raw materials.

- Generate the least possible waste.

- Improve the optimisation of raw materials.

Three initiatives have been developed to achieve these goals: Closing the Loop, Zero Waste and Green to Pack.

01/ Closing the Loop

01.01/ Collect, Reuse, Recycle

These are the three cornerstones on which our programme for collecting used clothing is based, which seeks to extend the useful life of textile products through reuse or recycling whenever it is possible to give them a second life.

We therefore collaborate with numerous, local non-profit entities, with specialists in various technologies and with companies that specialise in recycling.

At Inditex we are working so that, by 2020, this programme will be available at all the Group's stores worldwide by collaborating with different social organisations in different markets, in order to benefit the local community in every area of influence where this programme is under way.

Collect

Inditex seeks to close the life cycle of the products and materials used during its activity. In the case of fabric cutting waste in the factories in which we produce our garments, we are developing programmes to collect this cutting waste for subsequent recycling and creation of new textile fibres, such as recycled viscose, polyester or cotton.

As for used garments, we have installed clothing collection containers in our stores and logistics centres and have funded the installation of containers on the streets of various cities, in collaboration with several non-profit organisations, business specialising in recycling, social institutions and the Third Sector.

The collected garments are donated to non-profit organisations such as Cáritas, Red Cross, CEPF, Le Relais, Liga Solidaria or Casa de la Amistad, where they are separated and classified for best use.

Reuse

Collected garments that are in good shape are reused, either directly or after repair, by non-profit stores with which we collaborate. They donate the garments to persons at risk of social exclusion or sell them in their second-hand stores to obtain funds and subsidise their social and environmental projects.

Since 2015, over 49,479 tons of garments, footwear and accessories have been donated.

Recycle

To close the cycle of garments that cannot be reused or the fabric cutting waste, we work with various business organisations and universities to promote the innovation and development of new more sustainable materials and technologies to help recycle textile waste.

At Inditex we collaborate with renowned entities such as the Massachusetts Institute of Technology (MIT) and Cáritas, among others, to advance in textile recycling processes and technologies that help us to meet our circular economy strategic goal. In 2019 we have managed to exceed the commitment set for 2020 with the Global Fashion Agenda of an investment of 3.5 million dollars in this area.

In 2019 we entered into an agreement with the *Massachusetts Institute of Technology* (MIT), resulting in the creation of the Inditex *Materials Science and Engineering Fellowship* Fund with the *MIT Department of Materials Science and Engineering*. The goal of this chair is the promotion of research in sustainability, with funding of one million dollars.

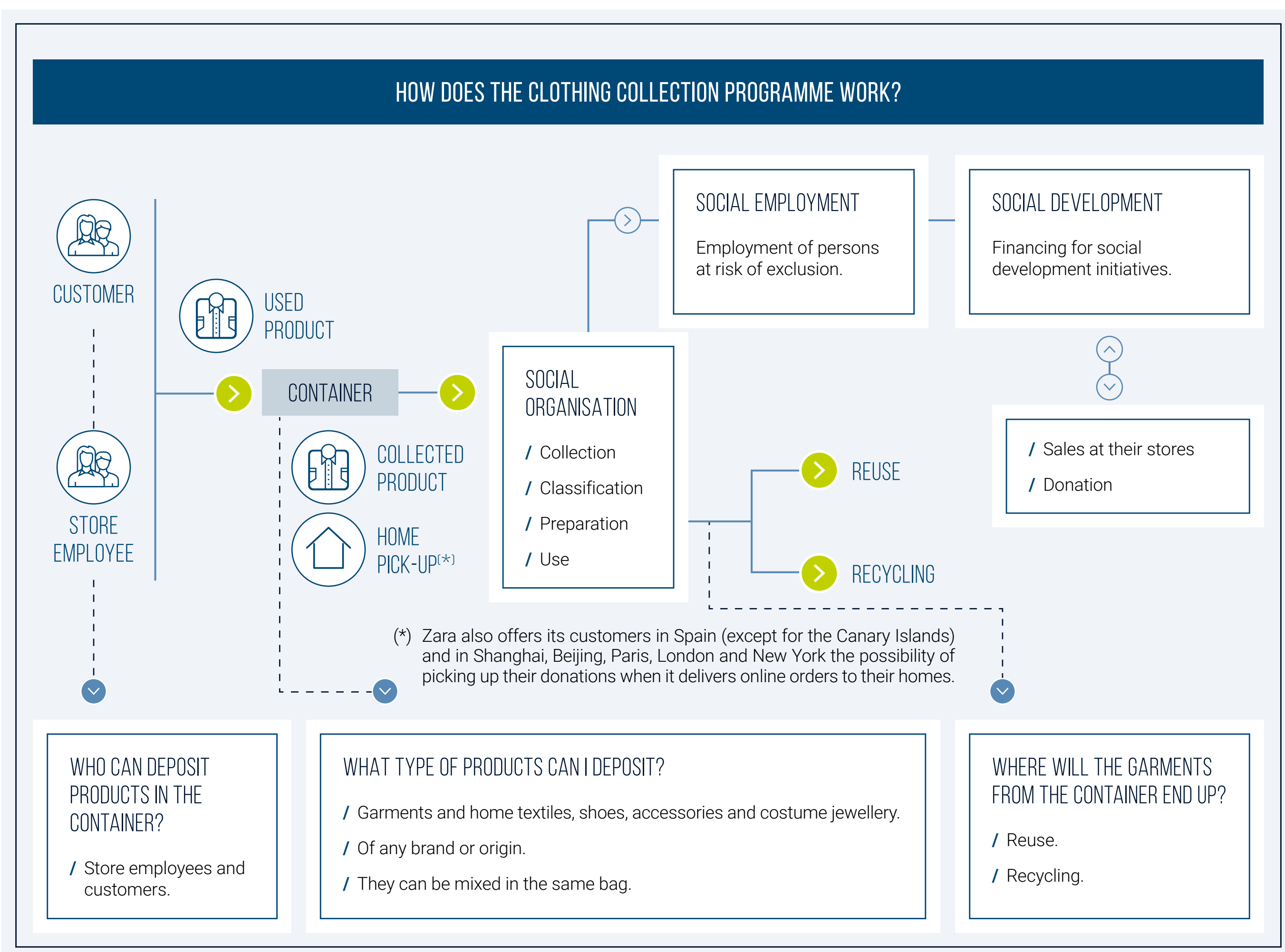
In addition, in 2019 the first triennial edition of the MIT-Spain INDITEX Sustainability Seed Fund ended, through the MISTI (*International Science and Technology Initiatives*), which encourages research collaboration between MIT professors and students and their colleagues at universities and research institutes in Spain. The purpose of the fund is to finance research in areas such as new textile recycling techniques or the creation of new fibres based on sustainable technologies. For this first version, from Inditex we allocated the amount of 450,000 dollars. The second edition will cover the 2020-2022 period.

01.02/ Clothing collection programme

This programme refers to collaboration between Inditex and non-profit social organisations for the collection of garments, footwear and accessories that are not going to continue being used, thereby giving them another life. The social organisations are in charge of managing the garments and receiving the profits they represent, with the main objective of continuing to develop social and environmental projects.

Main objectives

- Offer our customers the best collection **channel for used clothing, footwear and accessories**, thereby ensuring the best destination of garments.
- **Prevent** used garments from ending up in the **waste flow**, and improve textile recycling systems.
- Provide the **best possible use for the collected garments**, consequently maintaining the use value for the longest possible time.
- **Help to finance social and environmental projects**, and collaborate with our *partners* on developing the necessary skills and experience to build sustainable and successful systems.



Selection of social organisations

Collaborators on the programme are chosen after a comprehensive analysis by Inditex. The basic requirements that must be met to be able to collaborate on the programme are the following:

- Be officially registered as a non-profit organisation.
- Provide official, externally verified information (annual report of activities, annual accounts, etc.).
- Have over 5 years of activity.
- Have experience on textile management programmes.
- Have their own financing.

Uses of garments

The main objective of the programme is to give **donated garments a second life**, thereby preventing them from ending up in a landfill and consequently having an impact on the environment. The main uses for garments are the following:

- Reuse with a social purpose (donation).
- Recycling and transformation of garments into other textile products (upcycling).
- Recycling into new fibres and materials sent to the non-textile industry (downcycling).
- Sale at second-hand stores to finance social projects.
- International sale (only to certain, contractually defined countries[1]).
- Energy recovery (it cannot exceed 5% of the total of garments).

Other commitments of our collaborators

Collaborators undertake to comply with:

- Inditex's Codes of Conduct: collaborators undertake to comply with the following codes of conduct: "Responsible Practices of Inditex" and "Responsible Practices for Manufacturers and Suppliers".
- Periodic data reporting: In order to correctly monitor the programme, our collaborators periodically send information about the garments that have been collected through the programme. We thus know the quantity of collected garments and the use that they are given.

(1) We have established a list of countries to which our collaborators cannot send garments, due to either legal or operational reasons - thereby assuring the correct processing of textile waste. Likewise, the impact that imports could have on the textile industry has been taken into account

Challenges

- Create a social and environmentally responsible solution for textile waste.
- Maximise circularity in the recovery of raw materials.
- Raise society's awareness about the use and end of life of textile products.
- Innovate in the industrial fabric for recycling, with a social dimension.
- Identify possible synergies in the area of textile recycling.
- Dignify the social delivery of clothing to disadvantaged persons who need it.
- Generate social employment and industrial capacity.

01.02.01/ *Our programme* in figures

Fully implemented in corporate headquarters, logistics centres and own factories.

The programme is active in a total of 2,299 stores in 46 markets, in collaboration with 45 different social organisations, thus fulfilling the commitment undertaken by Inditex with the *Global Fashion Agenda* one year earlier than expected.

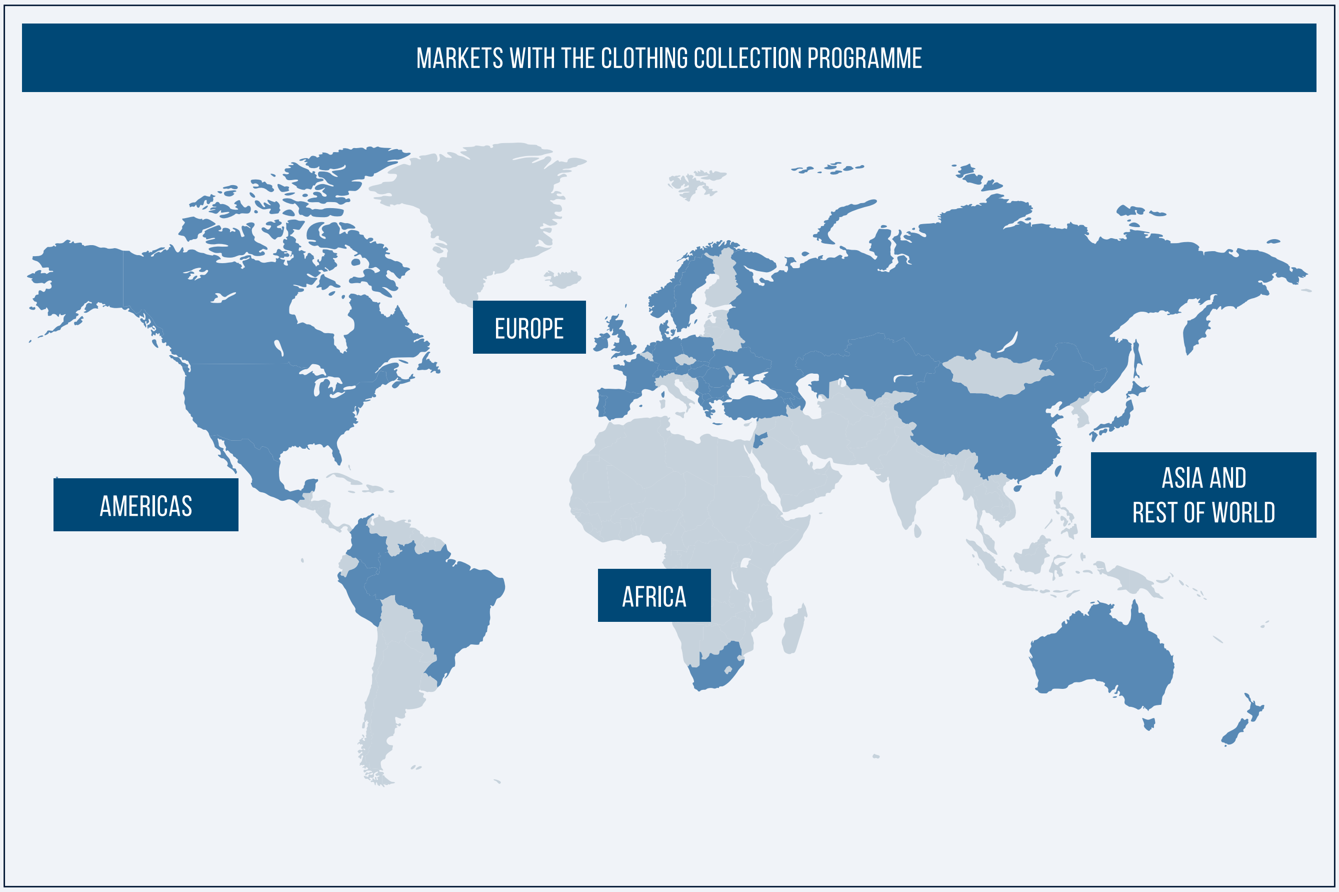
All the brands of the Group collaborate with the programme. In 2019, the programme was already implemented at 1,206 Zara stores in 46 markets throughout the world.

Bershka, Oysho and Pull&Bear have deployed the programme in international markets.

In 2019, the programme was also available for online customers of Zara in Paris, London and New York, to be added to those already in existence in Spain and in China (Beijing and Shanghai).

In Spain, in collaboration with Cáritas, collection containers have also been placed in the streets, reaching a total of 1,856 containers by the end of the year.

In 2019, we renewed our agreement with Cáritas according to which we will contribute 3.5 million euros to the textile project over the next three years. It fosters the collection of used clothing and footwear to be reused or recycled as part of a process that promotes the integration and contracting of persons at risk of social exclusion. The funding will be used to install 300 containers to collect garments in cities all over Spain and to improve the traceability systems of this collection and promote the Cáritas network of secondhand stores known as Moda Re-.



Our commitment: *to achieve that by 2023, none of the waste generated by our activities in offices, logistics and stores ends up in a landfill.*

02/ Zero Waste

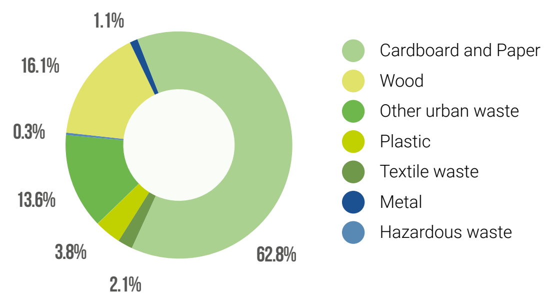
02.01/ Our commitment

We are working towards the goal of ensuring that, by 2023 and by integrating the Circular Economy concept in our business model, none of the waste generated by our activities in offices, logistics and stores ends up in a landfill.

To achieve this goal we have *Zero Waste*, a programme designed to collect, classify, recycle or recover the waste generated at our facilities.

The appropriate waste classification at our facilities is the main essence of the *Zero Waste* programme, as duty classified waste becomes material resources. We have developed internal devices to optimise the separation and compacting of such materials, reducing greenhouse gas (hereinafter, GHG) emissions associated with their transport and improving ergonomics during operation.

We classify our waste according to the European Waste List (EWL) and the transpositions thereof into national and regional legislation. The waste that is mainly generated, as it can be observed in the following graph, is cardboard and paper, plastic, wood, metal and the textile remains, and this waste is managed by legally authorized managers for the subsequent recycling thereof.



Shown below is a graph with the waste generated at our headquarters, own factories and logistics centres.

ABSOLUTE DATA ON NON-HAZARDOUS AND HAZARDOUS WASTE (KG)

The expansion of our logistics capacity has caused a slight increase in the generation of materials, but thanks to the commitment of our employees, we've been able to reduce the mixed fraction by 6.6% with respect to the total, and we've improved its subsequent recycling and recovery, thereby turning it into a new raw material.

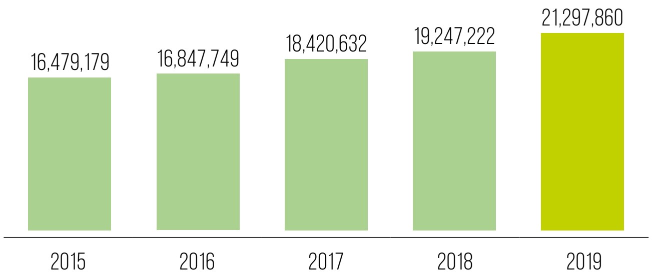
Moreover, in line with our commitments, we are working in several areas, cited below, to reduce the use of unnecessary packing and packaging. The packing and packaging that accompany our products (bags, labels and protective items) are managed by the Integrated Packing and Packaging Management Systems available in the markets where the Group operates. This means that each one of our brands pays an authorised non-profit waste manager in every market (for instance, Ecoembes in Spain) for the cost to collect and manage the packing and packaging materials used for customers.

Reused or Recycled Waste

In accordance with our commitment and thanks to the efforts and commitment of our employees, the waste generated at our headquarters, at Inditex factories and at logistics centres is separated at the origin, collected and managed by legally authorised managers for the subsequent recycling thereof (in the case of paper and cardboard, wood, plastics, metal and textile remains, mainly), and it is given other appropriate processing that allows recovery and adequate environmental management.

The graphs of the evolution of recovered products to be sent to recycling are shown below.

NON-HAZARDOUS AND HAZARDOUS WASTE RECOVERED TO BE SENT TO RECYCLING (KG)



During this year, 91% of the Group's hazardous and non-hazardous waste (headquarters, logistics centres and Inditex factories) was sent for reuse and recycling via the aforementioned circuits, thus preventing the use of virgin raw materials.

We collaborate with waste management companies to find new solutions for the materials that we collect at our facilities. Thanks to this work together, we have been able to develop mechanisms to turn those materials into new ones for subsequent use in our activities, such as the inclusion of cardboard from our own facilities in online boxes of Zara.com and plastic in different consumables used in our primary packaging system, in contact with the product, and from logistics.

Thanks to the separation tasks at the origin and subsequent delivery to a legally authorised manager, in 2019 we managed to ensure that around 93% of our hazardous waste was recycled, recovered and adequately processed for reclamation. **The main hazardous waste that is generated is presented below.**

Our recycling and reuse activity covers many other areas. For instance, alarm tags are also reused, having collected 1,302 million over the year.

Single Hanger

In addition, in 2019 Zara began implementing the "Single Hanger" project in stores all over the world. It consists in the development of a single hanger for transporting garments from textile suppliers to the stores and for subsequent display in the store. The hanger is continuously reused through closed circuit systems.

Thanks to this programme, we are working together with hanger suppliers and our internal teams to unify models and materials for these products and to establish closed circuits that improve traceability and the reuse and recycling capacity.

In line with our commitment to the circular economy, the old hangers that are being removed from the stores while this project is being implemented are being recycled to generate new materials for use in other new products.

Training

At Inditex we encourage actions to reduce at source and to enhance recycling via training projects designed for our employees. In 2019 a number of waste management training courses have been provided at the Group's facilities, with 1,905 employees. To support such training, a pilot project based at Inditex headquarters has been developed, consisting of a web application allowing employees to check the use of every waste product depending on the type of container available in each of the areas.

TYPE OF WASTE (KG)	FINAL TREATMENT	2015	2016	2017	2018	2019
Batteries	Recycling	9,532	7,945	6,580	9,193	8,227
Electronic waste	Recycling	10,094	9,776	10,149	25,091	41,329
Fluorescent bulbs	Extraction of gas and recycling	5,387	26,000	6,207	3,446	5,390
Used mineral oil	Recycling	15,080	8,242	5,083	6,766	6,066
Contaminated absorbents	Energy recovery and controlled elimination	2,786	4,969	5,818	6,873	5,689
Contaminated plastic containers	Recycling	1,366	1,521	1,740	1,061	1,365

Microfibres

Inditex is committed to developing more sustainable products by taking into account their complete life cycle. As a part of this commitment, we are working with the main universities, research centres and international scientists, as well as with other industries and *advocacy groups*, on jointly exploring specific ways to reduce the release of microfibres and, above all, to prevent them from reaching the oceans. Specifically, we are researching and innovating along the main lines of: *design*, *manufacturing* and *final use*. Currently, we are an active member of the *Microfiber Consortium*, a consortium that is focused on facilitating the shared development of practical solutions within the microfibre framework of the textile industry.

03/ Green to Pack

Our *Green to Pack* programme sets the quality standards of our packaging, enabling the use of recycled materials, the extension of its useful life and subsequent recycling. This helps to reduce consumption of resources and to optimise transport.

OVER 14,000 TONS OF OUR OWN CARDBOARD RECYCLED FOR NEW BOXES OF ZARA ONLINE SHIPMENTS

ZARA HOME HAS ELIMINATED PLASTIC FROM ITS ONLINE ORDERS

ZARA ELIMINATES ALL PLASTIC BAGS IN ITS STORES

03.01/ Cardboard Boxes

One of the *Green to Pack* initiatives is based on improving the quality of the cardboard boxes used to ship our garments from the suppliers. This increases the useful life of our boxes which can be used up to five times before being recycled.

At the same time, we strive to recycle these boxes at the end of their useful life. This recycled cardboard is used to manufacture the boxes used for Zara *online* shipments. The quantity of cardboard collected in 2019 at our warehouses and introduced into the circularity flow of the Zara online box exceeded 14,000 tons.

At present all the Group's brands form part of this programme, which has enabled the project to be consolidated during this year, having acquired 14,740,028 certified boxes via 827 suppliers.

Within the scope of e-commerce, during this corporate year, in Zara online shipments we increased this use by 15 percentage points over traditional boxes. Moreover, along this line, in all our brands we have incorporated new markets to the paperless purchase receipt. Thanks to both measures, 232 tons of paper have been saved.

03.02/ Plastic

Zara has eliminated 100% of plastic bags in its stores in 2019, and other brands –like Zara Home– have also changed over to paper bags before the target date.

Throughout this year, Zara Home has eliminated plastic from its online shipments, which no longer have an outer bag. During the year, all other Group brands have advanced in terms of eliminating the outer plastic bag in online shipments.

All these efforts are in line with the Company's objective to eliminate single-use plastics with customers by 2023 and the objective to ensure that all plastics used in our activity can be reused or recycled, such that they are reintroduced into the circuit.

The approach adopted regarding plastics, as well as the results obtained, are reported to the *Ellen MacArthur* Foundation, following our commitment to the *New Plastics Global Economy Commitment,* driven by that foundation in cooperation with United Nations Environment.

The working plan that is currently being developed contemplates reducing the quantity of plastics in our packaging, thereby advancing towards models of reuse such as the single hanger project and innovation together with our suppliers to implement a nomenclature system, thereby allowing us to improve traceability and increase the quantity of recycled content of our plastic packaging.

Our commitment: *Elimination of plastic bags in all brands of the Group by 2020. Elimination of single use plastic for the customer by 2023.*

INNOVATION IN THE CUSTOMER EXPERIENCE

We consider the relationship with our customers to be something unique, regardless of the channel they choose at any time. Therefore, the shopping experience goes beyond the channel and the support, always offering customers the most suitable option according to their needs.

SDGs	Goals	Inditex contribution
9	9.5	In Inditex we apply an open, flexible and decentralised model in which we encourage all our employees to help develop ideas that lead to practical solutions. This model is deployed in all stages of our value chain, with a special focus on its sustainability. In addition, our collaboration with third parties is a lever to accelerate innovation in the environment in which we operate.
12	12.8	Our customers' expectations include being assured that all our practices are implemented under the most demanding premises of efficiency, sustainability, responsibility, transparency, respect for privacy, commitment and contribution to social welfare. For this reason, we provide them with transparent information about our activities and our business model, in which innovation related to all areas of sustainability plays a key role. In this way, we provide a responsible consumption model.

More information on pages 328 and 329 of this Annual Report.

Our customers are our focus

How we relate to the customer

The customer is the starting point for all that we do in Inditex. Knowing what products they demand and offering them these products at the right time and in the right place, providing the best shopping experience, is the task that people who make up the Group are committed to each day.

While our store and online teams work with the product teams and designers to understand the customers' needs and offer them the latest trends they demand from us, the image and coordination teams look for the best ways to present the collections and propose different looks or possibilities. For its part, the architectural studio works on creating pleasant and accessible spaces, where customers can enjoy a different shopping experience.

From our various positions we all strive to ensure that customers enjoy their shopping experiences. To achieve this, we have developed an integrated store and online model, where customers can access our products whenever, wherever and however they want. This model, which requires flexible, efficient operation with a clearly innovative approach allows the customer to move from the store to the online seamlessly, and offers multiple shopping alternatives.

We consider the relationship with our customers to be something unique, regardless of the channel they choose at any time. All of this allows our customers to discover our latest products through the online store, but making their purchase in a physical store, or visiting our stores, but making the purchase online and requesting home delivery. Therefore, the shopping experience goes beyond the channel and the support, always offering customers the most suitable option according to their needs.

This integrated platform reached 18 new markets in 2019. Following the incorporation of Brazil, South Africa, Colombia, Egypt, Morocco, Indonesia, Serbia, Israel, the United Arab Emirates, Qatar, Bahrain, Saudi Arabia, Oman, Kuwait, Lebanon, Jordan, Ukraine and the Philippines, customers from 66 markets around the world already enjoy the advantages of this system.

Moreover, the development of the Group's global brand platform allows the customers of our brands to access our collections in those places where we do not have brick-and-mortar stores. The Group aims to have all the brands available worldwide during 2020.

Due to the online sales growth, the Group's websites recorded more than 4 billion visits, 1 billion more than the previous year. Each day around 11 million users visit one of the websites of Inditex's different commercial formats.

In recent years we have carried out an almost complete renovation of the commercial area after updating the image of 98% of our stores, opting for increasingly larger stores in which the whole collection can be viewed, while incorporating the latest technologies, customer service and advances in sustainability.

In 2019, the Group's brands continued to work on improvements such as *Next-day delivery*, which is already up and running in the main markets globally, and *Same-day delivery*, which our customers from cities such as New York, Madrid, Paris, London, Shanghai, Moscow and São Paulo already enjoy. Meanwhile, Zara already has automated pick- up points for the delivery of online orders in a selection of 20 stores around the world.

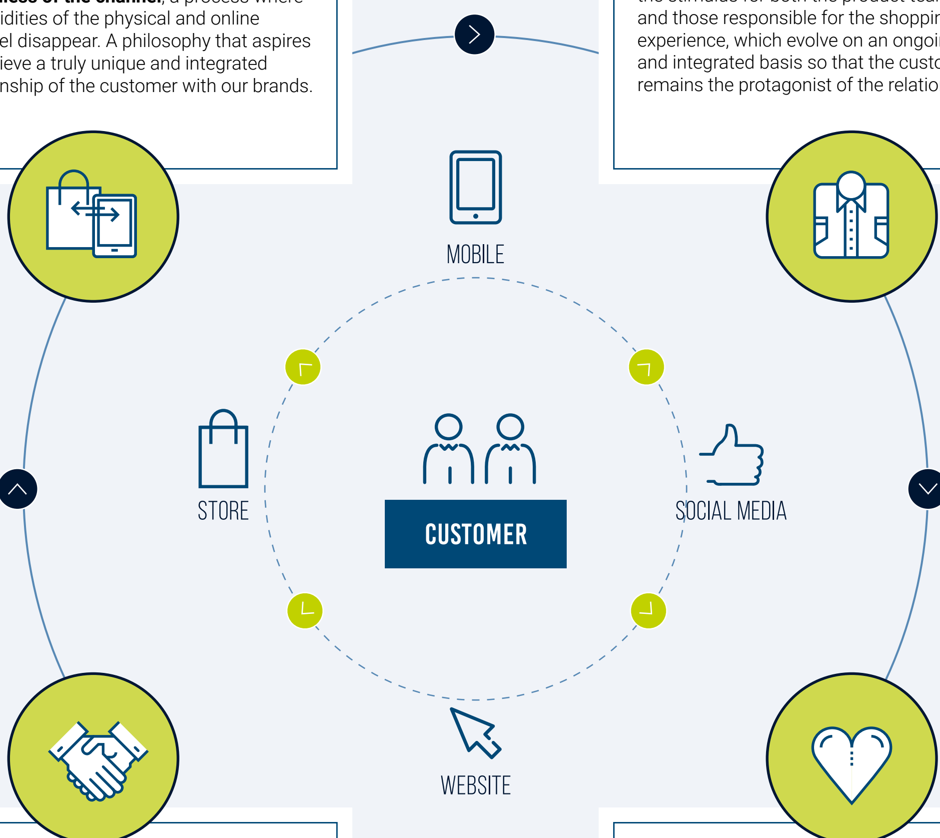
THE CUSTOMER, AT THE HEART OF OUR BUSINESS MODEL

THE PURCHASE, A SINGLE AND INTEGRATED ACT

We are working proactively so that the customer perceives shopping as **a single act regardless of the channel**, a process where the rigidities of the physical and online channel disappear. A philosophy that aspires to achieve a truly unique and integrated relationship of the customer with our brands.

LISTENING AND OUR RESPONSE

Customer demands meet the creativity of our designers through multiple channels: store and online platform. This acts as the stimulus for both the product teams and those responsible for the shopping experience, which evolve on an ongoing and integrated basis so that the customer remains the protagonist of the relationship.



A LONG-TERM RELATIONSHIP

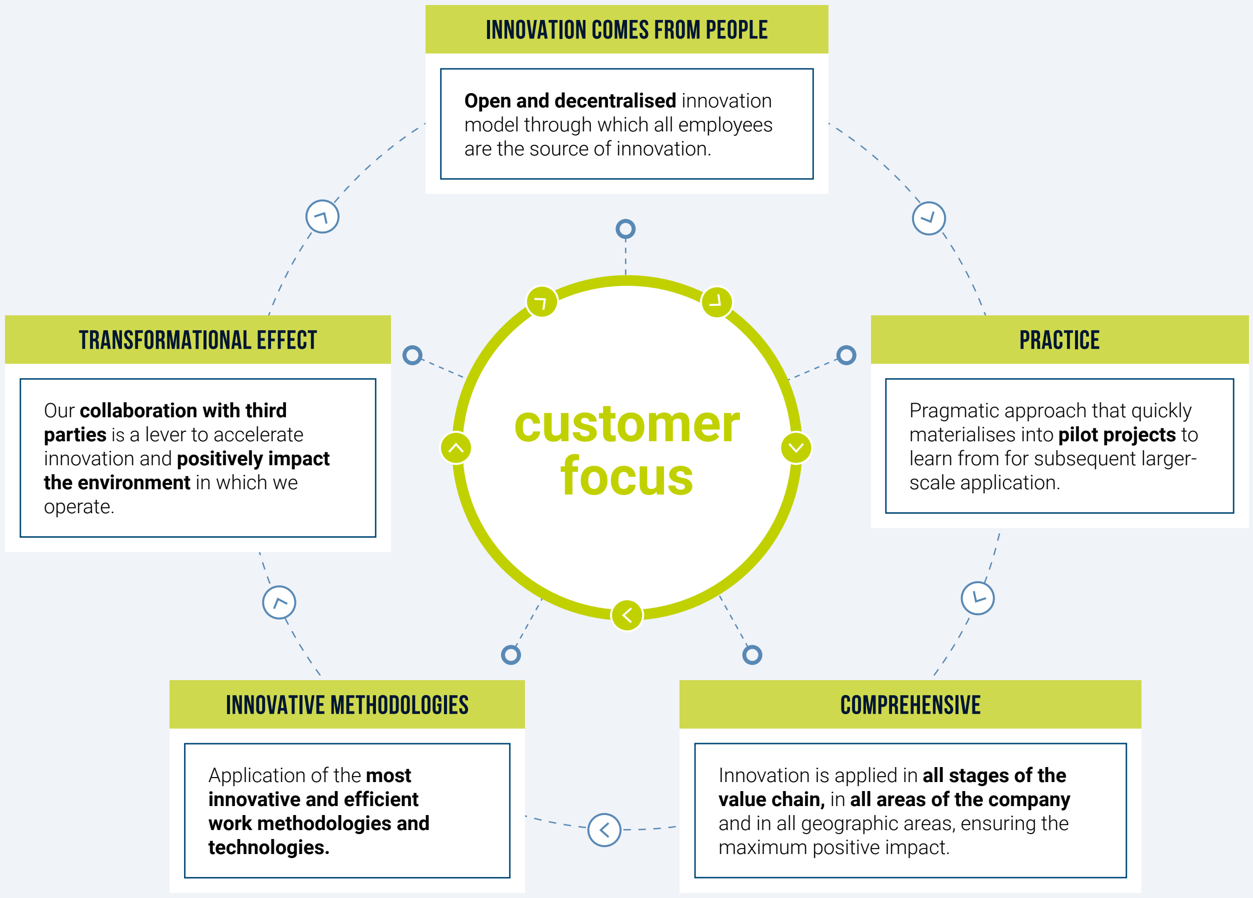
We promote close relationships with our customers and strive to earn their trust and loyalty. The commitment to **considering each customer as unique** is the same as it was when we opened our first store in 1975.

EXPERIENCE CREATION

When a customer approaches our brands, they have in mind a different experience not always related to a purchasing process. For this reason, we want to provide them with the creations they are demanding and enable **an experience that goes beyond shopping to become a leisure experience.**

Innovation in the shopping experience

DIFFERENTIATING INNOVATION FACTORS IN INDITEX



Being **able to continuously adapt to our customers' demands and changes in the environment** is one of the basic principles that has guided our activity.

We understand **innovation** as a **differentiating factor**. We apply an **open, flexible and decentralised** model in which we encourage the people who make up Inditex, irrespective of their position, to participate in identifying customer needs and opportunities and to help develop ideas leading to practical solutions that satisfy them. In Inditex, we are constantly looking for new ways of facing challenges, continuously questioning the traditional ways of doing things, striving for efficiency and having positive impact in everything that we do.

This innovative spirit is also imbued with the **pace and speed** that so characterise our business model. This is how Inditex's innovation arises in all areas of the company and quickly materialises in different projects, which are tackled practically and with foresight. Therefore, each innovative initiative is accompanied from its origin with a pragmatic approach and is launched with one or several pilots from which knowledge and improvement areas are extracted.

To carry out all our innovation activity, we incorporate the most innovative and efficient **work methodologies**, combining creativity, talent, technology and an in-depth knowledge of the sector. We also **collaborate with organisations, research institutions, suppliers, NGOs and other players** to ensure that all our new innovative initiatives become transformational elements for us and for the industry.

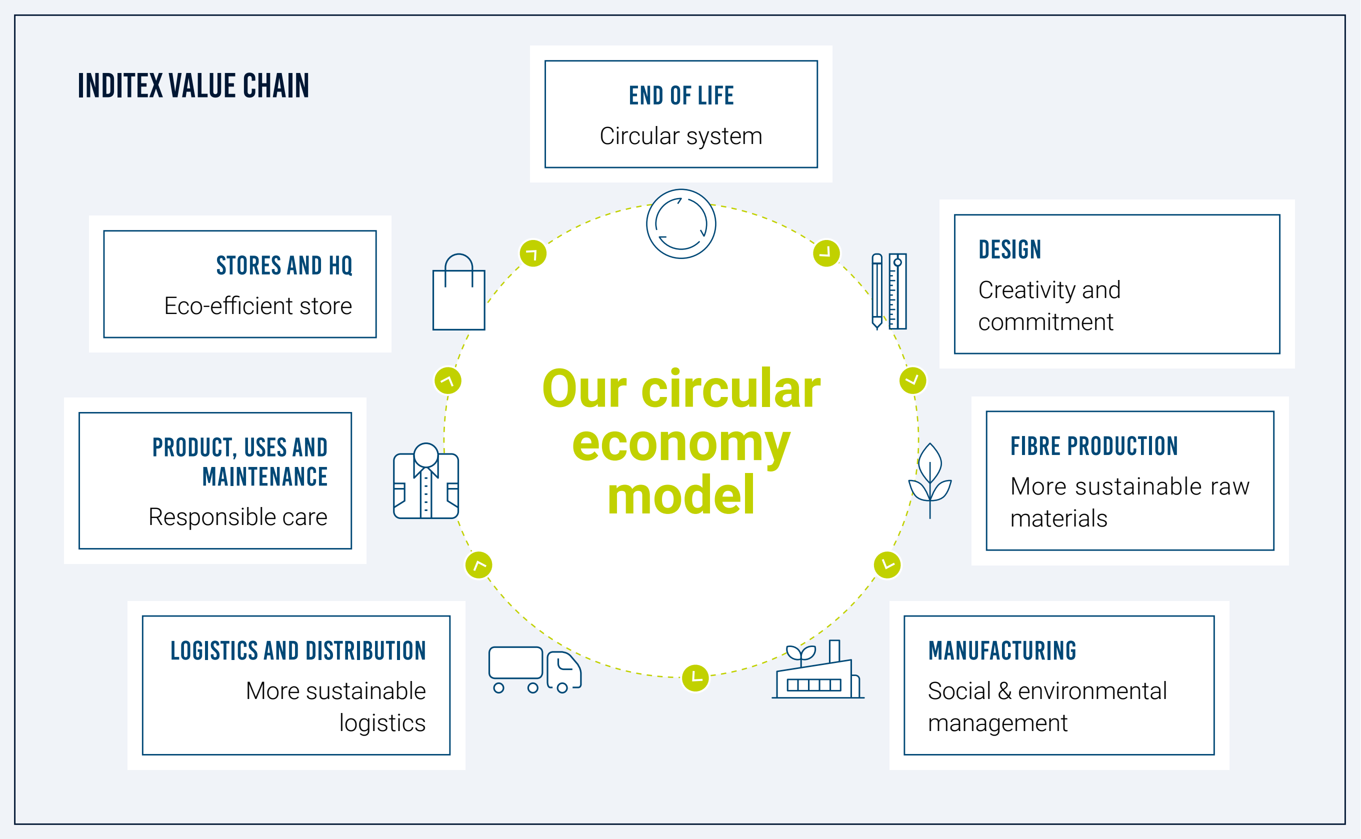
To ensure that our competitive advantages are sustainable in the long term, in Inditex innovation is founded on **two cornerstones:**

- The development of our **circular economy model** with specific initiatives and projects in each phase of the value chain.

- The application of **technology as a transformational cornerstone**: Technology which, due to the complexity of the environment in which Inditex operates, requires multidisciplinary competences in a wide range of scientific disciplines, classified according to the UNESCO International Nomenclature for the fields of Science and Technology and, among which, the 16 categories listed on the right stand out.

TECHNOLOGY AS A TRANSFORMATIONAL CORNERSTONE

UNESCO NOMENCLATURE	SCIENTIFIC DISCIPLINE
1203	Computer Sciences
1207	Operations research
3326	Textile technology
3310	Industrial technology
1209	Statistics
3303	Chemical technology and engineering
3305	Construction technology
3308	Environmental technology and engineering
3312	Materials technology
2306	Organic chemistry
2301	Analytical chemistry
2391	Environmental chemistry
3214	Toxicology
5310	International economy
6302	Experimental sociology
6307	Social change and development



THE PROCESSING OF INFORMATION AS A DRIVING FORCE FOR INNOVATION

The application of many of these technologies is associated in many cases with the **processing of information** as a tool to improve the **decision-making** process, both in terms of speed and reliability, and to thus maximise the benefits of innovation.

RECORDING OF INFORMATION

We work continuously on the **digitalisation and automation of the records and the documentation of our operations.** From real-time data collection when managing our supply chain, to the development of systems that allow the digitalisation of the administrative processes of receipt and payment of invoices or customs documentation. In all cases we collaborate closely with the suppliers and administrations involved to ensure full digitalisation of documentation, helping to further enhance the efficiency, sustainability and security of all processes, **benefiting both us and all the third parties involved.**

GENERATION OF DATA IN REAL-TIME

DATA GOVERNANCE

Obtaining early high-quality information is key to improving decision-making efficiency. For this reason, we are working on an **innovative governance system** that allows its implementation within the data life cycle.

Since Inditex operates in a constantly changing environment, conventional and commercial governance tools do not meet the needs of the company. That is why we develop our own tools with this innovative approach that **allow us to be more flexible** and fully adapted to changes, always managing to respond quickly.

STRUCTURED AND DEFINED DATA

INTEGRATION

For **information to be useful for decision-making purposes**, it is necessary to innovate in the development of systems to ensure that adequate information is available immediately and securely to the user who needs it.

We therefore make continuous efforts to **effectively integrate internal and external systems in agile, safe and flexible environments**, which is a constant challenge, taking into account the huge volume of our operations and the diversity of countries, administrations and suppliers with which we interact and the constantly changing environment we operate in.

INTEGRATED AND AVAILABLE INFORMATION

ANALYTICAL INTELLIGENCE

Having available **quality data and information**, obtained in real time, enables the development of innovative applications to support decision-making and to prepare simulation models and predictive tools applicable across the value chain of the company. Both for predicting demand and for the development and organisation of our logistics and transport system, and to guarantee excellence in our products and ensure the traceability of the supply chain. These types of tools allow us **to anticipate risks, enhance the sustainability and efficiency** of all our processes with the ultimate goal of improving our customers' shopping experience.

INFORMATION FOR INNOVATION AND TRANSFORMATION

2022 HORIZON: Digital, integrated and sustainable transformation

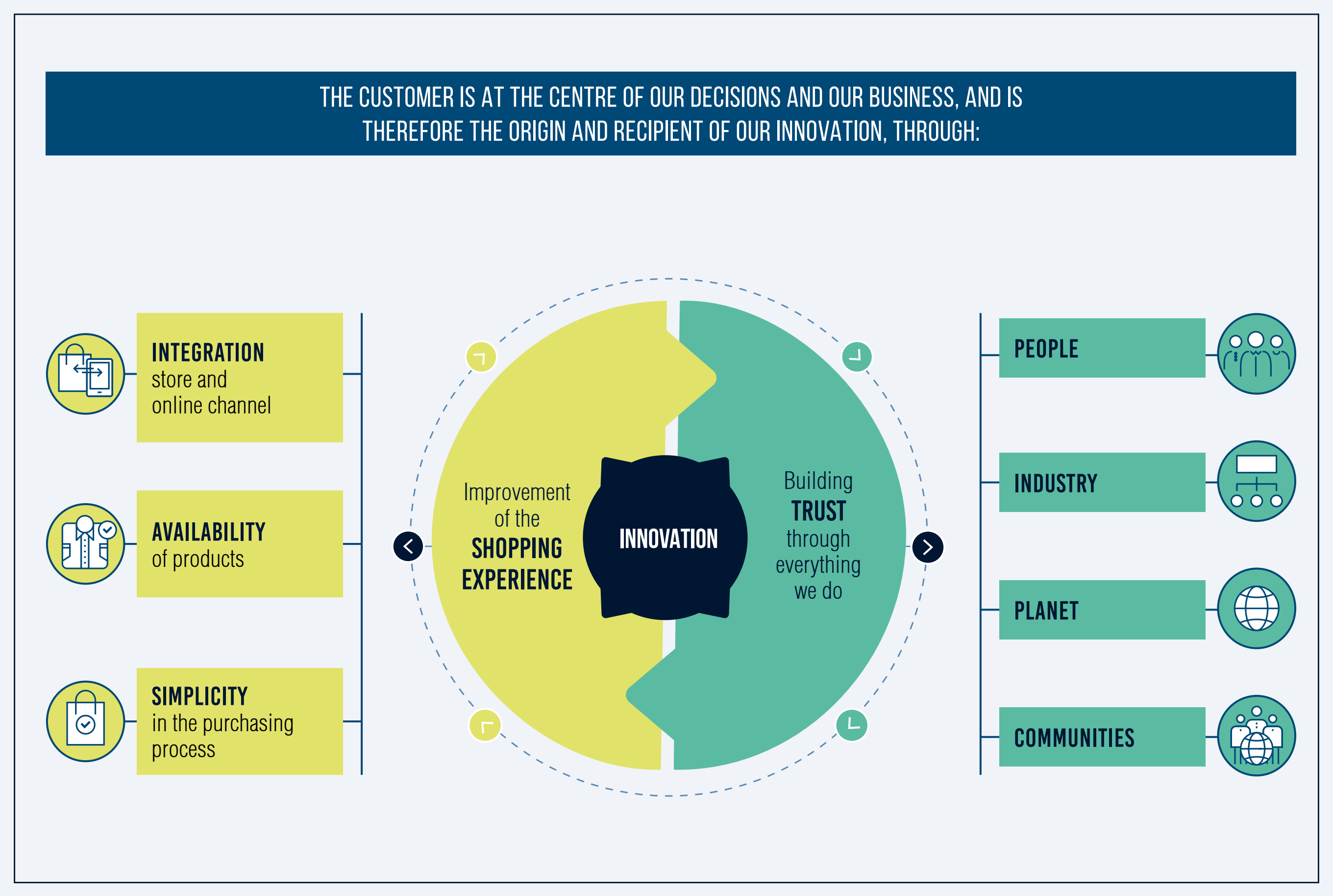
Our 2020-2022 Plan sets out Inditex's vision for the future and defines the challenges involved in transforming the Company. A billion euros will be invested in bolstering the online business and a further 1.7 billion euros in technologically integrated stores.

The plan will enable us to create a proprietary digital platform, fully adapted to the need for flexibility in our business model. It will also comprehensively define our concept of the integrated store *"with a future linked to providing constant customer service, wherever our customers are, whichever device they use, and at all times"*, in the words of our Executive Chairman, Pablo Isla.

01/ Customer-focused innovation

The customer is at the **centre of our decisions** and our business, and is therefore the **origin and recipient of our innovative activity.** We want to listen to and understand what our customers want and expect from us. We believe that this active and continuous focus on the customer's needs is the key to successfully innovating in products and in the **shopping experience** that we offer.

We believe that our innovation should also guarantee that all our practices are aligned with the customer's expectations in terms of efficiency, sustainability, health and safety, data protection and privacy, commitment to positive impacts on the environment and contribution to social welfare, so that we can respond at all times to the **trust that they place in us.**



Improving the shopping experience

We use innovation to respond to the challenges we face, offering a shopping experience that meets **ever-more demanding and shifting expectations.** Our innovation efforts are focused on improving the features and aspects we consider fundamental to ensuring our customers enjoy an excellent shopping experience: integration, availability and ease of use.

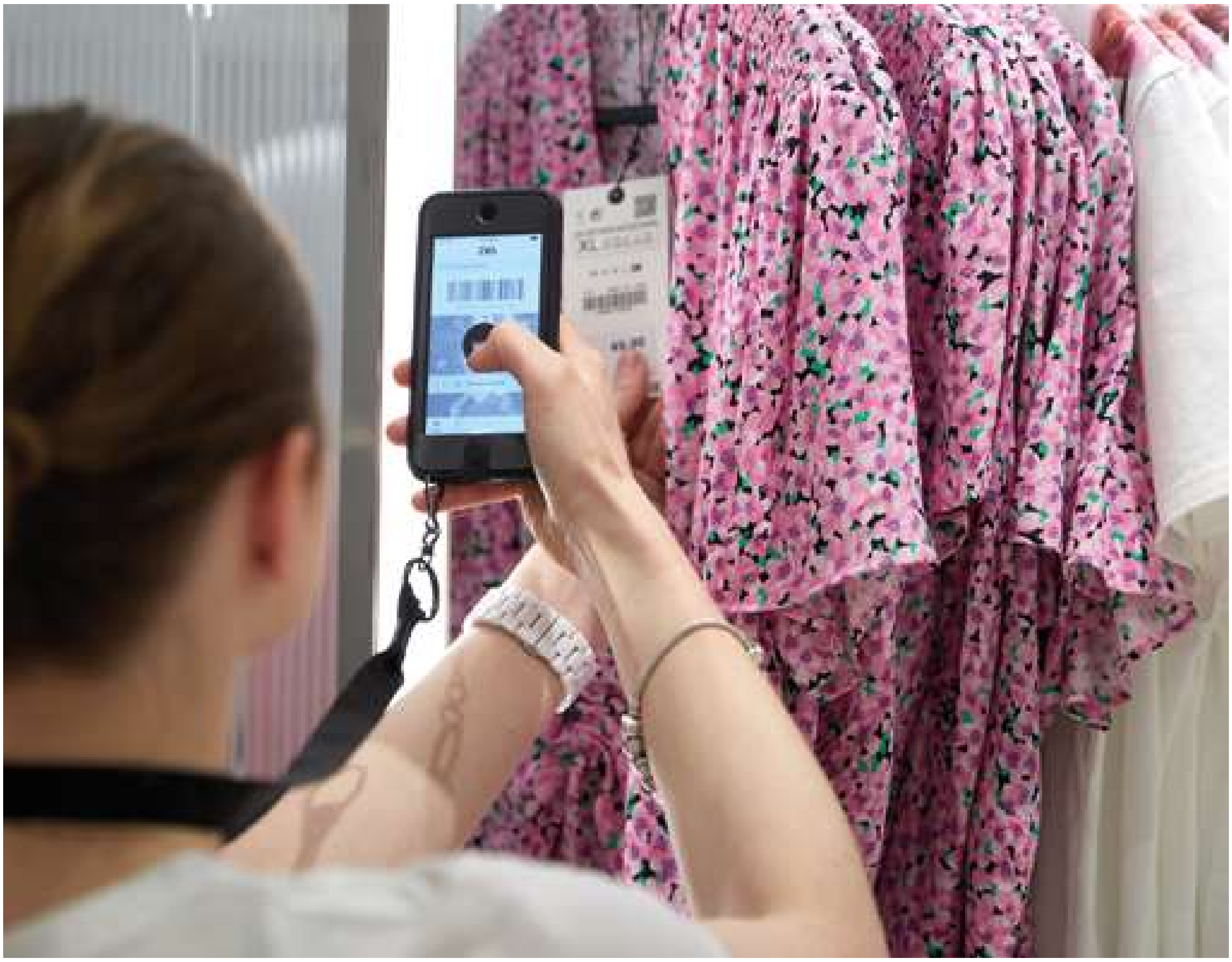
Innovation in this area is aimed at ensuring customers' **shopping experience is fully integrated between the physical and online channels.** This is about more than just combining the two channels, it is about symbiosis, creating a shopping experience where the two channels mutually reinforce each other to raise customer satisfaction.

This innovation model is based on the Inditex Open Platform (IOP), our proprietary technological platform on which all the company's digital operations run. It is designed to be immediately adaptable for all types of operation, with a precision and quality that allows us to develop unique solutions for stores and online.

Starting from online sales, **the IOP pulls all linked processes together, such as inventories, purchasing, distribution and orders**, adding flexibility and, crucially, scalability. This is essential for maintaining service excellence at high-traffic times (for example during sales periods) and is key to the expected increase in online sales.

The platform, which was launched in 2018 and has since demonstrated its efficacy in several stages, is now 60% operational, and will be fully implemented over the period of the 2020-2022 Plan. This is an advanced technological tool that uses microservices to allow us to segment each area's specific requirements without having to change the whole system.

The IOP also allows us to offer our customers an integrated **shopping experience**, thanks to the integrated stock management system across stores and online, optimising our ability to deliver products more conveniently: regardless of where items are or the physical location of the stock at the time of sale.



INTEGRATION

The increasing digitalisation of our customers gives rise to the demand to be able to complete the purchasing process in a seamless way, interacting interchangeably, transparently and consistently between the different sales channels.

This **logical integration of the stock** involves the extreme flexibility and integration of the logistics model, in which each of its components does not have a statically assigned set of functions, but rather shows great multi-functionality and versatility. This gives them the ability to dynamically adapt to respond to our customers' demands, establishing dynamic flows of stock among the different components allowing, for example, placing online orders from the stores and any other possibility that helps to make the item available to the customer as soon as possible.

To ensure the **unified vision of the stock and its optimal movement** between the components of the system, we had to develop information systems that enable the **processing in real time of product movements** in all locations where stock is located, both in the distribution centres equipped with *Internet of Things* technology, and in the stores using RFID technology, as well as at the headquarters of our logistics suppliers, with whom there is total integration.

Finally, the unified processing of the stock has also transferred some **highly demanding capacity, speed, efficiency and scalability requirements to the logistics infrastructures** of the distribution centres. For this, some significant innovations have been introduced in the different areas of the centres, such as the multi-shuttle and hyperloop systems, dynamic buffers, automated inductions, air palletising system and automatic guided vehicles (AGVs), among others. Control of these logistics infrastructures has required a change of paradigm in control systems governed by warehouse management systems (WMS), to have a unified vision and control of stock by location. It has also allowed us to prepare deliveries in an orderly, dynamic and consistent way to the various destinations where stock is to be located.

PROJECTS		GOALS
INTEGRATED STOCK: "SINT"	Innovation that **allows the adaptation of the functions performed by the stores**. In this way, apart from handling sales locally, the stores prepare e-commerce orders. To meet the needs of our customers, the stores can be dynamically integrated with the warehouses to perform the different order preparation phases (picking, product preparation, packaging).	- **Increasing the quality of the service** offered to the online channel customer - Ability to **adapt to the customers' needs** - Balance of the **operational needs** of stores and distribution centres
LAPA	Development of a **high-capacity RFID reader** for stocktaking in stores with high volumes of items.	- Elimination of bugs that could impact the management of the integrated stock - **Reduction of time** for stocktaking
XWMS	This innovative warehouse management system is a key element in providing our logistics model with the flexibility and versatility necessary for unified stock management. Equipped with the advanced technology **developed internally by Inditex, the XWMS is capable of managing the distribution of the mixed integrated stock** (parcels and hanging garments), in an orderly manner according to multiple criteria (collection, SKU, etc.) through shipments whose frequency is configurable for each store depending on the needs of our customers.	- **Boosts integrated stock performance** - Higher levels of service for our customers
LOGISTICS CONNECTION POINT AT LELYSTAD	It is the clearest exponent of the new paradigm of versatility and adaptability required in distribution centres to tackle the challenge of managing integrated stock. This logistics connection point located in the Netherlands, is devised to operate fully **with integrated stock, incorporating the latest innovations in technology and automation** of logistics infrastructures, especially for hanging garment management, as well as the most advanced warehouse management system that allows automated management of traffic flows.	- **Flexibility** for the processing of **integrated stock** - High-performance to **respond to the Group's growth**


INDITEX

AVAILABILITY

A satisfactory shopping experience will depend on our customers having access to the product they want, wherever and whenever they want, through a simple, agile and seamless purchasing process that meets their expectations.

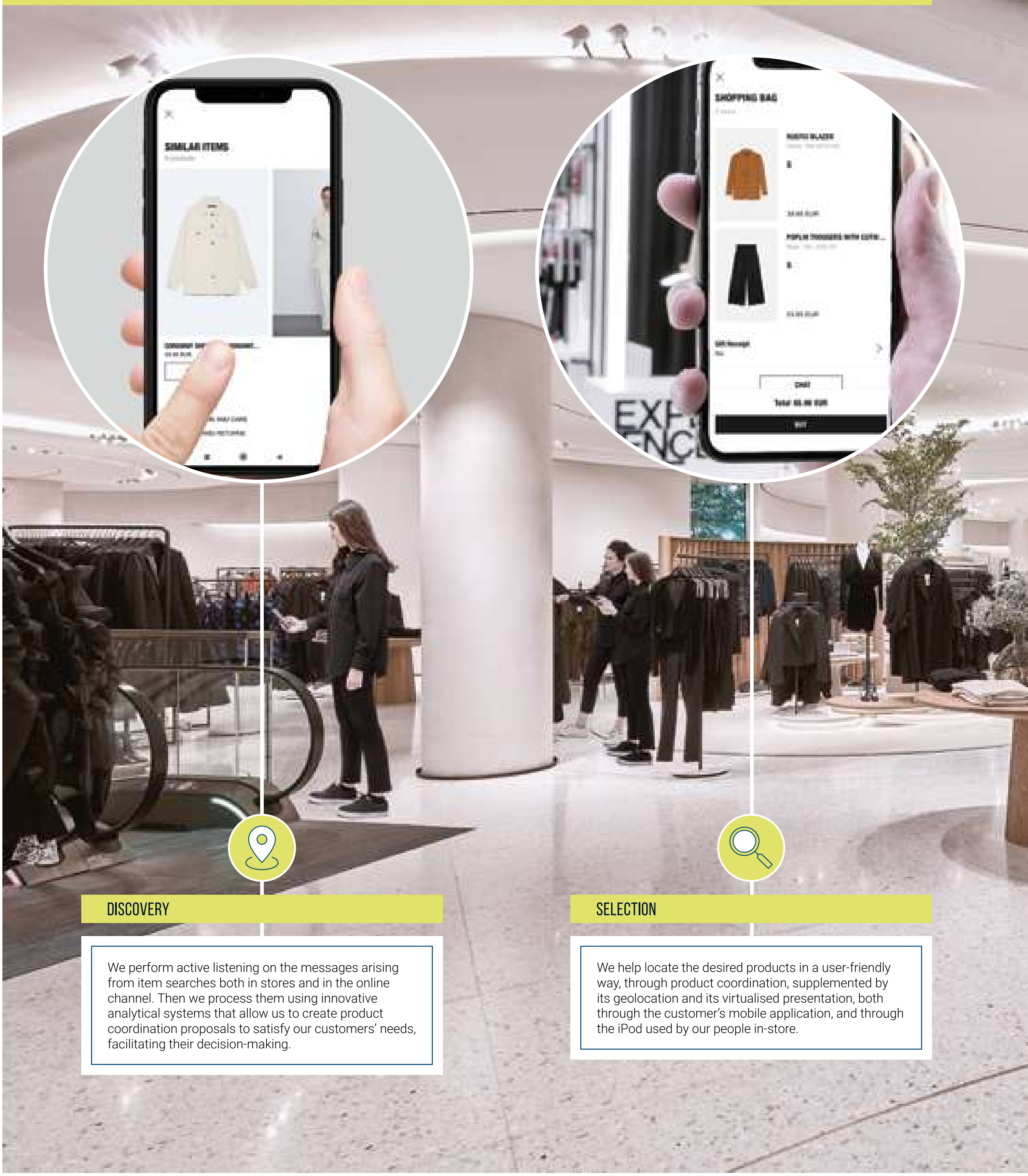
Making our items available to our customers when they need them is one of the fundamental principles of our business model. The **design, manufacturing, storage, distribution and sales processes** must work in a perfectly coordinated and efficient way to achieve that goal with maximum efficiency.

To ensure the proper and prompt availability of the items, we develop **advanced analytical tools** that allow us to estimate the demand for our products, incorporating our knowledge about changes in trends, the influence of external events and consumption habits. By therefore combining technology and business knowledge, we try to optimally and efficiently position the minimum stock necessary to complete the entire sale in each location, both for the stores and for the online channel. In this way, we help reduce the minimum stock necessary to satisfy the customer's purchasing need, **avoiding excess production and achieving a sustainable balance of the units produced.**

PROJECTS		GOALS
DEMAND FORECASTING	In order to ensure the availability of products for our customers, **we use *machine learning models* to determine the optimum stock** that each point of sale must have, both as regards new products and product to be restocked. The initial predictions are subsequently reviewed and checked against the data obtained in real time and the customer's knowledge of our sales teams, allowing the supply to be adjusted. To this end, continuous or variable frequency distribution systems are used, depending on the needs.	- **Better adaptation to product demand** - **Minimisation of excess stock** - **Production process optimisation**
ANALYTICAL SEARCH ENGINE FOR COMPARABLE PRODUCTS	Trying to anticipate how our products will be received commercially by our customers is an especially complex exercise for new products, since such items are subject to great volatility and there are no historical behavioural data on which estimates can be based. **In collaboration with the Massachusetts Institute of Technology (MIT), we have developed an analytical search engine for comparable products based on artificial intelligence** that allows us to make an extremely accurate estimate of the behaviour of the demand for new products.	- **Better demand forecast for new products**
ESTIMATION OF TRANSPORT VOLUMES	Adequate planning of transport flows is necessary to assure our customers that products are available. Our logistics model requires accurate estimates of the transport needed, taking into account the characteristics of the products to be transported, as well as their packaging. **By using technology, we can make accurate estimates of the required volume based on the mix of products that have to be transported.** This ability to predict transport volumes enables better planning and optimises the load of the modes of transport.	- **Long-term improvement in product availability** - **Optimisation of transport flows** - **Reduction in the carbon footprint** of transport operations
CORE ANALYTICS	A platform **developed internally** by our teams, which conducts **a real-time analysis of the information events generated by the online sales platform** and enables them to be used in a consolidated manner, both for analysis and for publication in the different corporate reporting tools.	- **Early identification of pain points in the purchasing process of our customers** for immediate application of corrective measures - **Lessons learned** as a basis for introducing improvements in the purchasing process

SIMPLICITY

The simplicity of the purchasing process is one of the factors that most influences our customers' degree of satisfaction with the shopping experience.



DISCOVERY

We perform active listening on the messages arising from item searches both in stores and in the online channel. Then we process them using innovative analytical systems that allow us to create product coordination proposals to satisfy our customers' needs, facilitating their decision-making.

SELECTION

We help locate the desired products in a user-friendly way, through product coordination, supplemented by its geolocation and its virtualised presentation, both through the customer's mobile application, and through the iPod used by our people in-store.

FITTING

We strive to eliminate waiting times associated with **garment fitting**, allowing our customers to book fitting rooms in advance through the mobile application or through an in-store device. Our customer can therefore continue to enjoy the shopping experience until they are communicated by means of a message that a fitting room is available and they can continue with their purchasing process.

ACQUISITION

In the **final acquisition and payment phase**, we innovate to offer our customers alternatives that simplify the process and minimise the waiting times of our customers:

- Developing predictive systems that reduce queues by **adaptively configuring the number of checkouts** we provide for our customers, and simplifying the procedures and validations of checkout processes.
- Offering our customers **self checkouts** and **mobile checkouts**.
- Maximum optimisation of the **navigability and visibility of the products on the online platform**.
- Generating **options that facilitate the in-store collection of items**: we notify our customers by means of a **message of the availability of the order**, we perform an accelerated identification of the customer and the order by **using QR codes** and we offer the possibility of **collecting the order in automated silos**.

This **global process of accompanying** our customers in the purchasing process, which has been our traditional focus around which the business model has been developed, is currently boosted by the use of innovative analytical systems that allow us to process and analyse in real time our customers' interactions with us, and, always with the premise of respect for privacy, to develop simple purchasing processes adapted according to our customers' changing tastes and needs.

SHOPPING

IN-STORE SHOPPING

FIND IN STORE
IN-STORE SHOPPING
IN-STORE COLLECTION
IN-STORE RETURNS

ONLINE SHOPPING FROM STORES

HOME OR IN-STORE RETURNS
HOME DELIVERY
IN-STORE SHOPPING
FIND IN STORE

CUSTOMER

FIND ONLINE
ONLINE SHOPPING
IN-STORE COLLECTION
HOME OR IN-STORE RETURNS

VERSATILE SHOPPING

HOME OR IN-STORE RETURNS
HOME DELIVERY
ONLINE SHOPPING
FIND ONLINE

GENERAL SHOPPING

Building customer trust

In Inditex we are aware that our customers' expectations are not founded solely on the excellence and quality of the products and integrated service that we offer them. They also demand being assured that all our practices are implemented under **the most demanding premises of efficiency, sustainability, diversity, responsibility, transparency, commitment and contribution to social well-being.**

For this reason, our innovation is also primarily focused on this element of trust, through projects with an **ongoing commitment to generate positive impacts** on the people that make up Inditex, on our supply chain, on the environment, and, in general, on all the communities and environments in which we operate.

PEOPLE

The key to ensuring that all our innovative capacity is placed at the service of the customer lies in the people that make up Inditex.

Therefore, and to ensure that people remain a **continuous source of innovation**, we concentrate our management on being **able** to reach more innovative talent, **developing** various strategies to guarantee their development and growth in the Group.

To do so, we innovate our way of attracting, training and promoting the development of our employees, concentrating each talent on the tasks that enable them to add the most value to the Company.

TALENT ATTRACTION

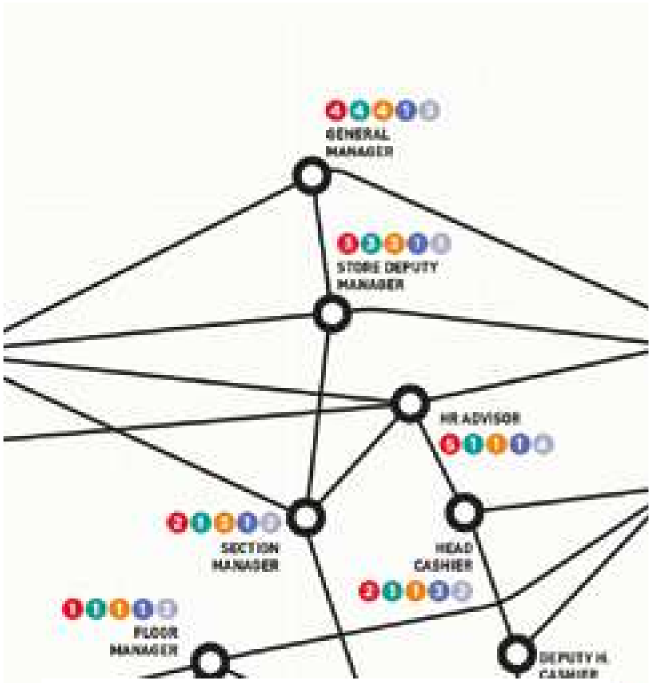
We innovate in the development of new initiatives to get to know our candidates and **to attract talent based on inclusion and diversity**. Through creative formats and initiatives, our goal is to attract the best talent and **relate to our candidates in a different and original way**.

REMUNERATION

We design remuneration systems that constantly adapt to our business goals, **aligning our people with the Company's strategic priorities**. This year, for instance, **sustainability-related goals have been included in variable remuneration**.

PROCESS AUTOMATION

We work collaboratively in the development of new **automation techniques for more repetitive processes**, which allow faster and more secure operations. They also allow our people to focus on higher value-added activities and put their talent at the service of our customers.



TRAINING AND DEVELOPMENT

Our endeavour to improve our relationship with the customer drives us to develop **new techniques and tools aimed at training and developing our people**, using gamification techniques and integrated and digital applications.

ENGAGEMENT

We work to adapt the communication of the most relevant issues to our people, through a **personal and engaging manner, offering them the opportunity to be part of a professional digital community** in which they can connect with other colleagues.

PROJECTS		GOALS
INDITEX CAREERS	New job portal fully oriented to the candidate and committed to communicating our values, our work philosophy **#morethanajob**, the **benefits we offer our employees** when forming part of the Group and some tips for preparing an interview. Our website, available in 24 languages and providing service to all the markets in which we operate, is an accurate expression of the diversity of our people.	- Greater **accessibility for candidates (WCAG International Web Accessibility Certification, with AA-level conformance)** - Greater knowledge of the work philosophy, and the ins and outs of a working day at Inditex.
DATA GO	Initiative to foster STEM talent in which, as an online challenge, the development of proposals for solutions to actual business cases is proposed. A **global, online and open opportunity** in which any candidate can demonstrate both their technical capability in Data Science and their personal skills.	- Greater **STEM talent attraction** - Group's positioning in the Tech community
LEAP&CO	**A mobile application** that makes **in-store growth opportunities visible to all our people**, fostering the autonomy of *managers* to oversee their teams' development plans, promoting transparency to ensure equal opportunities in our internal promotion, and providing a paperless means of sustainable training.	- Greater transparency regarding **in-store development opportunities** - Optimisation of development plans

More information about our people in the chapter *People, the most important part of our transformation* from page 59 of this Annual Report.

INDUSTRY

A cornerstone for ensuring the trust that customers place in us is our commitment and willingness to continuously improve the efficiency of our processes and operations, as well as people's working conditions in relation to our activity and the ecosystem in which we operate.

In this respect our objective is to optimise technology, transparency, procedures and standards, which allow us to guarantee the comprehensive and collaborative fulfilment of the exhaustive **social, environmental and product health and safety criteria** that we have developed.

Our innovative and transformational drive is not solely limited to optimising our own systems and improving supply chain control tools and methodologies. **Our unique, far-reaching approach** helps to **create and promote innovation** and transformation among our suppliers, who are encouraged to make continuous improvement efforts to comply with our rigorous standards.

In a global and changing environment, one of the greatest challenges that companies face today is to **unequivocally trace who, when, where and under what conditions** all commercialised items are manufactured. This challenge is especially complex in the textile industry, which involves the manufacture of a high number of very heterogeneous items, each of which requiring different raw materials. Their preparation may comprise many different stages, materials or processes that involve the interaction of various sectors. For this reason, we continuously strive to develop **applications, methodologies and systems** that help us to achieve that goal.

With a global supply chain, we devote extensive efforts to making each of the actors involved in our productions visible, in order to ensure that they all meet Inditex's sustainability commitments. In recent years, in Inditex we have worked to have the tools and processes to enable us to identify all suppliers and factories involved in production.

More than a decade ago we internally developed the first digital traceability management platform in which all our suppliers report on all the factories and processes involved in producing our products.

We are in the process of extending the scope of the information we gather and verify, as well as the technology and methodology used. The goal is to transition from the initial approach on the finished product, to the inclusion of all the processes involved in manufacturing, and finally reaching raw materials.

In this regard, we work on the design of **advanced mobile applications** that seek to collect, document, and evaluate accurate and appropriate information in real time, as well as on the development of technologies that make such **information available to all the players transparently and automatically** (auditors, suppliers, and sustainability and purchasing teams) through the **integration of all the systems and platforms** involved. By doing so, we work continuously with the aim of achieving more streamlined, secure, operational and digital decision-making.

Our objective is not only to participate in the innovation processes that generate improvements in our supply chain processes and facilities. Our ambition and our commitment is to make our talent and ability to innovate and transform available to people and communities and accompany them in the process. In this sense, among the various initiatives we develop, it can be highlighted our **programme to improve working conditions based on the Lean methodology**, according to a disruptive approach, in which the main focus in to prioritise the worker, and the enhacement of production processes is the driving force for improving its working conditions.

Beyond the workplace, we also develop innovative initiatives aimed at **improving the quality of life of workers**, promoting the use of mobile banking tools for the digitization of wages, and fostering and facilitating the use of digital tools for family communication, in addition to others. In an unprecedented way in the sector, we carry out **research work in social sciences** to explore workers' needs and collaborate with suppliers in programmes to improve and implement actions that meet the needs detected.

For more information on the initiatives implemented in the field of innovation to improve the quality of life of workers in the supply chain, see section *Social management of the supply chain*.

We believe that we must innovate not only in aspects directly related to our company and our business model, but from an **overall perspective focused on the development of open and shared actions** to achieve a sustainable and complete transition towards circularity in the textile sector, as a whole, including industries, processes and auxiliary services. To achieve this, we adopt an **open, proactive and collaborative approach** with other organisations, to generate a positive impact, striving for the widespread adoption of the best sustainable practices in the industry.

PROJECTS		GOALS
TRACEABILITY MANAGEMENT	We manage the full sustainability of the entire supply chain from a completely disruptive approach, **both for its broad scope** (seeking to identify and also detail the origin of the fibre with which our products are manufactured) and for its **holistic conception**, which combines the collection and verification of information related to **social, environmental and product health and safety aspects** in an integrated way. For this approach to be realised and implemented, **powerful technological tools** are being developed to enable us to collect the necessary data, facilitate its verification and transform it into structured information that is effectively integrated into the systems of all the players involved (auditors, suppliers, and sustainability and purchasing teams) through the integration of all the systems and platforms involved, allowing dynamic and effective management and evaluation.	- **More and better information for decision-making** - **Better availability of information for diverse purposes**
DIGITAL FINANCIAL EVOLUTION	Development of an advanced **electronic invoicing portal**, whose purpose is to provide greater visibility to suppliers on the situation of the products sent, increase efficiency in the management of documentation, automating and **digitalising all processes related to the management and payment of invoices, and providing financial support for suppliers**.	- Better supply chain liquidity due to the **possibility of access to financing** - **Better real-time visibility and management**

PLANET

In Inditex we are committed to promoting and leading innovation initiatives that foster environmental excellence in all its dimensions and promote circularity: minimisation of waste (zero waste), textile recycling (upcycling), prevention of pollution (toxic-free products and processes) and stopping climate change (decarbonisation and efficient use of resources).

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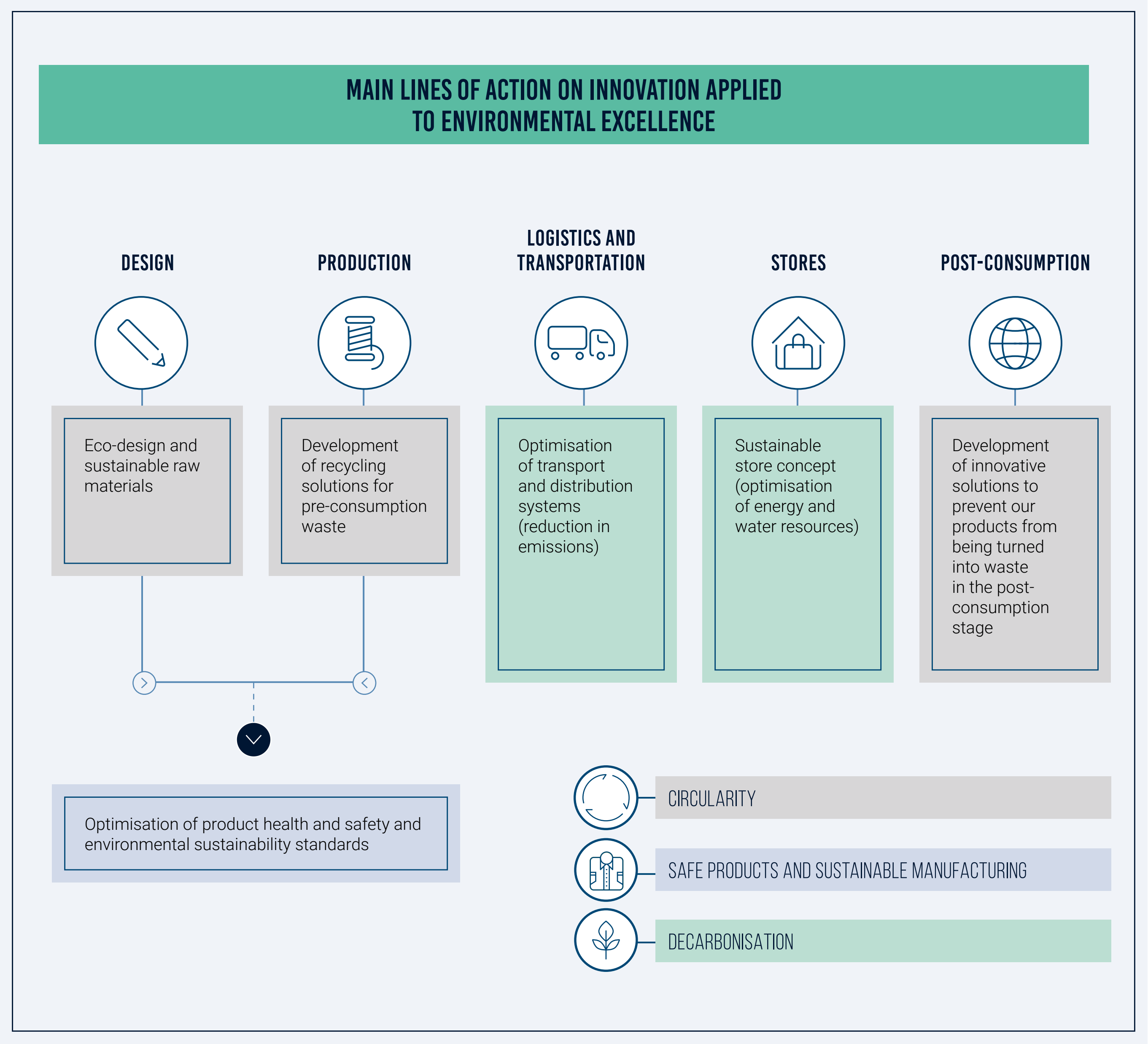


Circularity

We focus on the development of new solutions to achieve the goal of eliminating the waste we produce. We tackle this ambitious challenge from three parallel and complementary approaches.

Our goal of zero waste is not only limited to the textile field. The global transformation commitment also encompasses waste generated from packaging, transportation, as well as in our stores, logistics centres and headquarters.

More information in the Circularity section in the chapter *Global and cross-cutting sustainable approach* on page 175 of this Annual Report.

ECO-DESIGN AND SUSTAINABLE RAW MATERIALS

Innovation is present from the very first moment our products are conceptualised, with special emphasis on the search for and continuous development of new raw materials and more sustainable fibres. In this respect, we have launched the ***Sustainable Innovation Hub*** initiative which consists of an open innovation platform based on collaborative technological monitoring with the following **key strategic areas**:

/ Raw material circularity.

/ Improving availability of sustainable raw materials.

/ Raw material traceability.

/ Renewable origin.

/ Development of new technologies and more sustainable materials that minimise the needs for water, energy and use of chemical products.

This platform will allow us to select those initiatives of sufficient technological maturity to evaluate their effectiveness through pilot tests, in order to apply successful outcomes to the commercial phase and to the industry in general.

DEVELOPMENT OF SOLUTIONS FOR PRE-CONSUMPTION WASTE

Two innovative pre-consumption waste **recycling loops** have been launched:

/ Cutting waste from our factories.

/ Non-marketable second quality leftovers from our suppliers.

For the first loop, systems have been developed that allow the collection of this waste, its classification and its deconstruction into fibre for the **manufacture of new garments**. For the second, collection loops have been developed for those garments manufactured by our suppliers and which cannot be marketed because they do not meet Inditex's quality requirements. These garments are classified, by composition for example, for their later **recycling or donation**, where appropriate, giving them value and preventing their disposal in a landfill.

RESEARCH IN RECYCLING AND NEW FIBRES

We have innovated with the establishment of our **Closing the Loop programme** for the collection of garments and we collaborate with prestigious entities, such as the *Massachusetts Institute of Technology* (MIT) and Cáritas, among others, to move forward in **physical and chemical textile recycling** processes and technologies that make it possible to develop a new life for our products once they are no longer useful for our customers.

PROJECTS		GOALS
FED PROGRAMMES	We are involved in FED (*Farmer Engagement and Development) programmes with the* ***Organic Cotton Accelerator*** **(OCA) in India, making organic-cotton farming a viable and sustainable alternative for farmers, while, in turn, improving their working conditions**. Through this initiative, which has directly impacted more than 5,000 farmers and their families, we are helping to create a safe market for this collective, encouraging organic-cotton growing thanks to improved profitability and ensuring the transparency and source from the time the seeds are sown.	- **Improvement in working conditions of farmers** - **Solution to the current problem of shortage in this raw material** - **Traceability control**
GREEN TO PACK	Cross-cutting project aimed at developing new packaging and operating solutions **that optimise the use of resources, promote the use of recycled materials and allow reuse and increase the useful life of the materials we use**. In addition to improvements from the environmental point of view, better traceability and fewer packaging-related incidents have been achieved.	- **Lower resource consumption** - **Greater use of recycled materials** - **Promotion of reuse** - **Higher quality and traceability**
SINGLE HANGER	Through the design of a single hanger concept, valid for the entire process from manufacturing, transportation of textile suppliers to stores through to store display, material consumption and waste generation have been optimised. In addition, recycling techniques have been developed for subsequent reuse in the manufacture of perfume stoppers, contributing to the goal of zero waste.	- **Lower resource consumption** - **Lower generation of waste** - **Promotion of recycling and reuse**

Safe products and sustainable manufacturing

Two of our overriding priorities are: **offering our customers healthy and safe products** and toxic-free and sustainable manufacturing processes, in line with the **Zero Discharge of Hazardous Chemicals (ZDHC) commitment**. Both objectives are directly related and linked and can only be achieved through research and innovation.

To achieve this we have developed **pioneering and revolutionary research programmes**, unprecedented in the sector, aimed at a better understanding of the characteristics of both the substances that may be present in production, and of the commercial chemical products used throughout the entire manufacturing chain. These initiatives, of a marked scientific nature, openly cover all the chemicals and substances present in the processes involved in the textile industry in general, and not only in the operations of our production chain.

The knowledge generated in these programmes, together with our in-depth knowledge of the supply chain, allow us **to optimise our advanced product health and safety and environmental sustainability standards**. To ensure compliance, it is also necessary to continuously innovate in various dimensions.

More information in the Product Health and Safety section in the chapter *Global and cross-cutting sustainable approach* on page 152 of this Annual Report.

PROJECTS		GOALS
THE LIST, BY INDITEX	Revolutionary research programme carried out in partnership with the chemical industry, which is **enabling an objective and public compilation and classification of commercial chemical products used in manufacturing processes.** And not only considering the production process, but also the supply chain. Initially, this programme was approached from the perspective of determining the presence of prohibited substances in products. Its **scope has been widening** and, currently, products are being studied from a more holistic view that **includes criteria such as helping to save water, energy and materials and contributing to the final life of the products**.	- **More information on chemicals used in manufacturing processes** - **Promotion of the use of products with a more positive evaluation in terms of safety and sustainability** - **Promotion of innovation in the chemical sector**

OPTIMISATION OF PRODUCT HEALTH AND SAFETY AND ENVIRONMENTAL SUSTAINABILITY STANDARDS

PARTNERSHIPS FOR COLLABORATIVE INDUSTRIAL RESEARCH WITH LEADING COMPANIES

We have begun to develop benchmark industrial partnerships in the sector geared towards innovation and R&D in new chemical substances and products and alternative and more sustainable manufacturing technologies and processes (*Sustainable Chemistries and Sustainable Manufacturing Technologies*).

See Case Study on Industrial Detergent.

ACCOMPANYING OUR SUPPLIERS

IN THE INNOVATION NECESSARY FOR THEIR SUSTAINABLE TRANSFORMATION

Here we apply our in-depth knowledge of the production processes and results of our R&D activities for the generation of **Good Practice Manuals** that we make available to the sector.

We have also launched a technology transfer programme (TMTA, *Tailormade Technical Assistance*) in which we design tailor-made solutions to foster the innovation of our suppliers and accompany them in the transformation of their processes.

In parallel, we work on the continuous development of **new faster and more efficient analytical chemistry techniques, adapted to the enormous complexity and heterogeneity** of the huge number of samples that we have to analyse, as well as the development of new kits and mobile miniaturised devices that allow quick analysis in situ, guaranteeing the health and safety of the products and enabling early and effective decision-making.

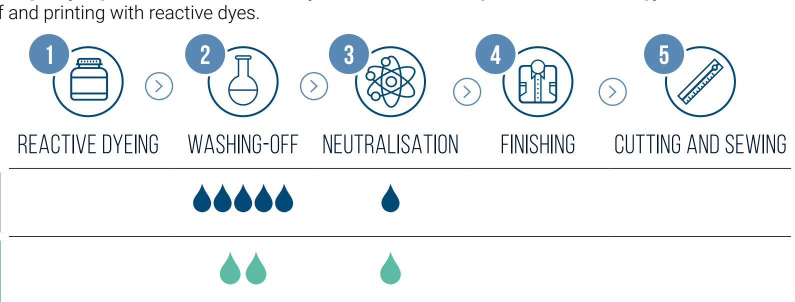
We also develop disruptive systems for the statistical analysis of data and results for continuous improvement of control programmes and for the design of tools that make it possible to predict risks and act before they occur. We use all the knowledge generated to design and propose alternatives and new production systems in order to guarantee our consumers that our products are completely safe and have been manufactured in an environment free of the presence and spillage of dangerous substances.

CASE STUDY

Reduction in water consumption due to use of new detergent in industrial washing.

/ As a result of the innovative industrial collaboration in partnership with BASF, one of the chemical industry worldwide frontrunners, we have identified and corroborated the huge positive potential of **a new detergency ingredient that substantially lowers the consumption of water, energy, and manufacturing time** in the processes of dye washing-off and printing with reactive dyes.

/ The use of ingredients included in the formulation of household detergents in the first reactive wash-off results in a **saving of up to four industrial wash-off baths (*)**:



CONVENTIONAL REACTIVE DYEING PROCESS

SUSTAINABLE DYEING PROCESS BY EXHAUSTION WITH REACTIVES

IMPROVEMENTS

/ 25-40% water consumption
/ 40-60% CO_2 emissions
/ (0.5%)-10% production cost
/ Microfibre released

SAVINGS

/ Durability
/ 25-40% productivity

POTENTIAL WATER-SAVING PER YEAR

+3,500 LITRES

(*) Improvement limited to consumption of the washing process: stages 2 and 3 of the infographic. Each drop represents a washing cycle.

Decarbonisation

In addition to the innovative approach to textile production systems, we apply innovative solutions to ensure that all the complex operations that make our items available to our customers are carried out under the premises **of efficient use of resources and decarbonisation**.

In order to reduce emissions from transport processes, we **actively collaborate with other organisations** for the design and development of innovative multimodal containers, adapted to our business model. Some of these designs have been patented.

We are also continuously working on new approaches aimed at optimising and **improving our sustainable store concept**, with a comprehensive holistic approach. In Inditex we are pioneers in the development of energy consumption management and control systems for our stores, through the development of tools that allow us to monitor and know in real time and centrally the energy consumption data of all our stores. These systems enable immediate and centralised energy management and the possibility of taking remote immediate actions with no need for visits or physical intervention.

More information in the Decarbonisation section in the chapter *Global and cross-cutting sustainable approach* on page 160 of this Annual Report.

PROJECTS		GOALS
MANAGEMENT OF ENERGY CONSUMPTION	For the continuous monitoring in real time of the energy consumption of the stores, an **Energy Control Centre** is being set up set up to collect **information on electrical consumption in stores** (interior and façade lighting, store windows, air and dynamic marketing screens) and **to allow remote management of switch on and off times**. It also makes it possible to receive alerts and manage certain incidents remotely. This centre monitors savings in consumption and costs, enabling better decision-making that results in better management of energy consumption.	- **Remote and real-time consumption management. Management centralisation** - **Optimisation of energy consumption**

COMMUNITIES

For the implementation of our investment programme in the community, we establish social innovation criteria in selecting the initiatives that we finance, prioritising new approaches and different ways of addressing and resolving social needs. The projects we support must be more sustainable and effective than any carried out to date.

In turn, we apply an innovative approach to the design of our social programmes investment model, **prioritising and selecting the most disruptive initiatives** that contribute to the overall improvement of well-being in the communities where we are present. In this respect, we invest in research projects on new diseases, development of new health care protocols, improvement in the provision of water and sanitation in developing countries, and research projects in the field of education and the social economy.

We also develop methodologies, systems and metrics that allow us to analyse and quantify the positive effects produced in the beneficiaries of the projects implemented, both in terms of depth and type of impact.

More information in the chapter *Working for the Community* on page 221 of this Annual Report.

PROJECTS		GOALS
FOR&FROM	Programme for the **socio-labour integration of people with disabilities** by creating a network of stores managed by non-profit associations with expertise working with the disabled. Following an initial donation from Inditex to get the store up and running, the for&from Programme **becomes self-sufficient by selling prior-season products at reduced prices.**	- **Quality employment for disabled people** - **Financial autonomy of the initiative**
WATER.ORG	Collaboration with Water.org to develop new solutions that facilitate **access to drinking water and sanitation for people with limited resources** through two complementary channels: through the empowerment of an innovative system of provision of microcredit to low-income women in developing countries and by establishing a pool of funds for research and development of new methods to combat the water crisis.	- **Improved health conditions for over a million people in Bangladesh, Cambodia and India**
EVERY MOTHER COUNTS	Project designed to help curb the number of deaths of women and children from pregnancy-related causes that could be avoided by developing adequate preventive programmes. The project consists of developing **new initiatives aimed at raising awareness and also developing new health care protocols** to help drastically reduce this problem.	- **Improved health conditions for pregnant women in Bangladesh and the United States**

A relationship based on trust

Response to our customers

In Inditex we believe that a successful shopping experience does not end at the time of sale. For this reason, we seek a fluid relationship, based on trust, with our customers. With this objective in mind, we train our teams in product knowledge, store processes, customer orientation, respect for diversity and inclusion.

The profiles of our brands on social media are one of the channels where there is greater interaction with customers. Through them, our brand teams communicate the news, the campaigns or the editorials that reflect new trends present in our collections. In 2019, these profiles have continued to add followers, reaching over 175 million (22% more than at the end of the previous year).

Through these channels, along with the requests via phone, email, the chat for each brand or WhatsApp, Inditex received more than 30 million customer contacts from around the world. Our teams achieved a service level of 95% of them.

RESPONSE TO OUR CUSTOMERS IN 2019

	NUMBER CONTACTS	SERVICE LEVEL	NUMBER SERVICES FULFILLED
ZARA	21,559,476	97%	20,912,691
PULL & BEAR	1,820,713	86%	1,565,813
MASSIMO DUTTI	2,010,181	93%	1,869,468
BERSHKA	1,161,875	92%	1,068,925
STRADIVARIUS	1,212,346	71%	860,766
OYSHO	889,846	99%	881,214
ZARA HOME	1,368,310	93%	1,278,275
UTERQÜE	90,635	85%	76,904
TOTAL	**30,100,931**	**95%**	**28,514,056**

MAIN SOCIAL MEDIA SITES OF OUR CHAINS BY NUMBER OF FOLLOWERS

	INSTAGRAM	FACEBOOK	TWITTER	WEITAO	WECHAT	OTHERS	TOTAL
ZARA	38,800,000	27,900,000	1,415,201	19,830,000	2,700,000	5,666,729	**96,311,930**
PULL & BEAR	6,700,000	7,100,000	375,408	-	297,354	330,502	**14,803,264**
MASSIMO DUTTI	2,325,663	4,252,307	80,636	3,860,000	256,003	317,740	**11,092,349**
BERSHKA	8,600,000	11,500,000	451,000	-	334,000	2,621,311	**23,506,311**
OYSHO	2,123,383	3,345,481	116,558	3,549,128	133,605	215,106	**9,483,261**
STRADIVARIUS	6,700,000	5,900,000	247,000	-	806	159,339	**13,007,145**
ZARA HOME	5,493,468	2,444,817	83,291	168,000	102,736	205,483	**8,497,795**
UTERQÜE	623,000	322,400	19,100	170,000	16,300	24,950	**1,175,750**
TOTAL	**71,365,514**	**62,765,005**	**2,788,194**	**27,577,128**	**3,840,804**	**9,541,160**	**177,877,805**

Information security, data protection and privacy

Technology helps ensure that a unique relationship is established with the brands and that customers have at their disposal sales channels that allow them to interact with said channels and meet their needs at any time. This shopping experience must guarantee the highest standards of protection regardless of the channel.

To achieve these objectives, the Company assigns the highest priority to the protection of the information and the availability of all processes that support these channels.

This commitment was renewed with the approval by the Board of Directors of the update of the Information Security Policy at its meeting on 10 December 2019. This Policy establishes the principles and guidelines with which Inditex will protect information in accordance with applicable regulations and with its ethical values, as well as with the provisions of the Regulations of the Information Security Committee, which were also updated during 2019.

Aware of the importance of continuing with a process of continuous improvement of the Information Security management model, the Group continues to make investments to have technologies and controls in place to achieve these objectives through the work carried out by the Department of Information Security with the supervision of the Information Security Committee.

In addition to continuing with projects begun in previous years to protect the face-to-face sales channel, including the deployment of specific equipment in stores, control programmes and procedures, it has also strengthened initiatives to protect and test the resilience of the online sales channels, as well as the rest of the processes supporting these channels. As a new development, during 2019 a private rewards programme was launched to identify possible improvements in our online channels.

As a guarantee of this commitment, we have renewed the ISO 27001 certificate, the international information security management standard, and the accreditation on the security of the PCI DSS means of payment (*Payment Card Industry – Data Security Standard*), in addition to carrying out various internal and external controls and audits.

We are also focused on our customers from a data protection and privacy point of view. Privacy is one of Inditex's main values. We encourage the innovation, participation and creativity of our employees, based on compliance with data protection and privacy regulations.

In this way, all projects that arise with the aim of improving the customer's shopping experience and that involve the processing of personal data are created with privacy incorporated in their design and by default, so that the personal data of our customers and employees are protected in accordance with applicable regulations and the internal standards adopted by Inditex.

In this regard, in June 2019, the Board of Directors approved the Compliance Policy on Personal Data Protection and Privacy, which establishes the principles and commitments that the company applies to (i) ensure compliance with data protection and privacy regulations in all jurisdictions where it operates and (ii) guarantee the rights and freedoms of all stakeholders (customers, users, employees, etc.).

Likewise, we continue to work on promoting transparency and information on the use of our customers' personal data, aligning our policies and procedures on privacy and data protection with the requirements and rights set forth in the EU General Data Protection Regulation (GDPR).

We continuously improve our information security and data protection and privacy management model, through the work of the Information Security and Data Protection and Privacy Departments, as well as with the supervision of the Security Committee and the Group's Global Data Protection Officer (DPO).

TAX TRANSPARENCY

In 2019, our tax contribution totalled 6.749 billion euros. Direct taxes accounted for 3.04 billion euros of this sum, and taxes collected on behalf of third parties amounted to 3.709 billion euros. Our tax reporting is transparent, in line with the OECD Guidelines for Multinational Enterprises, with a breakdown of our contributions at all stages of the value chain, explicitly rejecting opaque practices and companies.

SDG	Goals	Contribution of Inditex
9	9.2	We are strongly committed to contributing to economic, social and industrial development across all areas of our value chain. This is in line with our philosophy of creating value and being a positive agent of social change in the countries in which we operate. In this sense, the taxes we pay are a fundamental aspect of our social and economic contribution.

More information on pages 328 and 329 of this Annual Report.

01/ Commitment to transparency

At Inditex, the good tax practice principles we adhere to are an extension of our commitment to sustainability and corporate social responsibility. One of Inditex's fundamental principles is, therefore, strict compliance with our tax obligations in all of the markets in which we operate. It is intrinsic to our values, and our philosophy of creating value and being a positive agent of social change in the countries in which we operate.

Meeting our obligations as taxpayers, for both companies and individuals, boosts the economic and social development of all communities. It means infrastructures and public services can be developed, helping individuals to grow personally and, as a consequence, society as a whole.

In the 2019 financial year, by fulfilling our tax obligations, Inditex made tax contributions of 6.749 billion euros; 3.04 billion in direct taxes, and 3.709 billion in taxes collected on behalf of third parties.

Across all the markets we operate in, our relationship with the tax authorities is governed by principles of good faith and mutual collaboration and trust; and we give priority to applying the interpretive criteria contained in the local tax regulations set by each territory's authorities and courts.

In Spain, Inditex endorses the Code of Good Tax Practices approved by the Large Companies Forum, adhering to its recommendations and adopted proposals. This organisation, which Inditex is a member of, aims to promote collaboration between large companies and the state tax authority.

Information on the measures Inditex has taken to prevent money laundering and the funding of terrorism can be found in the section on *Robust Compliance Architecture* in this Annual Report.

In the 2019 financial year, the total tax contribution made by Inditex was 6.749 billion euros; 3.04 billion euros in direct taxes, and 3.709 billion euros in taxes collected.

02/ Tax contribution

Inditex's total tax contribution of 6.749 billion euros in 2019 can be broken down into direct taxes paid, and taxes collected on behalf of third parties in each of the territories and countries where the company operates. The *Total Tax Contribution* framework developed by PwC has been used to standardise tax information and terms across the territories. Under this framework taxes are divided into five categories, or bases:

- **Profit taxes.** These include taxes on companies' profits such as corporate income tax and trade tax, as well as taxes collected as withholdings on payments to third parties.
- **Property taxes.** These are taxes on the ownership, sale, transfer or occupation of property.
- **People taxes.** These are taxes on employment, both borne and collected. This includes employee income tax deducted at source and social security payments made by the employee or the company.
- **Product taxes.** These take into account indirect taxes on the production and consumption of goods and services, including VAT and customs duties.
- **Planet taxes.** Taxes on the supply, use or consumption of goods and services that have an impact on the environment.

TAX CONTRIBUTIONS 2019 (MILLION EUROS)

DIRECT TAXES		TAXES COLLECTED	
Profit taxes	1,203	Profit taxes	144
Property taxes	112	Property taxes	13
People taxes	794	People taxes	749
Product taxes	921	Product taxes	2,802
Planet taxes	10	Planet taxes	1
TOTAL	3,040	TOTAL	3,709
TOTAL TAX CONTRIBUTION			6,749

02.01/ Tax contribution by geographic area

Inditex pays taxes on the profits earned across all the markets it operates in, all with different tax requirements. Given the complexity of this regulatory environment, it is of paramount importance to Inditex that its tax management is carried out according to best practice in each territory. The Inditex Tax Policy, approved by the Group's Board of Directors in 2015, establishes responsible conduct in all tax matters. The principles adopted follow those set out in the 2011 OECD Guidelines for Multinational Enterprises.

Spain, which accounts for 15.7% of Inditex's global sales, is the Group's main territory for direct taxes, as both the base for its main activities associated with the product and the location of its headquarters. In 2019 Inditex paid 1.874 billion euros in taxes in Spain, representing 27.7% of the worldwide total. The company's effective tax rate in 2019 for corporate income tax in Spain was 22%, the same as its global effective tax rate.

The Company applies the international arm's length principle to its tax practices, in line with the OECD Transfer Pricing Guidelines and the tax law of the markets involved in the corresponding transactions. It is also company policy to expressly reject opaque company structures involving shell companies in tax havens. In the 2019 financial year, Inditex Group companies located in territories or countries considered tax havens by the Spanish relate to sales generated in a store located in Monaco and premises in Macao SAR (Special Administrative Region).

	SALE OF GOODS AND PROVISION OF SERVICES (THOUSAND EUROS)	NUMBER OF STORES
Macao SAR	16,032	9
Monaco	6,710	1
TOTAL	**22,742**	**10**

TAX CONTRIBUTION BY GEOGRAPHICAL AREA IN 2019 (IN MILLIONS OF EUROS)

DIRECT TAXES	TAXES COLLECTED
3,040	3,709

TOTAL TAX CONTRIBUTION

6,749

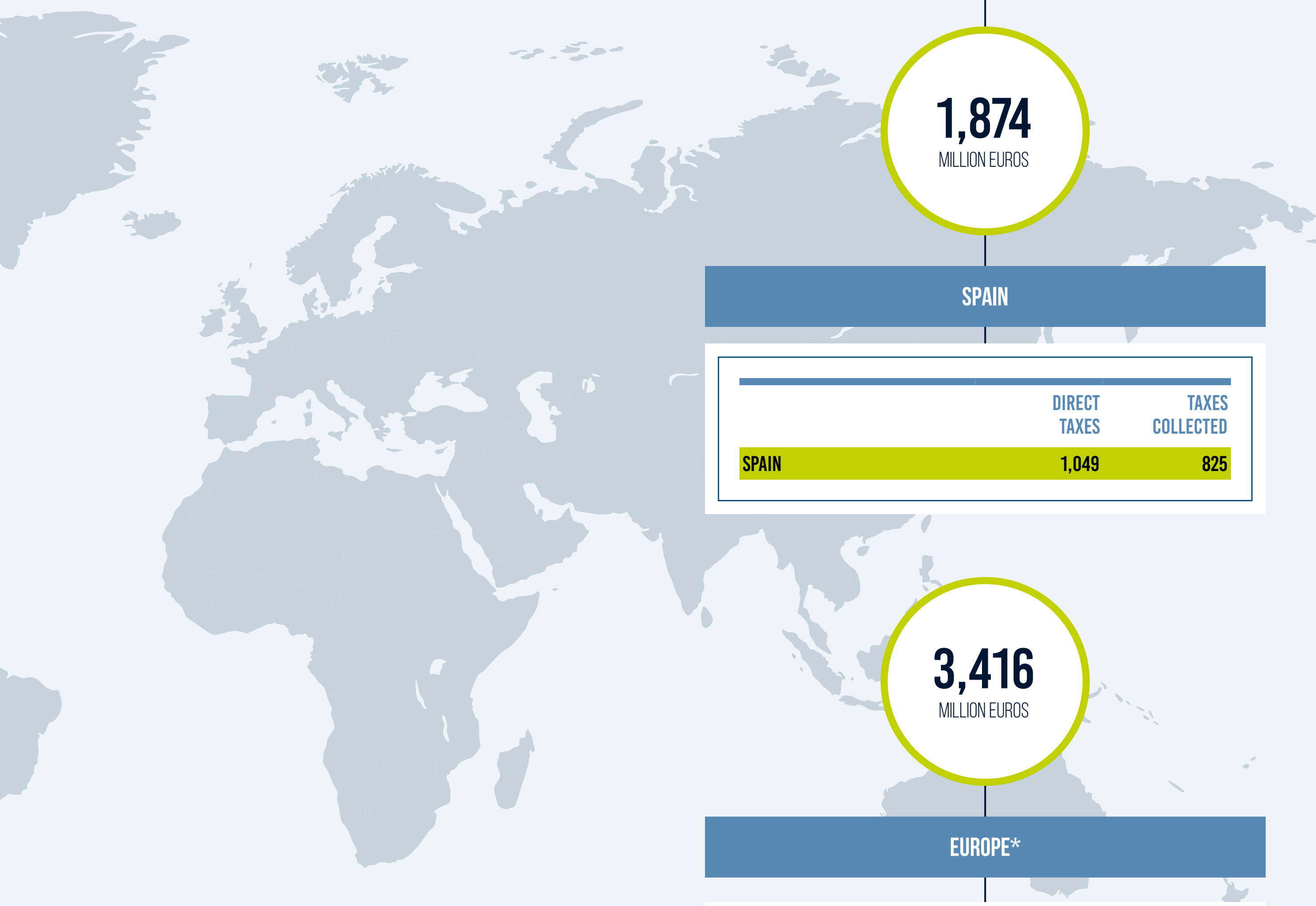
MILLION EUROS

943

MILLION EUROS

AMERICAS

	DIRECT TAXES	TAXES COLLECTED
Brazil	108	84
Canada	53	35
Mexico	194	52
Others	55	20
United States	213	129
AMERICAS	**623**	**320**



1,874
MILLION EUROS

SPAIN

	DIRECT TAXES	TAXES COLLECTED
SPAIN	**1,049**	**825**

3,416
MILLION EUROS

EUROPE*

	DIRECT TAXES	TAXES COLLECTED
Belgium	18	99
France	190	347
Germany	32	228
Greece	31	135
Hungary	4	35
Italy	75	384
Kazakhstan	14	4
Poland	22	111
Portugal	29	203
Romania	10	78
Russia	109	191
Switzerland	94	17
The Netherlands	166	85
Ukraine	18	15
United Kingdom	65	132
Others	160	315
EUROPE (*)	**1,037**	**2,379**

(*) Does not include Spain

516
MILLION EUROS

ASIA AND REST OF THE WORLD

	DIRECT TAXES	TAXES COLLECTED
Australia	12	25
China	138	96
Japan	66	34
Others	83	18
South Korea	32	12
ASIA AND REST OF THE WORLD	**331**	**185**

02.02/ Tax contribution throughout the value chain

The Inditex business model encompasses all stages of the value chain, including those prior to the product arriving in store: design, purchasing, manufacturing, quality control and logistics; as well as the activities that fall under the business of selling fashion garments in physical stores or online: architecture, exterior and interior design, marketing and sales.

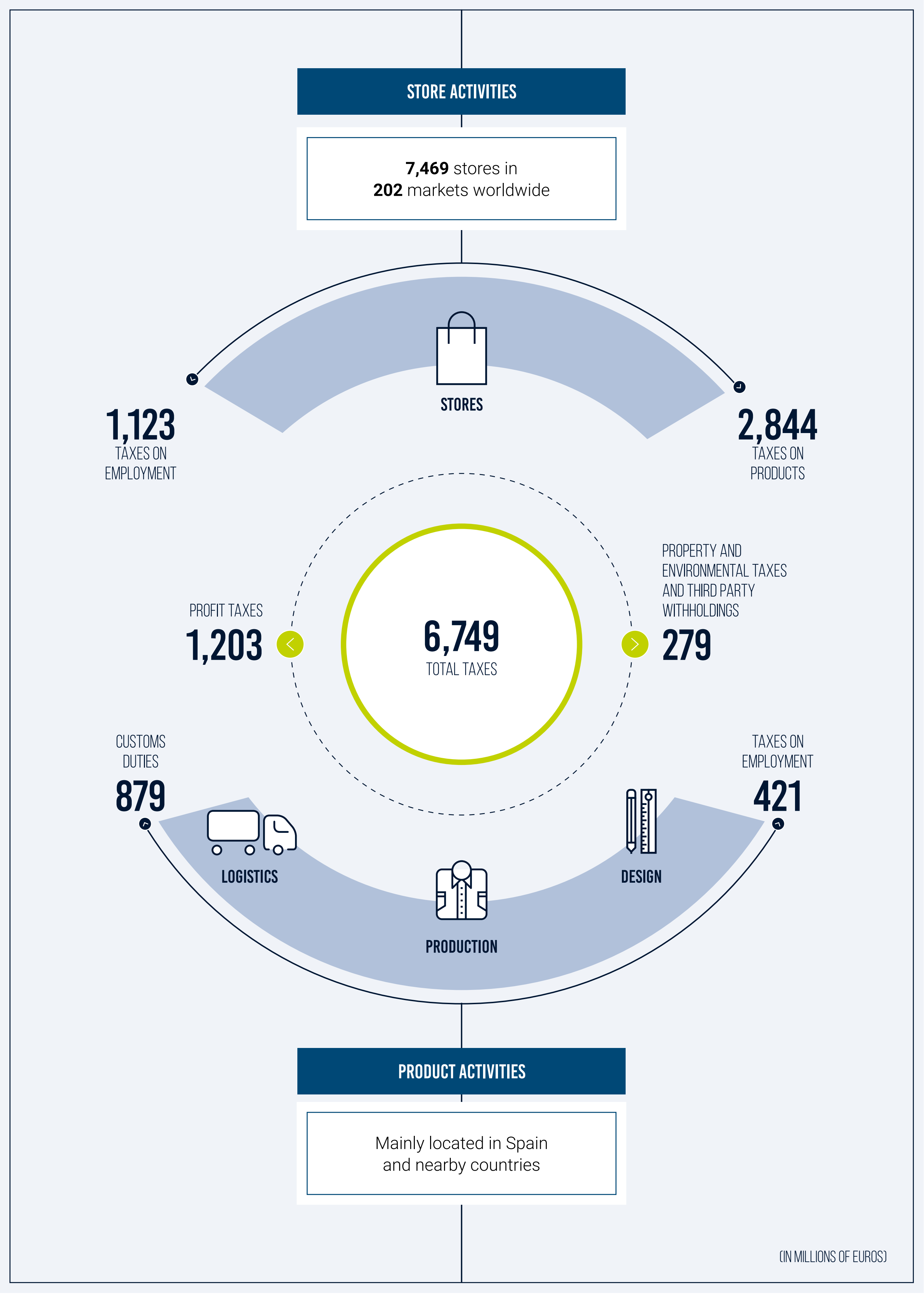
In 2019 these activities combined generated more than 1.203 billion euros in profit taxes globally, representing 17.9% of its total tax contribution. A particularly significant proportion of Inditex's total tax contribution was paid in Spain, where the Group headquarters are located and where design, production and logistics activities are mainly concentrated.

In 2019 the integrated management of Inditex stores (physical and online) generated 2.844 billion euros in product taxes (VAT and equivalent), representing 42.1% of Inditex's total tax contribution. These commercial activities also generated 1.123 billion euros in taxes on employment (16.7% of the total) including personal income tax and social security contributions.

Activities prior to the product's arrival in-store, from design, purchasing, manufacturing and quality control, to logistics, generated 421 million euros in employment-related taxes, representing 6.2% of the Group's overall contribution for the financial year. These activities involve a high degree of innovation. They are mainly located in Spain, providing the flexibility needed to continuously adapt collections to the demands of consumer fashions.

Importing items into markets where we have stores generated 879 million euros in customs duties, representing 13% of our total tax contribution.

Similarly, all Group activities, including both commercial and pre-sale production activities, are subject to environmental and property taxes and other third party withholdings, which increased to 279 million euros in the 2019 financial year.


STORE ACTIVITIES
7,469 stores in
202 markets worldwide
STORES
1,123
TAXES ON EMPLOYMENT
2,844
TAXES ON PRODUCTS
PROFIT TAXES
1,203
6,749
TOTAL TAXES
PROPERTY AND ENVIRONMENTAL TAXES AND THIRD PARTY WITHHOLDINGS
279
CUSTOMS DUTIES
879
TAXES ON EMPLOYMENT
421
LOGISTICS
DESIGN
PRODUCTION
PRODUCT ACTIVITIES
Mainly located in Spain
and nearby countries
(IN MILLIONS OF EUROS)

WORKING FOR THE COMMUNITY

We understand Corporate Community Investment as an opportunity to contribute to the United Nations 2030 Agenda for Sustainable Development through the application of our business resources, both monetary and in-kind, and the time of the employees that make up our staff.

SDGs	Goals	Contribution of Inditex
3	3.4 3.8	We run a range of programmes focused on community health and wellbeing. We collaborate with benchmark entities such as MSF, the Red Cross and Medicus Mundi on the provision of medical assistance in emergency situations as well as regular health and wellbeing programmes.
4	4.4 4.5	Education is one of the three core lines of initiative of our Corporate Community Investment strategy. The aim of our efforts in this arena is to create opportunities by offering quality education so as to enable decent standards of living, foster social justice and facilitate personal growth.
5	5.1	Gender equality and the empowerment of women and girls are also key objectives of our community development work. Here it is worth highlighting our work alongside entities such as Every Mother Counts, Water.org and MSF, among others.
8	8.5 8.6 8.8	We are engaged in a range of initiatives designed to foster jobs for vulnerable individuals in order to facilitate their integration and champion sustainable development in our business communities. We collaborate with non-profits and social enterprises whose mission is to build a more diverse and inclusive society.
10	10.2	We run a host of initiatives designed to promote integration into society and reduce inequality. That effort includes in-kind contributions by Inditex to people in need, channelled through renowned international charities.
12	12.2	At Inditex our effort to encourage responsible production and consumption extends to initiatives related with community wellbeing. More specifically, we run social economy projects that breathe new life into clothing and footwear through a second use or recycling.
17	17.6 17.7	Our collaboration and alliances with a number of entities are essential to carrying out our Corporate Community Investment Programme. In 2019, we collaborated closely with more than 400 community organizations to tackle shared projects that they spearhead on the ground, working together to further society's development. Thanks to that network of collaboration, we carried out 670 community initiatives last year.

More information on pages 328 and 329 of this Annual Report.

Corporate Community Investment

Our Corporate Community Investment (CCI) Programme encompasses initiatives that respond to the commitment to contribute to the development of society, especially in those geographical areas in which we carry out our activity. In this regard, we understand CCI as an opportunity to contribute to the United Nations 2030 Agenda for Sustainable Development through the application of our business resources, both monetary and in-kind, and the time of employees that make up our staff.

Our Corporate Citizenship Policy establishes our group-wide strategy in place regarding social programmes. This strategy is articulated from specific projects focused on the following three priority issues:

- **Humanitarian assistance,** relief actions aimed at protecting the life, health and well-being of people in emergency situations caused by natural catastrophes or similar situations;

- **Employment,** initiatives that promote the employment and entrepreneurship of vulnerable groups, favouring the labour integration of people in a situation or at risk of social exclusion; and

- **Education,** actions aimed at providing opportunities through quality education that enables a decent life and promotes social justice and personal growth for young people.

Our Corporate Community Investment exceeded 49 million euros in 2019. We used them to develop 670 community projects that have benefited more than 2.4 million people and that have especially impacted the SDGs most related to our activity.

These priority issues materialised in 2019 in the development of specific community activities, including:

- The launch of new projects related to academia and sustainability, such as the MIT-Spain Inditex Sustainability Seed fund and the Inditex Materials Science and Engineering Fellowship Fund Chair in collaboration with the Massachusetts Institute of Technology; the Sustainable Development Fund programme in collaboration with Tsinghua University and the renewal of the Inditex Chair for Refugees and Forced Migrants in collaboration with the Universidad Pontificia de Comillas.

- The promotion of new initiatives aligned with our business, such as the Moda Re circularity programme, in collaboration with Cáritas, and the launch of the first international store of the integration programme for people with disabilities for&from in Como (Italia), in collaboration with Fondazione Cometa.

- Strengthening regular collaborations in terms of development cooperation and humanitarian aid, through organisations such as Water.org, Entreculturas or Médecins Sans Frontières.

- The establishment of extraordinary emergency programmes such as the one developed in collaboration with the Red Cross as a result of bushfires in Australia.

In 2019, we carried out 670 community projects that have directly benefited more than 2.4 million people. Our annual CCI exceeded 49 million euros and focused on the sustainable development goals most related to our activity.

Likewise, in 2019, we set ourselves the target of helping six million people in the next four years through our CCI Programme.

In this chapter, we outline the most relevant CCI projects developed during the year, reporting outputs and impacts in 2019. These projects are subject to an exhaustive process of monitoring and recurring accountability, according to specific objectives previously defined for each of the programmes according to various key performance indicators.

According to the LBG methodology, we structure our voluntary engagement in the community, quantify them and measure their impact on society, both from a depth and impact type perspective.

In terms of the depth of the impacts, the effects our projects have on beneficiaries are broken down into the following three-point scale identifying three distinct levels of change that a beneficiary might experience. Numbers recorded under each of the depth of impact headings are mutually exclusive:

- **Connection:** The number of people reached by an activity who have reported some limited change as a result of an activity.

- **Improvement:** The number of people who have experienced a substantial improvement in their lives as a result of the project.

- **Transformation:** The number of people who have reported an enduring change in their circumstances, or for whom a change has been observed, as a result of the improvements made.

With regards to the type of impact, the changes experienced by beneficiaries are broken down into the following three categories. In this case, the same beneficiary can experience more than one type of impact:

- **Behaviour or attitude change:**the activity has helped generate behavioural changes that improve the life of the people. Likewise, the activity has enabled a change in negative attitudes or prejudices, allowing people to make better decisions.

- **Skills or personal effectiveness:** the activity has helped to develop new skills or improve existing skills, enabling them to develop academically, in the workplace or socially.

- **Quality-of-life or well-being:** the activity has helped people to be healthier, happier or more comfortable, through improved emotional, social or physical wellbeing.

Corporate Community Investment 2019(*)

99%

Impact on community organisations (****)

99% improved existing / delivered new services,
92% taken on more staff or volunteers,
93% increased their profile,
96% improved management processes,
81% reached more people or spent more time with clients

54%

Impact on people (type of impact) (***)

16% behaviour or attitude change
3 % skills or personal effectiveness
54% quality-of-life or well-being

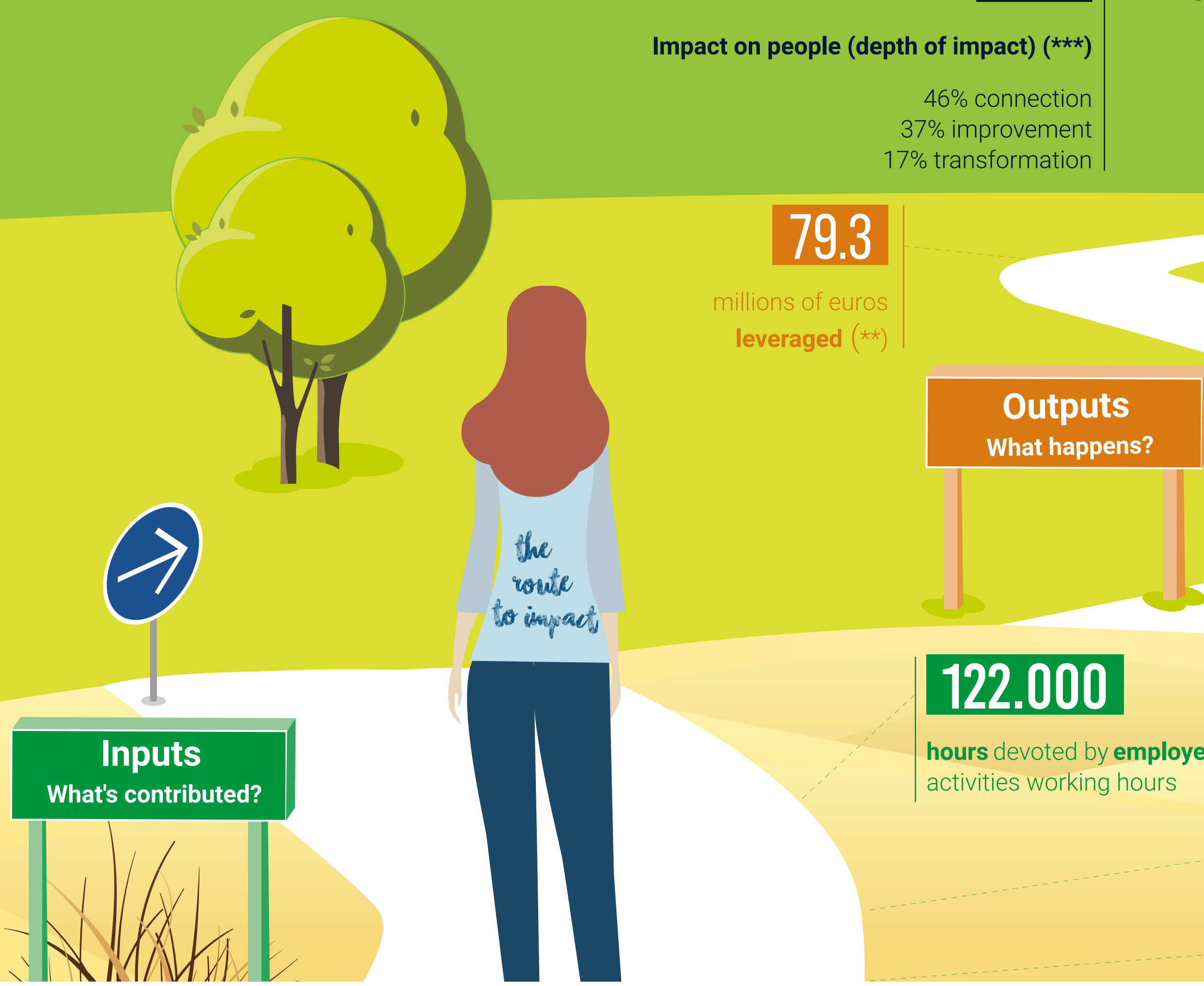
17%

Impact on people (depth of impact) (***)

46% connection
37% improvement
17% transformation

79.3

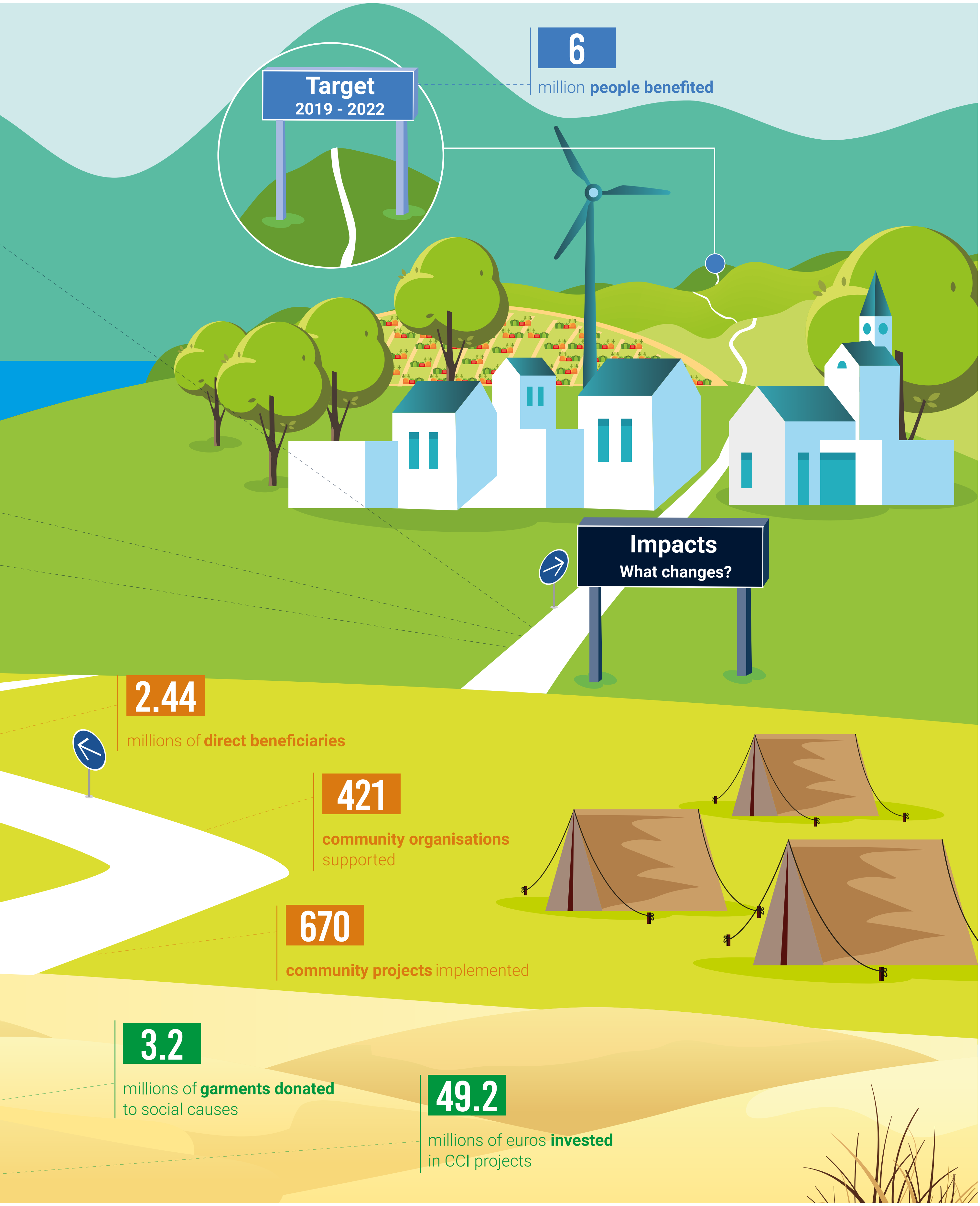
millions of euros **leveraged** (**)



122.000

hours devoted by **employees** to CCI activities working hours

(*) Data calculated in accordance with LBG methodology based on voluntary expenditure by Inditex on Corporate Community Investment projects during the FY2019. The exchange rate valid on 31 January 2020 was used to convert contributions into euros. (**) The measure of any additional resources contributed to a community organisation or activity that come from sources other than the Company -employees, suppliers and customers, among others-. (***) Of the total 2,441,300 direct beneficiaries, the impact assessment was carried out on 2,406,380 direct beneficiaries. (****) Assessment carried out on 207 community organisations supported by Inditex, on 72 long-term strategic projects.


Target
2019 - 2022
6
million people benefited
Impacts
What changes?
2.44
millions of direct beneficiaries
421
community organisations supported
670
community projects implemented
3.2
millions of garments donated to social causes
49.2
millions of euros invested in CCI projects

Corporate Community Investment 2019

8%

Increase in the number of CCI projects developed
In 2019, 670 community projects have been developed, which represents an increase of 8% compared to the previous year.

INCREASING THE SCOPE

INCREASE IN THE NUMBER OF DIRECT BENEFICIARIES

1% people **2% Community organisations**

In 2019, CCI projects have directly benefited 1% more people compared to the previous year, directly reaching more than 2.4 million beneficiaries. Likewise, the number of beneficiary community organisations has increased to 421, 2% more than the previous year.

59%

increase in additional funds raised or contributions levered from other sources.

INCREASING LEVERAGE

MAXIMISING EFFECTIVENESS IN UNLOCKING ADDITIONAL RESOURCES FOR COMMUNITY

In 2019, the additional resources leveraged by our community activities as a result of the contributions made from sources other than the Company — employees, customers, suppliers, etc.— amounted to 79.3 million euros, which represents a 59% increase on the previous year.

Most of leverage generated in 2019 refers to the Water.org Programme -through the additional capital mobilized by microfinance entities- and Moda Re- circularity programme -through the value of clothing collected in containers installed in Spain-.

Outputs
What happens?

7%

Increase in Corporate Community Investment (CCI).
We have steadily increased our CCI. In 2019, it reached 49.2 million euros, 7% more than the previous year and 40% more than five years before.

SUSTAINED INCREASE IN INVESTMENT

COLLABORATION BEYOND CASH CONTRIBUTION

4% increase time contributions by employees

Beyond cash contributions — which are up 10% from the previous year — we have boosted the time contributions of employees during working hours, which have grown 4% from the previous year and 145% from five years ago.

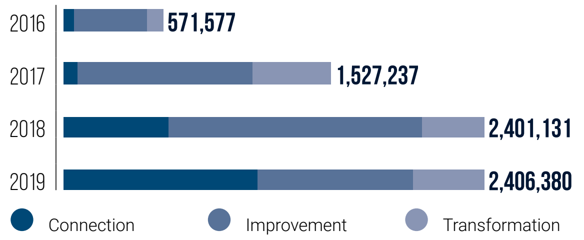
Inputs
What's contributed?

99%

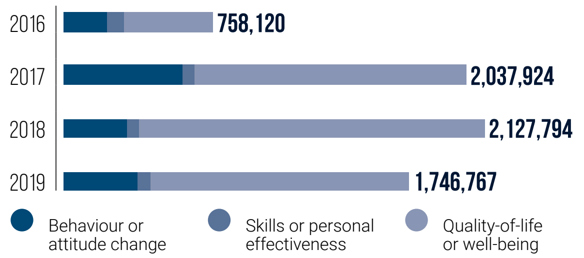
direct beneficiaries included within the impact assessment. The scope of the impact evaluation has been increased, reaching 2,406,380 people — 99% of the total number of beneficiaries — compared to 2,401,097 people in the previous year.

MAKING GREATER IMPACT

DEPTH OF IMPACT



TYPES OF IMPACT



Impacts

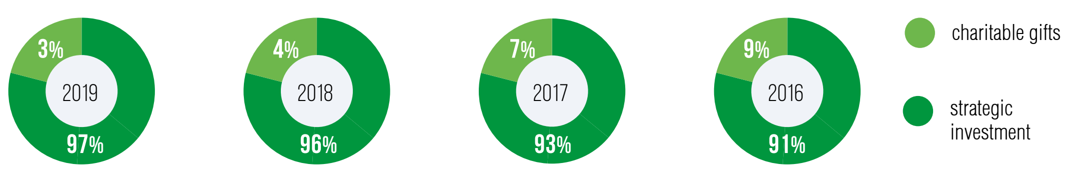
What changes?

97%

contributions driven by strategic investment. By adopting a more strategic approach to giving, we maximise the effectiveness and amplify the impact of our social programmes.

MAXIMISING THE EFFECTIVENESS OF CONTRIBUTIONS

FOCUS ON STRATEGIC COMMUNITY PROJECTS



For yet another year, investment in long-term strategic projects for specific activities (community investment and commercial initiatives in the community) increased, in comparison to charitable gifts in response to short-term or one-off events.

86%

of the investment targeted towards 6 SDGs linked to our activity.

93%

of the investment executed in strategic geographical areas.

ALIGNMENT WITH SDG'S AND COMPANY'S BUSINESS DRIVERS

WE FOCUS OUR INVESTMENT TO INCREASE IMPACT

Issue addressed:

86% of the investment is focused on community activities that have had SDGs 3, 4, 5, 8, 10 and 12 as their main objective.

78% of community investment aimed at strengthening the priority issues defined in the Corporate Citizenship Policy — education, social welfare and humanitarian aid.

Location of activity:

Inditex has targeted 93% of its community investment to projects carried out in strategic geographical areas, in terms of supplier cluster locations — 58% — and store localisation markets — 87%.

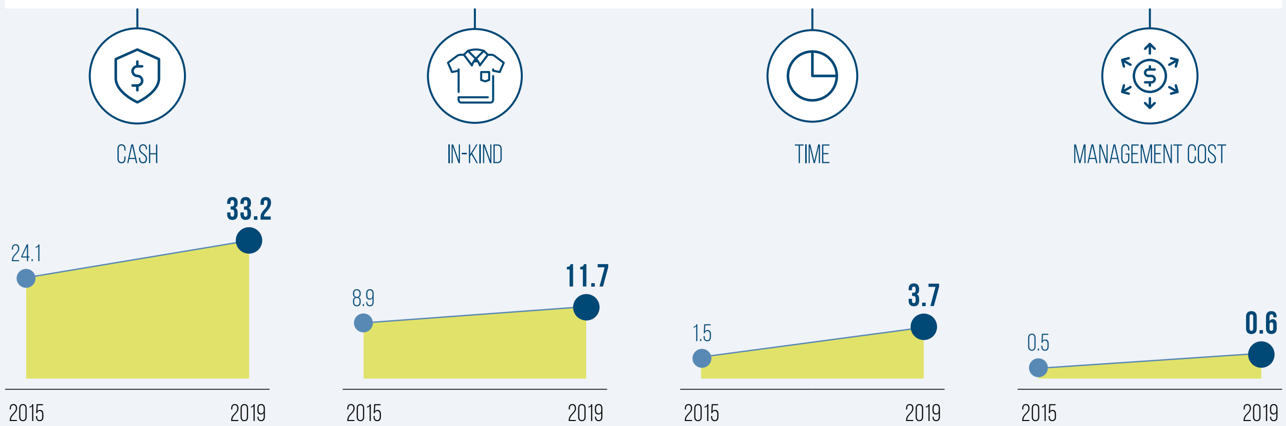
Evolution of Corporate Community Investment 2015-2019

TOTAL CORPORATE COMMUNITY INVESTMENT (IN MILLIONS OF EUROS)

Sustained increase in investment over the last ten years. During the 2010-2019 period, investment in social programmes has amounted to more than 314 million euros.

BY FORM OF CONTRIBUTION (IN MILLIONS OF EUROS)

Extraordinary increase of time contributions by employees, along with a significant increase in cash and in-kind contributions.



BY DRIVER FOR CONTRIBUTION (MILLIONS OF EUROS) (1)

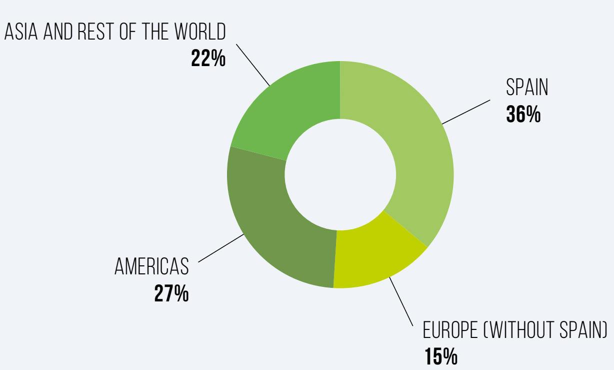
Increasing investment in strategic projects, especially commercial initiatives in the community, while decreasing charitable gifts.

Charitable gifts: one-off institutional donations to the general goals of community organisations.
Community investment: Long-term strategic commitment in partnerships with the community to support specific social activities.
Commercial initiatives in the community: Initiatives of social interest directly related to the Company's retail activity.

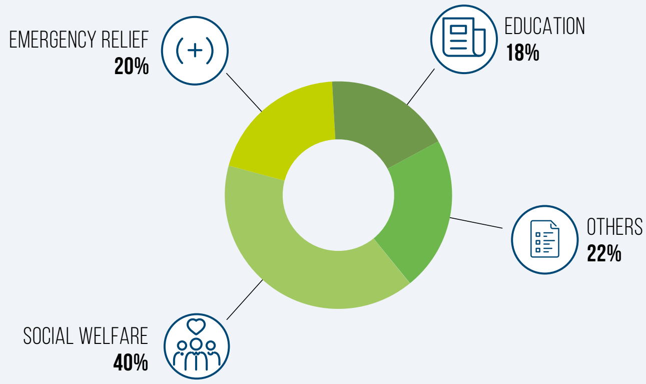
(*) Does not include management cost.

Distribution of Corporate Community Investment 2019

BY GEOGRAPHICAL AREA (*)

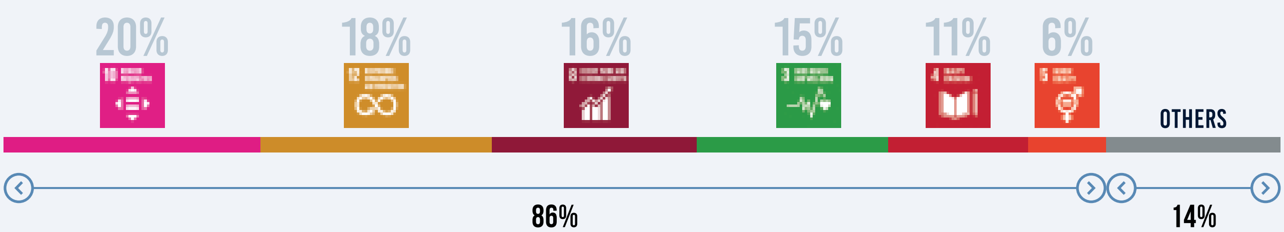


BY BY ISSUE ADDRESSED (*)



BY SDG (*)

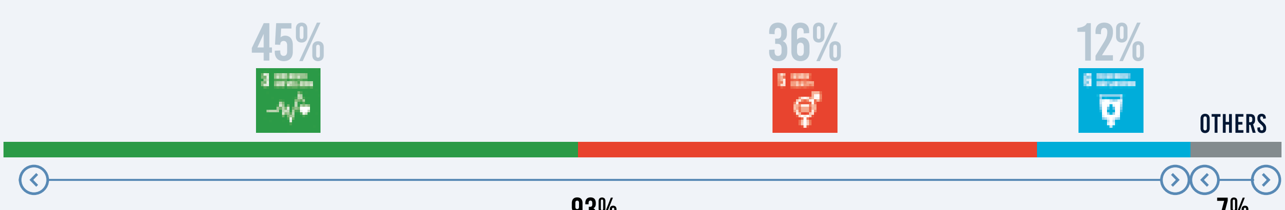
The primary (or main) and secondary SDGs, if applicable, have been identified for each of the 670 community projects developed during the reference financial year. As a result of this, during 2019 we have focused our efforts on SDGs 8, 10 and 12. Furthermore, at Inditex we have contributed significantly to SDGs 3, 4 and 5. Specifically, we have targeted 86% of our Corporate Community Investment — 42 million euros — to community activities that have had one of these SDGs as their main objective.



Distribution of direct beneficiaries 2019

BY SDG (*)

In 2019, the primary (and secondary, if applicable) SDG has been identified in relation to the 2,441,300 direct beneficiaries, corresponding to 116 community projects on which outputs have been measured. According to this analysis, 93% of the beneficiaries — more than 2.2 million people — have had SDGs 3, 5 and 6 as the main objective of the activities in which they have participated.



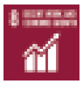
(*) Does not include management expenses.

Key programmes in 2019

Education

EPGO programme


Primary SDG


Secondary ODS

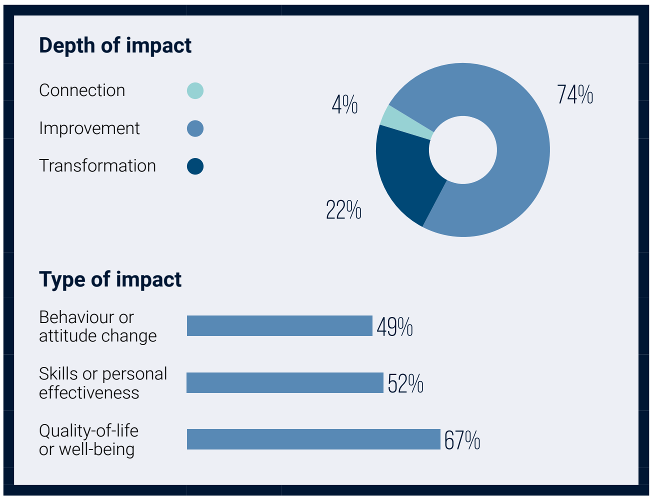
2019 was the third year of the triennial programme "Educate People, Generate Opportunities II" (EPGO II), which served 70,755 people through 23 projects in 11 countries: Argentina, Bolivia, Brazil, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, South Africa and Lebanon.

The programme focused on the areas of education, employment and humanitarian aid. The education line supported the schooling of socially disadvantaged children and young people, as well as teacher training. The employment line focused on the technical-professional training of young people at risk of exclusion in order to generate a future of professional opportunities, while humanitarian aid programmes targeted people in need of international protection, combining emergency assistance with activities designed to produce structural changes in the lives of these people.

In order to continue promoting this intervention, in December 2019, Inditex and Entreculturas signed a new three-year collaboration agreement, "Educate People, Generate Opportunities" (EPGO III), maintaining the three previous lines of action: education, employment and humanitarian aid.

From this new programme, 25 social projects will be launched until 2022, seeking to multiply the opportunities of more than 200,000 people living in contexts of poverty, exclusion and humanitarian emergency. This programme will be developed in the same countries that participated in EPGO II and, for the first time, incorporates intense work in Spain with the most vulnerable and excluded groups.

70,755
direct beneficiaries



Tsinghua University-Inditex Sustainable Development Fund

Primary SDG

Secondary ODS

Inditex and Tsinghua University have jointly set up in 2019 a three-year fund as "Tsinghua University-Inditex Sustainable Development Fund". Goals of this new programme are to cultivate the awareness and culture of sustainability and help to develop a global strategic sustainable development through innovative research, collaborative teaching and social practices, and innovative campus administration at Tsinghua University. Through this initiative, we provide financial support opportunities on sustainability related research and promotion activities for over 50,000 faculty and students of Tsinghua University.

The Fund supports young and middle-aged academic leaders to conduct research in relevant disciplines and academic fields at Tsinghua University, and gives preference to studies closely relating to disciplinary development, and scientific research projects that are cutting-edge, interdisciplinary, innovative and with promising application potential.

By mid-September of 2019, 25 applications for 2019-2020 passed the preliminary review, among which 23 are research projects and 2 practical projects. On October 22, 2019, the Review Committee consisting of both Tsinghua faculty members and Inditex Group executives carefully reviewed application materials of the 25 applications from aspects of topic relevance and significance, research capabilities, research plans, and project value or application prospects, and finally approved 18 projects with a total supporting fund of 4.69 million RMB. A total of 2.52 million RMB for the first year (2019-2020) has been allocated to the research teams (with 1.78 million RMB for the second year and 0.39 million RMB for the 3rd year withholding for their due time).

The research topics of these approved projects cover multiple disciplines related to environment and sustainable development, such as, ecological environmental protection and governance, green city and sustainable development, corporate sustainable development, sustainable energy and green development, etc. Most of the selected projects have good preliminary work foundations, obvious innovative ideas, and the cutting-edge research vision, interdisciplinary integration and promising application prospects. The fund supports and encourages all projects to provide solutions and help the world to cope with the problems facing the global environment and sustainable development.

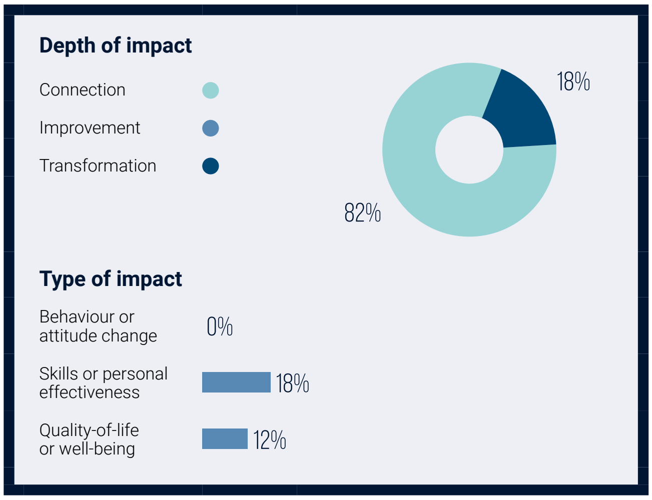
Direct beneficiaries
N/A (activity started in 2019)

Inditex-UDC collaboration programme

Primary SDG

Secondary ODS

531
direct beneficiaries



InTalent Programme

The InTalent Programme was launched by Universidade de A Coruña (UDC) and funded by Inditex, to recruit, reward, and, where relevant, manage excellent research talent by contracting internationally renowned and experienced post-doctoral researchers from all around the world, on a competitive basis and ensuring the principles of publicity and objectivity.

Researchers who enter the programme must demonstrate a minimum of three years of post-doctoral experience, at least two years of international experience in world renowned R&D centres, an excellent research career, the ability to generate new knowledge, potential as independent researchers and a promising scientific career.

InTalent offers selected researchers a contract that binds them to UDC with a competitive salary, adding professional stability and a budget allocation to boost the development of their project and provide access to the facilities, services and equipment needed to carry it out. Researchers will also teach UDC undergraduates and postgraduates, and collaborate with the institution on outreach activities.

Three selection processes were carried out during the first three years of the programme, with the participation of 316 researchers of 48 different nationalities, from all five continents. The six researchers incorporated to date have achieved recognition for science excellence in research areas as diverse as the biomedical development of smart sensors for degenerative diseases and nanomaterials for cell regeneration, social anthropology in rural communities, obtaining biomaterials for cartilage regeneration in humans, historical disruptions in the transformation process from medieval culture to modern culture, gender inequality in the public sphere, and the exploration of advanced rendering and lighting techniques for scientific visualisation.

InTalent researchers have managed to access external sources of funding through excellent regional, national and European science programmes, which have already brought UDC nearly six million euros in revenue. This means a return of approximately four euros for every euro invested in the programme.

AID programme for pre-doctoral stays

The Inditex-UDC Predoctoral Travel Grants Programme has been developed since 2013 under the collaboration agreement between UDC and Inditex for the internationalisation of doctoral studies. This programme funds pre-doctoral research stays in universities and research centres abroad for a minimum of three months, with the aim of complementing students' doctoral training and giving them the opportunity to obtain an International Doctorate Mention.

Since its launch, a total of 201 students from UDC's doctoral programmes have been able to carry out a research stay abroad. In 2019, a total of 28 students took part in stays financed by this programme, with a very equal representation of all the branches of knowledge of UDC's doctoral programmes. In 2019 students chose to visit a total of 11 countries; mainly countries with a long track record at the forefront of knowledge creation (the US, the UK, France and Germany).

The Inditex-UDC Predoctoral Travel Grants programme has a significant impact on talent promotion and the internationalisation of doctoral studies at UDC. Specifically, it has contributed to an increase in international mentions for UDC theses from 23-26% in the 2013-2016 period, to around 40% in the last two years (2018 and 2019).

InTalent is a specific collaboration programme between the University of A Coruña (UDC) and Inditex for the recruitment of postdoctoral researchers with a extensive international experience and reach under the sole criteria of excellence.

Inditex-UDC Sustainability Chair

The Inditex-UDC Sustainability Chair is a knowledge transfer initiative to promote sustainability and social responsibility within the university community, and throughout society in general. It was created to encourage community debate, academic training and applied research on sustainability and social innovation in public authorities, universities, companies and non-profit entities.

As part of its training component, the Chair runs a Sustainability and Social Innovation Specialism Course (CESIS), and 242 students now hold this UDC qualification. The eighth edition was held this year, which received 105 pre-registration applications and was attended by 27 students. Eight of them received tuition scholarships provided by Inditex. Through this specialisation course, 625 hours of certified training were given, divided into regular and seminar sessions, workshops, tutorials, conferences and visits to companies. It is taught by industry lecturers and professors from UDC and other universities. 35 visiting professors also taught on the course.

Aiming to promote knowledge transfer to social organisations, in the first semester of 2019, CESIS students worked as a team and in collaboration with local non-profit organisations, on developing five action plans in response to economic and social challenges, as well as issues related to environmental sustainability and good governance.

In terms of outreach, the Chair held the eighth edition of the Open Source conference series, with the participation of Antoni Bruel, general coordinator of the Spanish Red Cross; Antonio Martínez-Pujalte, head professor and director of the TEMPE-APSA Chair of Disability and Employability at Miguel Hernández University of Elche; and James E. Austin, professor emeritus and co-founder of the Social Enterprise Initiative at Harvard Business School.

Lastly, in the field of applied research, the Chair is involved in the preparation of the UDC Social Responsibility Annual Report, which will be published this year under the title *Building the Future through Company Collaboration and Equal Opportunities*. This document, which is being drawn up under the joint technical coordination of the Office of the Vice Chancellor for Social Responsibility and the Social Council at UDC, is an exercise in transparency and accountability, with a view to connecting the university community with the companies around it.

Beijing Normal University Programme

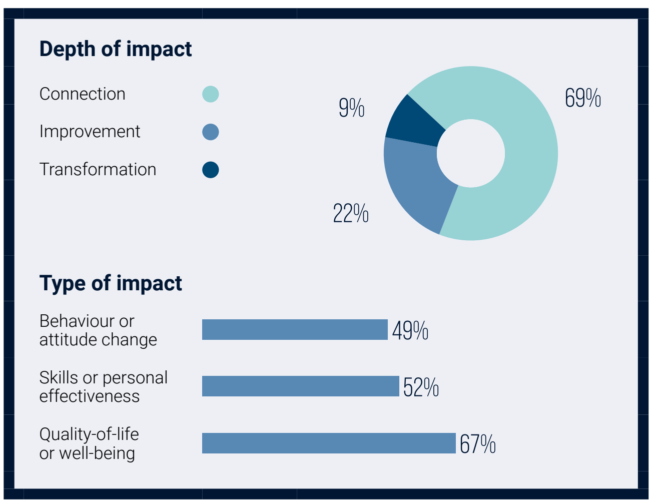
Primary SDG   Secondary ODS

Inditex and Beijing Normal University's Emerging Market Institute launched in 2017 a scholarship programme, targeted to support MBA students coming from 30 different developing countries and the belt and road related research and activities.

In 2019, thanks to this programme, BNU has carried out "The Belt and Road scholarship and fellowship", "The Belt and Road Lecture Series", "The Belt and Road Research Collection", "Field research in the Belt and Road countries (Ethiopia and Laos)" and supported for thinking tank building in China.

Thousands of students and teachers have participated or benefited from all these activities. 53 among them have been awarded with "The Belt and Road scholarship and fellowship" and improved business management skills, economic policy analysis ability, and contribute to economic development of their own countries.

8,953
direct beneficiaries



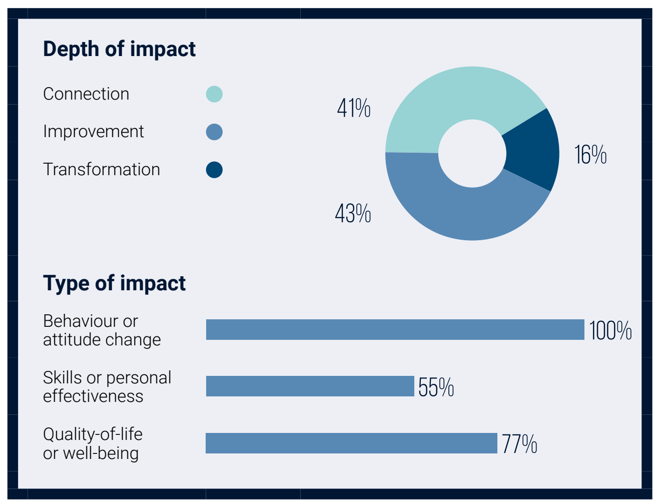
Village Hope School Programme

Primary SDG   Secondary ODS

In 2016, we signed a three-year agreement with China Youth Development Foundation (CYDF) for the construction of 10 rural schools per year for the Village Hope Programme. The aim of this programme is to improve the educational infrastructure of rural depressed areas, as well as to guarantee students' access to quality education. In 2019, it was agreed that 10 Village Hope schools were built in Lingqiu county, Shanxi Province.

A total of 1,268 adolescents benefitted in 2019 directly from this programme, who would otherwise drop out of school. Under this programme, they have access to education and their quality of life at school is greatly improved. In addition, thanks to this programme, parents relieved heavy burden and community residents attached more importance to education than before.

1,268
direct beneficiaries



Through the Inditex - Tsinghua University Sustainable Development Fund, we economically promote sustainability research projects for its more than 50,000 students.

Tsinghua University Programme

Primary SDG

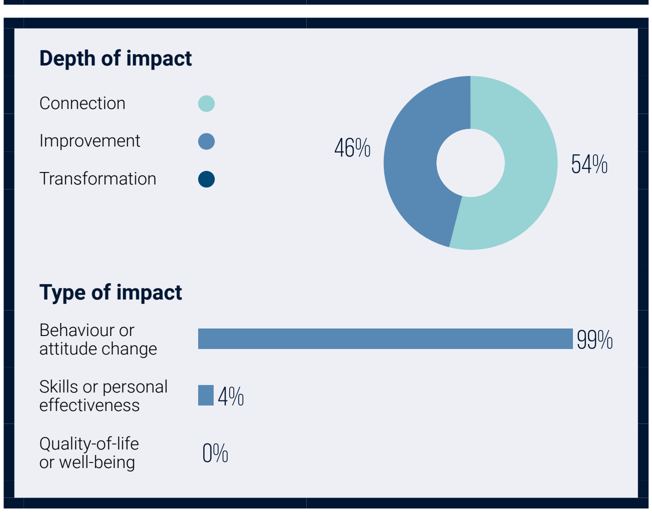
Secondary ODS

The partnership between Inditex and Tsinghua University School of Economics and Management (Tsinghua SEM) has been defined by a three years agreement signed in 2017 and which has run until 2019. In May 2019, the two sides renewed our agreement for another three-year fund to continuously support Tsinghua SEM MBA students to attend one immersion programme in Spain and faculty development and students' events and activities.

In January 2020, after one-month hardworking on pre-departure research, 40 MBA students from Tsinghua SEM went to Spain to participate in the course "Global Immersion in Spain: Pairing the Market with the Planet". During the course, students not only got the insights of fashion industry from the company visit to Inditex Group, but also had a chance to communicate with our Executive Chairman and Inditex management team. Combining their previous research with the information collected onsite, students were able to present their own solutions to encourage responsible buying behaviour in fashion. They also improved the sense on corporate social responsibility and eco-friendly practices of the business.

In addition, Inditex and Tsinghua University jointly set up a three-year fund in 2018 with the aim of supporting the internationalization strategy of Tsinghua University and to encourage students from the belt and road countries to study harder during their college life. In 2019, 50 students have been awarded with this scholarship and 100 beneficiaries fostered global competence among the undergraduates under "Tsinghua Overseas Practice on Belt and Road" supported by this fund.

3,809
direct beneficiaries



Chair of Spanish Language and Culture

Primary SDG

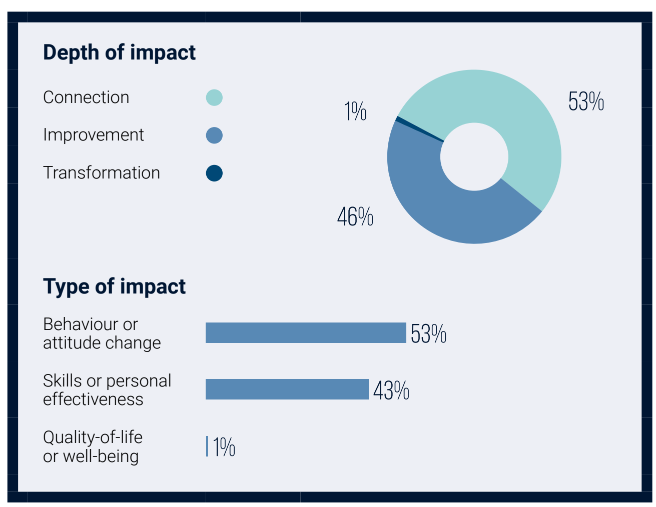
Secondary ODS

The Inditex Chair of Spanish Language and Culture at the University of Dhaka (Bangladesh) was conceived as a cooperation project between the local university and the Universities of A Coruña and Santiago de Compostela. It has been active in Bangladesh since 2012 and has a staff of five Spanish teachers and two local trainee teaching assistants trained by the teachers in charge of the project and the two Spanish universities.

Currently, the Chair teaches Spanish to 500 students, 50% of whom are women, and has a cultural activity programme open to all students at the University of Dhaka. In this course, the first meeting of European Euroteaching teachers was organised, aimed at expanding the training of teachers of all the European languages taught in Dhaka (Spanish, French, English and German) and two Ibero-American Studies Seminars were held, which included the participation of a dozen professionals from different fields of Spanish sport and culture. More than 300 university students attended the talks and workshops.

Since 2014, the annual programme of summer scholarships for students of the Chair and the training of Bangladeshi teachers have brought five scholarship holders per year to study at the University of Santiago.

1,397
direct beneficiaries



Chair of Refugees and Forced Migrants

Primary SDG

Secondary ODS

Since 2016, the Inditex Chair of Refugees and Forced Migrants at the Universidad Pontificia Comillas has launched various collaboration programmes with organisations that work with forced migrants and refugees. By virtue of this collaboration, postgraduates from the university masters have joined projects from different organisations carried out in the Democratic Republic of the Congo, South Africa, Ethiopia, Cameroon, Belgium and Spain, among other countries.

In addition, several lines of research and projects have been launched in order to publicise the reality of refugees and immigrants in Spain, as well as relationships of coexistence between the native population and that of immigrant origin.

On the other hand, various doctoral theses are being developed on dynamics of socio-labour integration of migrants in collaboration with different research centres —Deusto, Harvard University, Oxford University, Ramón Llull University, among others— and with social organisations such as the Jesuit Migrant Service, Cáritas Española and Intermon OXFAM, among others.

The Chair is also very active in raising awareness and transferring knowledge in this field through different initiatives such as conferences, presentation of results and different seminars.

435

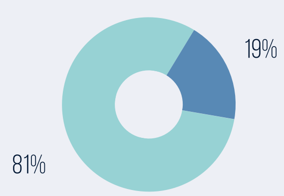
direct beneficiaries

Depth of impact

Connection

Improvement

Transformation



Type of impact

Behaviour or attitude change	2%
Skills or personal effectiveness	20%
Quality-of-life or well-being	0%

Chair of Disability and Employability TEMPE-APSA

Primary SDG

Secondary ODS

The TEMPE-APSA Chair of Disability and Employability at the Miguel Hernández University of Elche (Spain) aims to promote training and research to improve the integration of people with disabilities in the labour market.

Among the activities carried out in 2019, the first promotion of the Degree of University Expert in Office Auxiliary Tasks stands out, completed by a total of 18 students with intellectual disabilities, several of whom have achieved employment in ordinary companies.

Furthermore, the youth exchange project *"Improving employability of young people with intellectual disabilities through mutual enrichment and Exchange" has been developed,* within the framework of the Erasmus Plus programme and in collaboration with the Italian social cooperative Coop Noncello. The project took 14 young Italians with intellectual disabilities to Spain and then to Dublin to participate in workshops to improve their socio-occupational skills.

Likewise, in April 2019, within the Chair, the First Scientific Conference "Knowing disability. The importance of early diagnosis in intellectual and developmental disability" was held, which included the participation of more than 150 professionals from the entire Valencian Community, Murcia and Aragon.

475

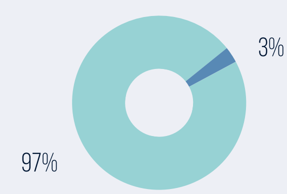
direct beneficiaries

Depth of impact

Connection

Improvement

Transformation



Type of impact

Behaviour or attitude change	0%
Skills or personal effectiveness	3%
Quality-of-life or well-being	0%

Since 2016, the Chair of Refugees and Forced Migrants has been carrying out different investigations and awareness-raising activities with non-profit organizations as the Jesuit Refugee Service (JRS) that work on the ground to publicise the reality of migratory phenomena.

Social welfare

Water.org Programme

Primary SDG   Secondary ODS

We completed in 2019 a highly successful, four-year grant programme in collaboration with Water.org to expand access to safe water and sanitation services for those living in poverty across Bangladesh and Cambodia.

The programme exceeded all of its targets and has made a significant step forward across both countries in addressing the demand for affordable financing for household water and sanitation services. More specifically, our partnership with Water.org achieved the following:

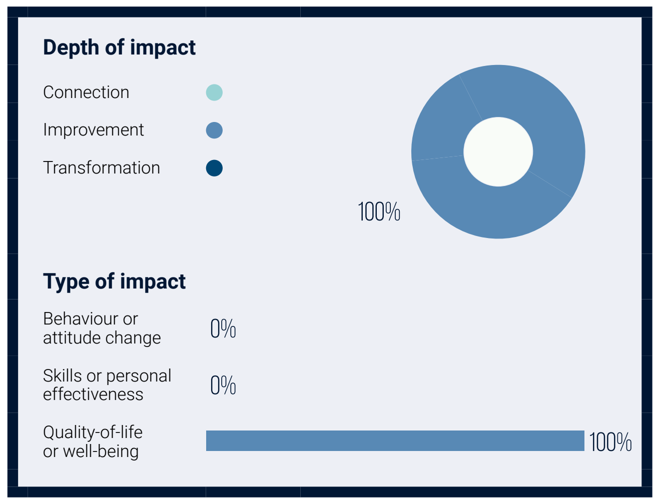
- Surpassed our targets by mobilising $135 million in capital for water and sanitation loans and reaching more than one million people with vital water and sanitation services;

- Provided technical and advisory assistance to partners in Cambodia and Bangladesh to launch and scale water and sanitation lending operations and ensure the operating and governance structures built under this grant programme are robust and sustainable for the long-term; and

- Enhanced the water and sanitation ecosystem by involving key stakeholders in support of affordable financing for household water and sanitation services.

With Inditex's support in October 2019, Water.org signed an agreement with *Action for Social Advancement* (ASA) in India to help organic cotton growing farmers gain access to safe drinking water and sanitation facilities at the household level. Additionally, Inditex has supported Water.org's work in Brazil, where the organisation is accelerating access to affordable financing for water and sanitation for those living in poverty.

361,978
direct beneficiaries



Moda Re-

Primary SDG

Secondary ODS

Moda Re- is a project dedicated to the collection and treatment of used textiles for their recovery and reuse through a sustainable business model according to the circular economy. This business initiative was created in 2018 within the framework of the social and solidarity economy created by Cáritas Española in collaboration with Inditex, whose purpose is to generate employment for people in situations of social vulnerability through the collection, recycling and reuse of used clothing.

In addition to reintegration into the workplace and the way those who need it receive clothing, the project is linked to environmental care, not only through the reuse and recovery of clothing, but also by using innovative techniques in processing and recycling plants that are environmentally friendly.

The project has a clear vocation of self-sufficiency, investing all its income in its own development and growth, through the promotion and creation of the largest network of second-hand clothing stores in Spain, encompassed under the Moda Re brand.

Through this collaboration, 1,856 containers have been installed in Spain, more than 48,000 tonnes of clothing have been collected, almost 1,000 jobs have been created and more than 1.8 million items have been donated to people in vulnerable situations.

In January 2020, the chairman of Inditex, Pablo Isla, and the chairman of Cáritas Española, Manuel Bretón, together with the general secretary of Cáritas Española, Natalia Peiro, signed the renewal of this collaboration, to which Inditex will allocate an additional 3.5 million euros over the next three years.

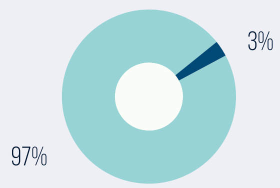
32,074
direct beneficiaries

Depth of impact

Connection

Improvement

Transformation



Type of impact

Behaviour or attitude change	3%
Skills or personal effectiveness	3%
Quality-of-life or well-being	3%

Community Development Programme in Bangladesh

Primary SDG

Secondary ODS

This programme, in collaboration with Cáritas, works with communities vulnerable to natural emergencies and situations of extreme poverty, both in rural areas and in Dhaka, the country's capital. Its work is organised in two areas of action.

- Improving the living conditions of women, children and adolescents who live in three urban areas of extreme poverty in the city of Dhaka.

This project, which is developed in the areas of extreme poverty in Dhaka, expanded its activity in 2019 to three new neighbourhoods — Kollayanpur Pora Bosti, Hajiroad Jhilpar bosti and Cholontika Jhilpar — with the aim of satisfying their basic minimum survival needs: sanitation, electricity, water supply and the waste management system, the complete absence of which make life extremely difficult.

The project launched five new Day Care Centres for children from 0 to 6 years old, allowing mothers to go to work leaving their children in a safe place. There, day mothers, who have received specific training in early childhood development, take care of the children and their healthy growth in physical (nutritional, hygiene and basic health), psychological and cognitive aspects. A Child Support Centre has also been opened for children from 6 to 12 years old, to avoid risky situations when leaving school. In total, 153 children have participated in these activities.

On the other hand, 36 new community groups have been created, 24 for women and 12 for adolescents, which meet monthly and have received training in health and hygiene, childhood protection and development, substance abuse, child labour, early marriage, etc. These people are actively involved in the development of their community and in the improvement of living conditions in the neighbourhood, increasing their leadership, communication and relationship skills with other players, including local government. 1080 people have participated in these activities.

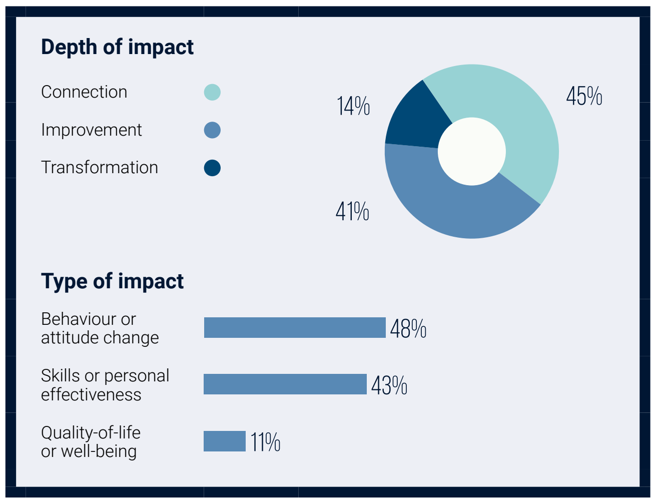
- Strengthening the adaptive capacity of vulnerable communities to drought and flood phenomena.

The project aims to contribute to disaster risk reduction and provide sustainable livelihoods in flood and drought-prone areas, facilitating community resilience in four regions in Bangladesh.

Four Disaster Preparedness and Reduction Plans have been developed, contributing to improving resilience in livelihoods, protecting the environment through strengthening local capacities and improving the functioning of committees in the districts of Gaibnadha, Naogaon, Sherpur and Sunamgon.

This plan includes development activities in accordance with the priorities and needs identified by the community, whilst promoting the management of water resources and contributing to the reforestation of the different areas, including in all aspects of subsistence and the improvement of diversified livelihoods as a key factor for development in all sectors in vulnerable communities. Similarly, we ensure that communities have adequate health and hygiene systems in the face of floods, droughts and wildlife incidents.

11,036
direct beneficiaries



Intervention in vulnerable communities in the face of natural emergencies and in situations of extreme poverty is the objective of the Community Development Programme in Bangladesh, in collaboration with Cáritas.

Medicus Mundi Programme

Primary SDG

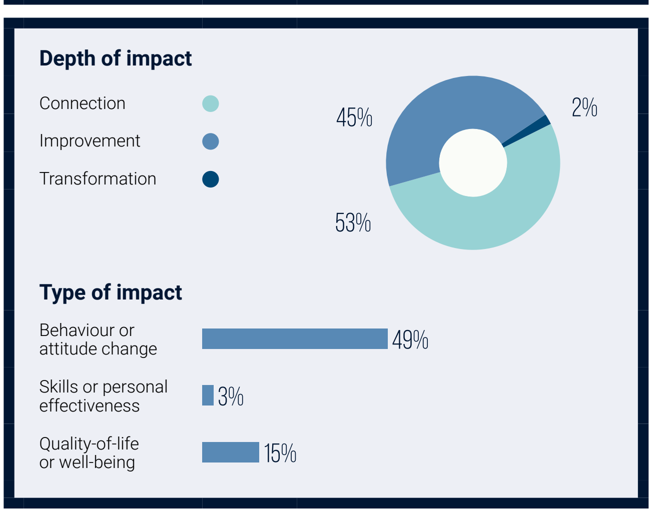
Secondary ODS

We work with Medicus Mundi in Morocco with the aim of improving the socio-health situation of the workers of Inditex supplier companies in the Tangier-Tetouan-Al Hoceima region, Morocco. Medicus Mundi favours coordination, cooperation and exchange in civil society, with the support of the Union of Feminist Action and the Moroccan Association of Occupational Health, public institutions and companies, implementing actions and measures that promote the right to health and social and labour rights of the population employed in the clothing sector in Morocco, one of the most important in the country.

Since 2015, 3,883 workers have participated in the actions carried out for the prevention of occupational risks and pathologies of labour origin, awareness of their labour and social rights and gender equality, gender violence, harassment and circuits to seek assistance. A total of 43 companies have benefited from training actions for their health and safety committees, workers' delegates or their administrative staff on issues related to labour and social rights and gender equality.

In 2019, the annual seminar was held with the participation of more than 100 people, including union representatives, occupational health inspectors, companies and associations, which discussed occupational health and safety, and more specifically machinery-related risk. In addition, work has been continued to prevent and tackle sexual and moral harassment in companies. Through participatory workshops with workers and companies, leaflets and posters on sexual harassment in the workplace were developed and distributed to a total of 15 companies whose workers participated in gender awareness sessions. A total of 1,322 workers attended workshops on gender equality and 56 women victims of violence were accompanied with psychosocial support.

3,324
direct beneficiaries



Every Mother Counts Programme

Primary SDG

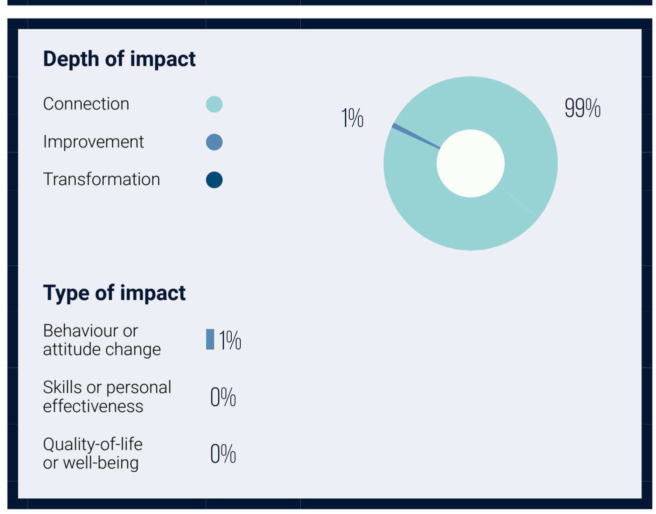
Secondary ODS

In March 2017, we committed to a three-year agreement with the non-profit organization, *Every Mother Counts* (EMC), contributing one million dollars for projects undertaken by the organisation in the United States and Bangladesh. The projects have a particular focus on the equitable provision of high-quality and respectful prenatal, delivery, and postnatal care for pregnant women, as well as maternal health public outreach, education, and community mobilisation.

Thanks to our support, *Every Mother Counts* has partnered with the *HOPE Foundation for Women and Children of Bangladesh* to provide services for women and children in Cox's Bazar. The services include pregnancy, delivery, post-natal, and neonatal care, as well as education on breastfeeding, newborn care, and family planning. In 2019, in this partnership, HOPE Foundation was able to reach over 6,000 women, along with their children, with this care and education. In addition, they trained over 350 individuals on health-related areas, and 20 midwives completed a training program.

In the United States, the support of Inditex has enabled *Every Mother Counts* to partner with the Florida-based non-profit organisation *Commonsense Childbirth* to provide access to high-quality pregnancy and post-natal care, education, and social support services for nearly 1,400 low-income women and their babies. Inditex's funds also supported *Every Mother Counts*' public education and community mobilisation programmes in the United States, including races, film screenings, festivals, and other awareness-raising activities. *Every Mother Counts* recruited 523 runners in 2019, who in turn raised hundreds of thousands of dollars for the organisation. EMC also engaged 8,399 unique donors to the organisation. Finally, in 2019, EMC's documentary film series *Giving Birth in America* reached over 1,000,000 viewers, including the release of the latest installment, *Giving Birth in America: New Mexico* in November 2019.

1,008,922
direct beneficiaries



Salta Programme

Primary SDG

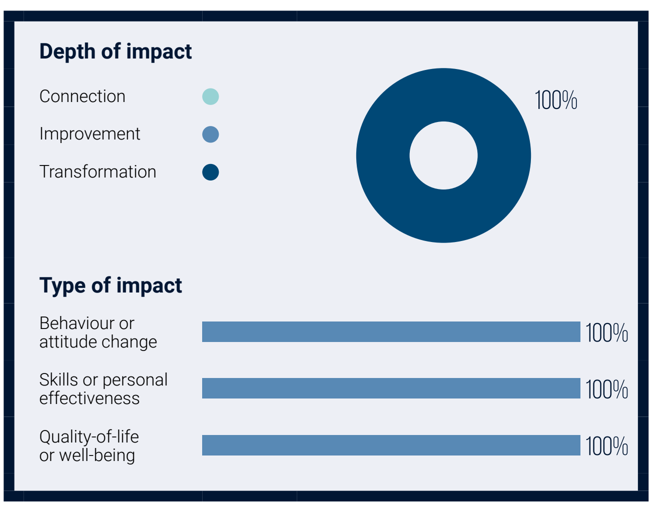
Secondary ODS

Salta is an integration programme that offers education, training and employment opportunities to young people in especially sensitive situations with social and economic barriers. Through this initiative, hundreds of people have the opportunity to join our teams in stores, factories and logistics centres. First with theoretical and then practical training, Salta helps each participant to start their professional career in the fashion industry. A key component to that professional development is the mentoring programme. Each participant has an associated tutor or mentor, an experienced employee who accompanies the Salta participant in their training and adaptation to the job.

In 2019, a total of 205 people were hired through this programme. In the different editions of Salta in the 13 markets where the programme is implemented, 577 Inditex employees have participated as trainers or tutors, ensuring success in adapting participants to their new jobs. New to this year, the first edition of Salta was held at the Tempe logistics centre in Elche (Alicante).

Salta was born in France under the name of Project Jeunes. It is currently present in 13 markets: France, Spain, Italy, Greece, Germany, the United Kingdom, Poland, Portugal, Mexico, Brazil, the United States, South Korea and Turkey. Through this programme, a total of 1,372 people have joined our teams since 2008, 47% of which continue to work in the Group. This initiative is carried out thanks to the collaboration and participation of more than 40 social organisations.

205
direct beneficiaries



Coruña Programme

Primary SDG

Secondary ODS

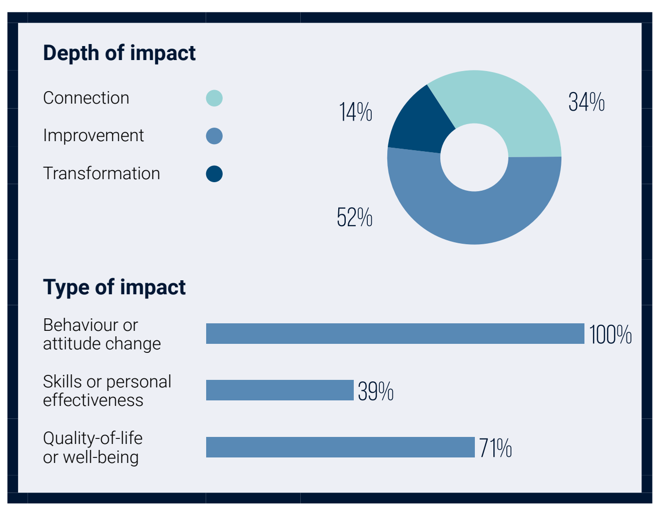
In 2019, we have continued to collaborate with local initiatives in the field of social integration and the well-being of people at risk of exclusion who live in the area of A Coruña (Spain), where the Group's headquarters are located. This collaboration materialised mainly through the *Coruña Emprega* and *A Flote projects*, in collaboration with the A Coruña City Council and the Emalcsa Foundation, respectively.

The *Coruña Emprega* Project focused on professional qualification and labour intermediation with companies, to favour the incorporation of people over 45 years of age, long-term unemployed people, migrants, young people without training, people with functional diversity, etc. Throughout the project, different actions have been developed aimed at providing unemployed people with tools and resources to improve their employability.

As a result, a total of 557 people were direct beneficiaries of the actions developed from *Coruña Emprega* during 2019, 161 of which acquired new skills or improved their personal development and 198 experienced a positive impact on their quality of life. Likewise, a total of one hundred unemployed people — 61 women and 39 men — belonging to groups with high social vulnerability found a job in 2019 through this initiative.

In relation to the *A Flote* Project, Inditex and the Emalcsa Foundation signed a three-year agreement in 2017 for the integration of people at risk of exclusion by means of immediate aid in social emergency situations. Through *A Float*, in 2019, 688 urgent, punctual and transitory financial aids were awarded, especially in relation to the right to housing.

1,245
direct beneficiaries



Employment and Training Programme in Spain

Primary SDG

Secondary ODS

We have supported the Cáritas employment programme since 2011, with the aim of promoting access to decent employment for people in situations of vulnerability or social exclusion through the following lines of action:

- The promotion of social economy initiatives that generate employment in a protected environment, which allows bridges to be established between the situation of the person and the demands of the ordinary labour market.

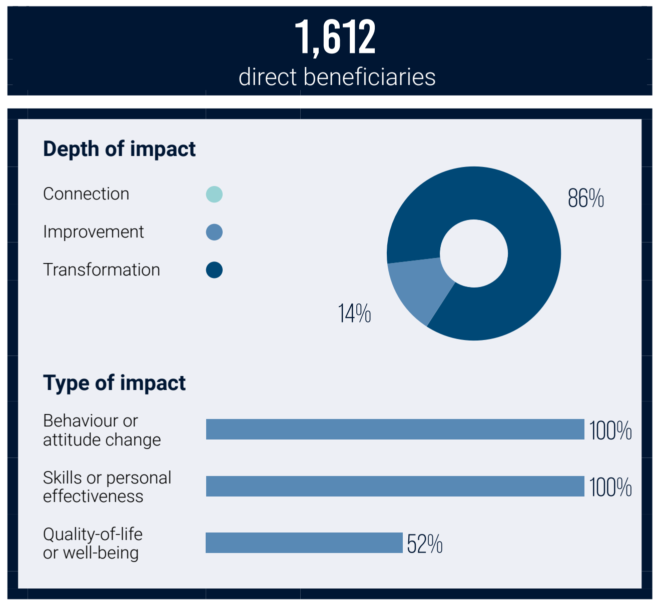
- Support for people in situations or at risk of exclusion, who have an entrepreneurial interest and capacity and can achieve their socio-labour insertion through self-employment.

- The improvement of professional training, as a basic requirement to promote their employability.

As a result of this collaboration, to which we have allocated 11.5 million euros since its launch, more than 2,500 people in vulnerable situations have found a job and more than 4,600 have received about 1.2 million hours of approved training.

In particular, in 2019, 31 social economy projects, 32 training projects and 3 self-employment projects were consolidated. Thanks to this, 1,612 people have improved their employability, 1,239 have improved their professional training and 839 have found a job throughout 2019.

In January 2020, the chairman of Inditex, Pablo Isla and the chairman of Cáritas Española, Manuel Bretón, together with the secretary general of Cáritas Española, Natalia Peiro, signed the renewal of this collaboration, for which Inditex will provide five million additional euros to the Caritas employment project over the next three years.



for&from programme

Primary SDG

Secondary ODS

for&from is an integration programme for people with disabilities based on the start-up of commercial establishments under the image of the Group's different brands. These stores are managed by non-profit entities and cared for by people with disabilities.

Following an initial investment by Inditex to build the store, the model becomes self-sustainable for the social organisations through product sales. The *for&from* stores supply clothes and accessories from the preceding season sold at competitive prices, and the generated profits are reinvested entirely in the organisations that manage them in order to fund projects that provide care for people with disabilities.

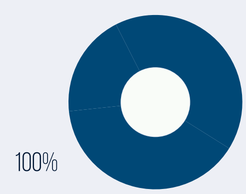
During 2019, we launched the first international store in the programme in Como (Italy). It is a store dedicated to the sale of footwear and accessories for all the Group's brands, which is managed by the non-profit entity Cometa.

The programme has 15 stores that generate 220 jobs. In 2019, turnover exceeded 12.5 million euros and generated a profit of over 1.5 million euros, which was fully invested in managing social organisations: Molí d'en Puigvert Foundation, the Galician Confederation of People with Disabilities (COGAMI), the non-profit cooperative Moltacte, the Association for People with Mental Disabilities of Alicante (APSA), the Prodis Foundation and the Fondazione Cometa.

220
direct beneficiaries

Depth of impact

Connection
Improvement
Transformation



Type of impact

Behaviour or attitude change	100%
Skills or personal effectiveness	100%
Quality-of-life or well-being	100%

Emergency relief

The Colombia Borders programme

Primary SDG

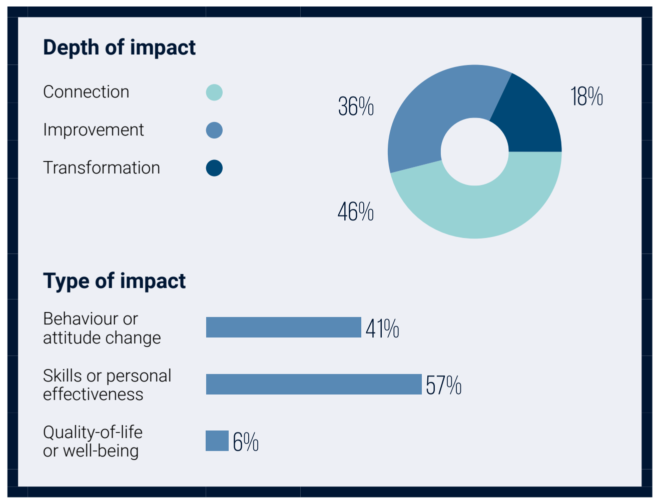
Secondary ODS

The Colombia Borders programme, developed in collaboration with Entreculturas and the Jesuit Refugee Service, has benefited 6,061 people in Colombia, Ecuador and Venezuela in 2019.

Despite the demobilisation of the Revolutionary Armed Forces of Colombia (FARC), the territorial rearrangement and reconfiguration of power of the illegal armed players in Colombia continue to generate individual and collective displacement in places with a high presence of armed groups. Added to this dynamic of displacement is the massive population outflow from Venezuela due to the serious socio-economic crisis that the country is going through.

In this context, the programme has focused on completing the processes related to the generation of livelihoods, the delivery of humanitarian aid and the processes of psychosocial support. On the other hand, advocacy and communication spaces have increased throughout the year, accompanied by reconciliation and violence prevention actions in educational centres and host communities. And, in general, spaces have been provided for institutional strengthening at both the national and regional levels.

6,061
direct beneficiaries



Support for the MSF Emergency Unit

Primary SDG

Since 2011, we have collaborated with Médecins Sans Frontières with the aim of ensuring immediacy in the response to medical-humanitarian crises anywhere in the world. In 2019, we fully financed the structure of the Emergency Unit, whose headquarters are in Barcelona, and part of the regional teams from the Democratic Republic of the Congo (RUSK), the Central African Republic (EURECA) and Ethiopia (the ESS).

This continued support has enabled us to respond to two major humanitarian crises caused by violence between opposing groups in Burkina Fasso and the Anglophone regions of Cameroon, rapidly deploy teams after Cyclone Idai and demonstrate the adequacy of regional emergency response teams in the Democratic Republic of the Congo, the Central African Republic and Ethiopia.

The specialised teams sent by the Emergency Unit to Cameroon have continued, for yet another year, with their objective of guaranteeing access to health for the population that lives furthest from urban centres and whose movements are limited due to the constant curfews. In one year they treated 36,513 people suffering from malaria, hospitalised 7,503 and carried out 90,971 outpatient consultations.

In March, following the devastation caused by Cyclone Idai, MSF moved several specialised teams for medical care and water and sanitation to Mozambique. They managed to reach areas far away from the capital, where most of the aid was concentrated, to guarantee basic medical attention to the population that had been trapped by mud and water and who had no way of reaching the health centres. Likewise, a vaccination campaign was carried out on 1,440 people and 2,528 malaria patients were treated, among other activities.

At the same time, in July, MSF sent a team to Burkina Fasso to assess the situation in the most rural areas, after confirming high mortality rates. The efforts of the medical-humanitarian organisation in 2019 have focused on the treatment of malaria, the main cause of this escalation in mortality. In less than six months, 20,989 patients were treated for this disease.

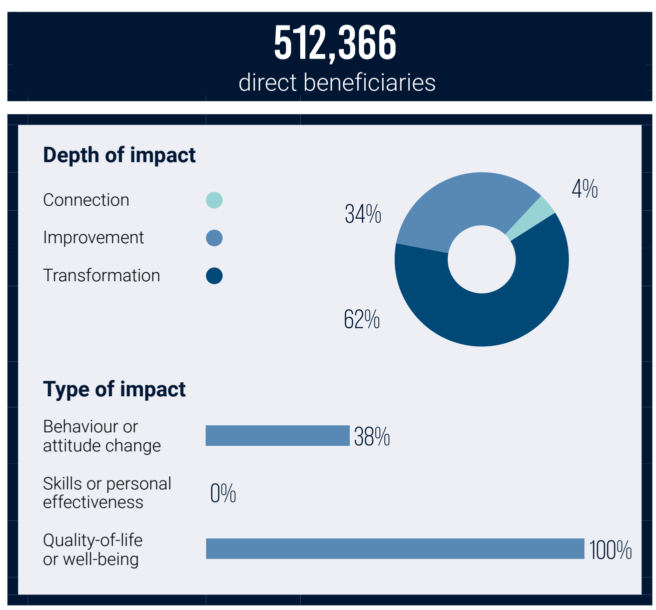
Finally, a massive cholera vaccination campaign was carried out in November on Bakassi Island, an island in Cameroon disputed by Nigeria. The confrontation between the two countries for control of that area has left their population totally abandoned and with limited access to health. After detecting several cases of cholera, ten vaccination teams were deployed to immunise practically the entire population of the island in ten days, finally reaching 99% of the population (35,502 people).

Meanwhile, regional emergency response teams have once again been essential in analysing the context and responding to emergencies that required MSF intervention.

In the Democratic Republic of the Congo, RUSK remains the only actor in South Kivu with the capacity to respond to major emergencies in record time. This 2019, the RUSK teams have carried out seven interventions, where they have vaccinated more than 50,000 people against measles, whilst also treating 12,525 children with malaria and 5,067 children with measles.

In the Central African Republic, EURECA maintains its response capacity anywhere in the country. In 2019, work focused on two areas heavily affected by violence and access difficulties. In Mingala we managed to organise a measles vaccination campaign for 13,761 children, where we also treated 17,935 children with malaria. In Vakaga, 2,281 people were vaccinated.

Finally, in Ethiopia, the ESS has managed to consolidate and prove itself essential to monitor the alerts that occur in the country and respond in those cases where the authorities do not have the capacity to intervene. More than 13,000 people have been vaccinated by MSF teams.



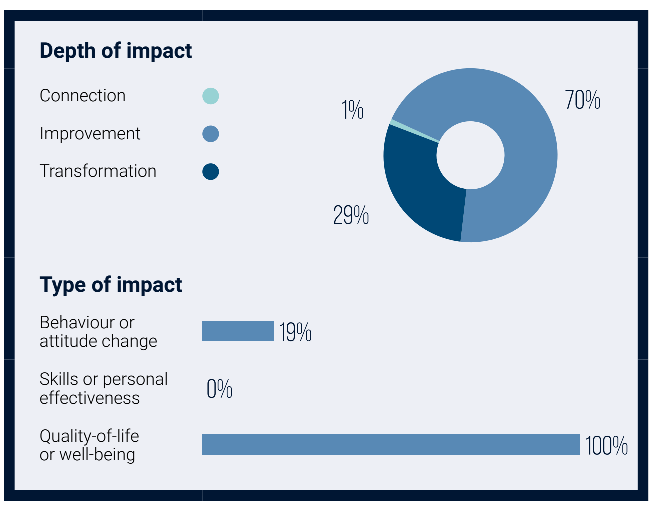
Health care in Syria

Primary SDG

Since the beginning of the armed conflict in Syria, Médecins Sans Frontières (MSF) has worked to meet the medical needs of thousands of people who continue to fight to survive the conflict. Azaz, the region where the Inditex-supported hospital in Al Salamah is located, continues to be a place of refuge for hundreds of thousands of people. This hospital, managed by MSF, was fully operational until September, when the organisation's teams were forced to cancel some services due to a lack of medical supplies and medicines. Due to the impossibility of supplying adequate material, MSF have had to close operating rooms, the regular vaccination service and neonatology to avoid having to offer care that did not meet all guarantees. The rest of the services have remained open until the end of the year.

In 2019, 87,534 external consultations were carried out, 1,206 normal births assisted and 73 caesarean sections performed. Additionally, 21,976 patients with chronic diseases were treated and 15,840 children vaccinated. Inditex has supported this project since 2017, facilitating the presence of medical teams near the most vulnerable people, who have suffered the consequences of this conflict for nine years now.

181,593
direct beneficiaries



Access to health care for the Rohingya refugees in Bangladesh

Primary SDG

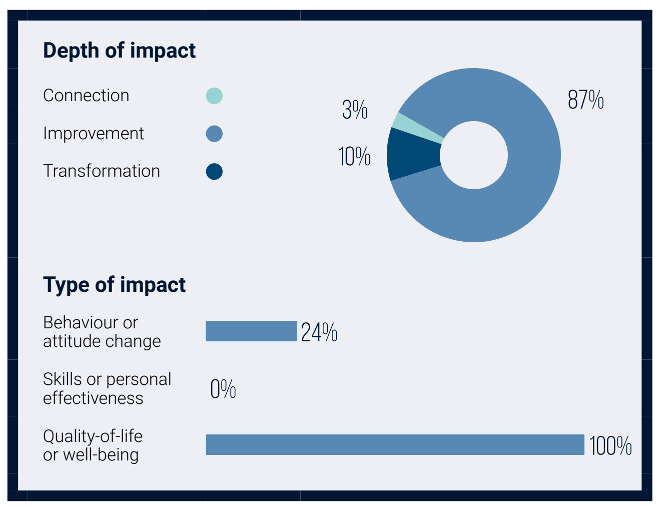
Secondary ODS

In southeastern Bangladesh, in the Cox's Bazar region, nearly one million Rohingya are surviving in harsh conditions after fleeing Myanmar.

In 2019, the Médecins Sans Frontières (MSF) teams deployed at Cox's Bazar have focused their efforts on secondary maternal and child care. Pregnant women and children under the age of 15 are the most vulnerable in contexts of displacement and famine, such as that encountered by the Rohingya. The lack of food and water and the hygiene conditions in which they live are factors that directly affect their health. In this context, after analysing the unmet needs of the Rohingya population, MSF has concentrated its efforts on the Goyalmara Maternal and Child Hospital and the Unchiprang maternity hospital.

According to our support, the MSF teams have carried out 79,126 outpatient consultations and 4,012 hospital admissions. Additionally, the vaccination record of 6,034 children has been updated and 800 births attended to. 12,475 patients have required mental health care, a figure that demonstrates the high level of trauma that the Rohingya continue to suffer.

119,477
direct beneficiaries



Thanks to the Al Salamah hospital, managed by MSF, medical teams reached the victims of the conflict that has lasted almost a decade.

Food security in schools in Venezuela

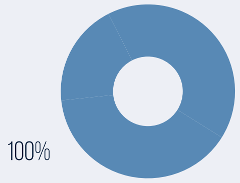
Primary SDG Secondary ODS

In 2019 we continued to support this project in collaboration with Entreculturas, with the aim of reducing the food insecurity of children in Venezuela. Specifically, we have strengthened this work in 19 schools, offering a daily diet of high nutritional value to 6,700 students, thus improving their health and ensuring their attendance at school.

6.700
direct beneficiaries

Depth of impact

- Connection
- Improvement
- Transformation



Type of impact

Behaviour or attitude change	0%
Skills or personal effectiveness	0%
Quality-of-life or well-being	100%

Australia emergency programme

Primary SDG Secondary ODS

The forest fires that ravaged Australia in 2019 claimed many lives, caused the destruction of thousands of homes and left millions of hectares burned. Given this situation, at Inditex we launched an emergency programme in collaboration with the Australian Red Cross in January 2020 to help alleviate the consequences of the catastrophe. This programme materialised in support of the *Australian Red Cross Disaster Relief and Recovery Programme.*

Our contribution provided support to people affected by the catastrophe in aspects such as shelter, maintenance and psychological first aid. In the medium term, our funds will go towards granting emergency subsidies for people who have lost their homes and to support recovery work in communities affected by forest fires in recent months.

Direct beneficiaries
N/A (activity started in 2019)

Access to health care for the migrant population in Mexico

Primary SDG

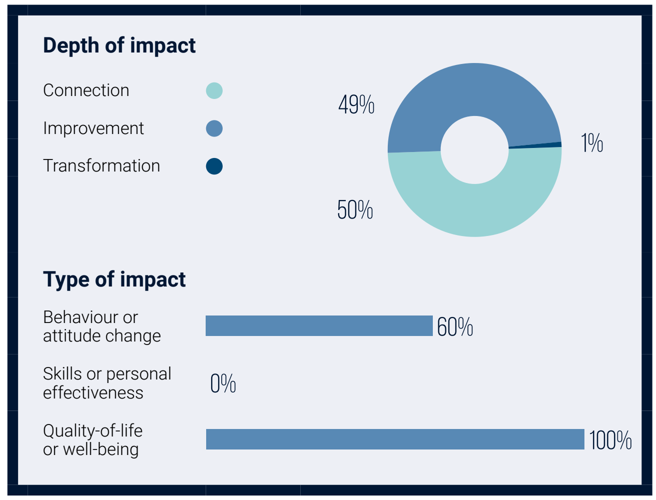
Secondary ODS

Mexico is a country of transit, destination and return for the migratory flow coming mostly from Central America (El Salvador, Honduras and Guatemala) to the United States. The people who decide to embark on the journey are undocumented migrants who had to leave their homes because of poverty, marginalisation and violence in their countries of origin.

Médecins Sans Frontières (MSF) teams are present in various migrant shelters and staging points, where they offer basic medical and psychological consultations. In addition, they have a Comprehensive Care Centre in Mexico City, where specialised medical care is offered to migrants and refugees who have been victims of ill-treatment, torture or extreme violence. Additionally, in 2019 the activity was consolidated at a point of attention for migrants near the border with the United States, where many migrants who have been expelled from the United States go.

Specifically, in 2019, with the support of Inditex, MSF professionals carried out 20,650 medical consultations and 5,509 mental health consultations.

56,231
direct beneficiaries



Others

In addition to the programs described in the previous sections, in 2019 we allocated 22% of our Corporate Community Investment to initiatives related to environment, health, economic development, arts and culture. In 2019, we continued to support institutions that work in the field of research such as the PRO-CNIC Foundation, New York-Presbyterian's Youth Anxiety Centre, Massachusetts Institute of Technology (MIT), Real Instituto Elcano or Fundación Carolina, among others.. Inditex's relationship with arts and culture has materialised in collaborations with institutions such as the Royal Spanish Academy, the Reina Sofía National Museum of Art, the Royal Theatre and The Metropolitan Museum of Art, among others.

Likewise, Inditex makes charitable gifts at a corporate level, and contributions from our Group brands and subsidiaries to non-profit organisations. Thus, in 2019, we allocated more than 1.6 million euros for charitable gifts, distributed among more than 150 community organisations. In order to systematise and channel this work, Inditex relies on the Sponsorship and Patronage Committee, which is the body authorised to approve these projects.


INDITEX

THINKING ABOUT THE SHAREHOLDERS

We are strengthening the policies on transparency and the communication channels that enable us to listen to our shareholders. We deliver value to our shareholders by striking a balance between the continued reinvestment in profitable growth of the Company, the positive impact created in our environment as a whole, and through offering an attractive and predictable distribution of dividends.

SDGs	Goals	Contribution of Inditex
16	16.7	Transparency and communication are at the heart of our relationship with our shareholders. We put these principles into practice so we can be sure that shareholders have access to all the information they need to ensure that inclusive, participatory and representative decisions are made that respond to their needs. We also encourage them to participate in the decision-making process through Inditex's highest governing body: the Annual General Meeting of Shareholders.

More information on pages 328 and 329 of this Annual Report.

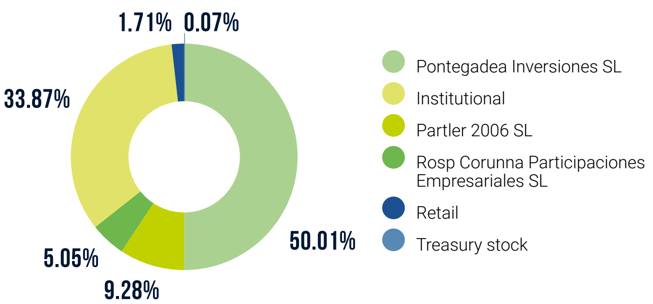
01/ Our shareholders

Involving shareholders in the decision-making process of the Annual General Meeting[1] — our highest level governing body — means we can hear their clear mandate: to create value sustainably in the medium and long term.

Because of this, we are strengthening the policies on transparency and the communication channels that enable us to listen to our shareholders. We deliver value to our shareholders by striking a balance between the continued reinvestment in profitable growth of the Company, the positive impact created in our environment as a whole, and through offering an attractive and predictable distribution of dividends.

01.01/ Shareholding structure

The following chart shows a summary of the Inditex shareholding structure:



01.02/ Shareholder remuneration

Our shareholder remuneration policy, approved by the Inditex Annual General Meeting of Shareholders, aims to offer an attractive, predictable and sustainable dividend over time. This policy adheres to maintaining an adequate level of resources to assure continued investment for future company growth and value creation.

In line with this policy, in May and November of 2019, a dividend of 0.88 euros per share corresponding to 2018 was distributed to shareholders, amounting to a 17.3% increase from previous fiscal year.

02/ Shareholder relations

The relationships between Inditex and its shareholders — both current and potential— are governed by the Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors and the Regulations of the Board of Directors.

Inditex guarantees that market participants (shareholders and potential shareholders in particular) have equal access to information. The Inditex website plays an important role in putting this policy of communicative transparency and equal access to information into practice: examples include the Investor Agenda, annual reports and presentations on the evolution of the Company.

INDITEX SHAREHOLDERS 31/1/2020	SHARES
Pontegadea Inversiones SL	1,558,637,990
Partler 2006 SL	289,362,325
Rosp Corunna Participaciones Empresariales SL	157,474,030
Institutional	1,055,732,995
Retail	53,321,668
Treasury stock	2,125,384
TOTAL	**3,116,654,392**

(1) The Company's shares are represented through book entries. The Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (Iberclear) is responsible for recording book entries.

In the interest of transparency, a full list of the entities and analysts that produce Inditex reports is also published on the corporate website (www.inditex.com).

02.01/ Individual Shareholders' Department

All private investors can contact the Individual Shareholders' Department to obtain detailed information on business developments and Inditex's future strategy.

In the 2019 financial year, we dealt with around 800 requests for information on the Company from individual shareholders. Inditex sends information and documentation so that all shareholders are adequately updated on the issues to be discussed at the Annual General Meeting. This facilitates the active participation in the decision-making process of the Group.

Investor Relations Department

Information on business developments is shown on the Inditex corporate website (www.inditex.com) and is distributed to our investor and analyst database with more than 1,100 entries. Inditex compliments this information with quarterly open access conference calls, and with presentations to analysts and investors throughout the fiscal year in the principal financial capitals of the world.

Furthermore, 38 financial and stock market entities publish analyses and reports on Inditex. The Company's shareholder structure includes institutional investors, holding 33.87% of share capital, together with 1.71% held by private investors who play a key role shaping the share price and its liquidity.

03/ Indices

Inditex is included in benchmark indices for both its financial performance and its best practices in sustainability.

03.01/ Euro STOXX 50/IBEX 35

Inditex has been included in Europe's leading Euro STOXX 50 index since 2011, and the selective Spanish IBEX 35 index since 2001.

03.02/ FTSE4Good

FTSE4Good is a sustainability-based index that has included Inditex since 2002. In 2019, the Company was awarded a score of 4.9 out of 5. The sustainability stock index includes global companies with a commitment to sustainability, taking into account environmental, social and corporate governance practices.

03.03/ Dow Jones Sustainability Index

The Dow Jones Sustainability Index (DJSI) assesses listed companies' sustainability performance annually, considering their economic, environmental and social conduct. In 2019, the DJSI rated Inditex as one of the world's most sustainable retail companies for the nineteenth consecutive year.

The ranking is compiled by S&P Dow Jones Indices using the methodology developed by sustainability investing specialist RobecoSAM. The firm invited 3,519 companies to take part in the assessment in 2019, with 1,130 ultimately being evaluated. Inditex was one of the companies involved as a DJSI World and DJSI Europe member. In addition, Inditex was awarded a gold medal in the Sustainability Yearbook 2019, produced by RobecoSAM.

We have consistently achieved the highest scores in the Retailing category since our company was first included in the index in 2002. In 2019 the Group achieved a total score of 68, placing it 40 points ahead of the industry average. It is now in the 97th percentile, just one point below the leading company in our sector for 2019. In fact, Inditex continues to be the industry leader in terms of environmental matters, receiving the highest score in this area.

	INDITEX SCORE					PERCENTAGE RANKING (1)					AVERAGE SCORE FOR THE SECTOR				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Economic	78	76	70	61	63	98	100	99	93	92	42	42	40	26	29
Environmental	98	97	96	91	95	100	100	100	100	100	29	33	33	23	31
Social	72	76	79	61	57	97	98	100	100	92	32	29	32	19	22
TOTAL	**81**	**80**	**78**	**68**	**68**	**97**	**98**	**100**	**100**	**97**	**37**	**36**	**36**	**23**	**28**

(1) Percentage of companies in the same sector with a score lower than that awarded to Inditex.

ROBUST COMPLIANCE ARCHITECTURE

Inditex's corporate ethical culture is at the core of its Compliance Model. Such Model not only seeks to establish a regulatory compliance system, but it also seeks to reflect Inditex's firm commitment to good governance and social and environmental sustainability, and convey such corporate ethical culture to all our stakeholders, promoting respect for fundamental Human and Labour Rights across our supply chain.

SDG	Goals	Contribution of Inditex
5	5.1 5.5	Our Code of Conduct and Responsible Practices and Code of Conduct for Manufacturers and Suppliers evidence how the gender equality principle is firmly embedded into Inditex's culture. In addition, our Diversity and Inclusion Policy actively fosters diversity and equal opportunities and embodies a zero-tolerance stance towards discrimination of any kind, including on the grounds of gender.
8	8.5	Inditex's Code of Conduct and Responsible Practices and its Code of Conduct for Manufacturers and Suppliers formally set down the firm's commitment to the provision of decent work. Both codes include a series of undertakings with respect to conduct and responsible practices, specifically including compliance with applicable legislation, internal rules and regulations and the external agreements Inditex has entered into.
16	16.5 16.7	The Code of Conduct and Responsible Practices encompasses a series of undertakings, including the commitment to engage in licit, ethical and respectful dealings with suppliers and public authorities, aligned with international standards for the prevention of corruption and bribery. In addition, Inditex has built a robust Compliance Model which transmits a genuinely ethical corporate culture to all its stakeholders.
17	17.7	Inditex has a Social Council, the body tasked with advising it on sustainability matters. It is made up of individuals and institutions that are external to and independent of the Group. Its core remit is to formalise and institutionalise Inditex's dialogue with the stakeholders deemed key in civil society. In 2019, Inditex's Board of Directors set up a new steering committee: the Sustainability Committee.

More information on pages 328 and 329 of this Annual Report.

A) Compliance

Foreword

Inditex ("Inditex", the "Company" or the "Group") relies on a well-rounded Compliance model (the "Compliance Model" or the "Model"), defined as a system to organise, prevent, detect, monitor and manage legal and reputational risks arising out of potential noncompliance with applicable mandatory regulations and standards, internal regulations and best practices.

Compliance Function

Inditex's Compliance Model is cross-cutting: it is a corporate function that serves all the commercial formats of the Inditex Group.

In order to organise and coordinate the management of the Model, the Compliance Function has been created, represented by the Committee of Ethics, which acts as the decision-making body, and the General Counsel's Office – Office of the Chief Compliance Officer ("General Counsel's Office – Office of the Chief Compliance Officer" or "GCO-OCCO"), responsible for the effective management of the Compliance Model.

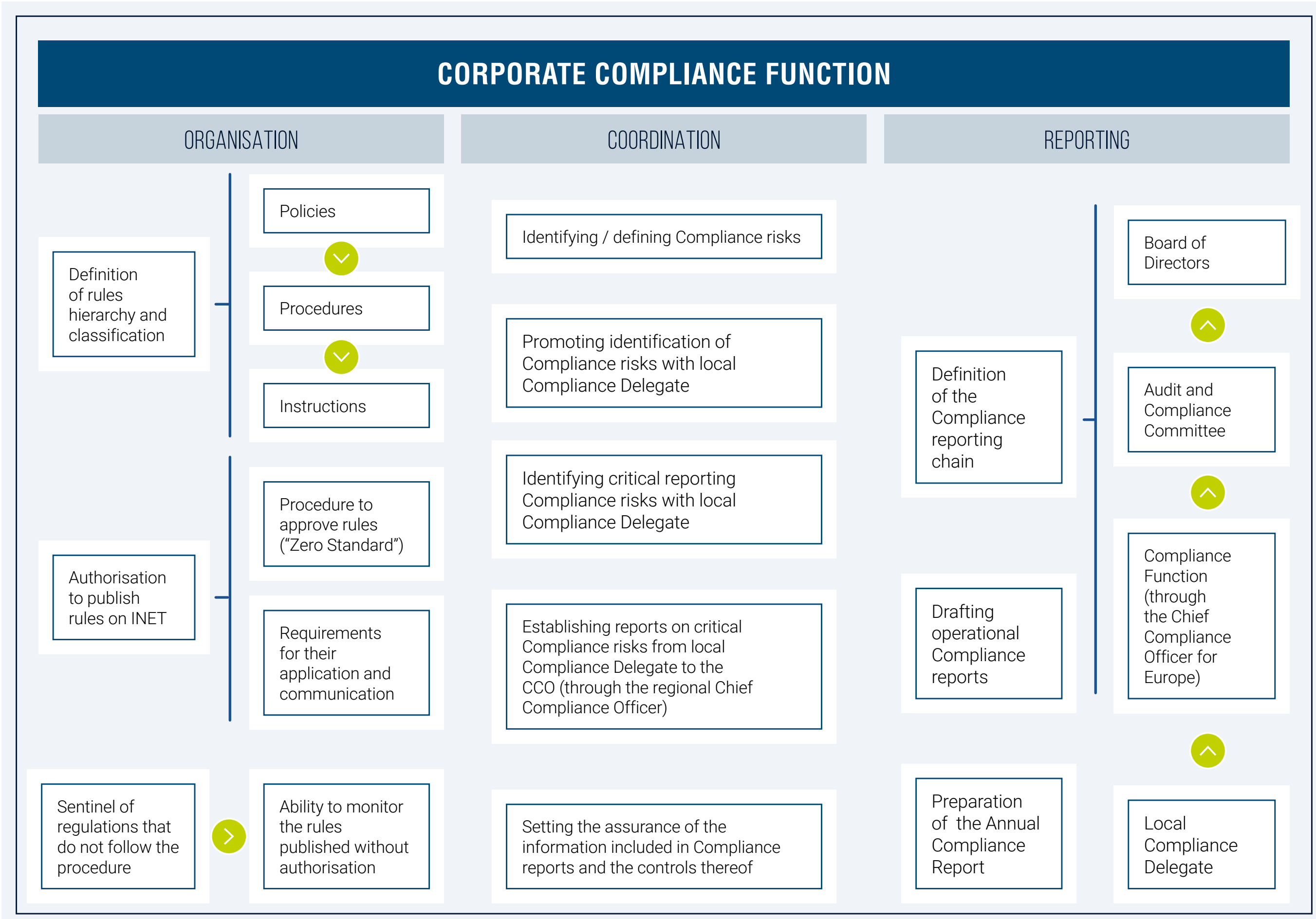
The Compliance Function carries out a threefold duty:

- Organisation: the GCO-OCCO guarantees that the internal regulations of the Company, consisting of Policies, Procedures and Instructions, are given priority.

- Coordination: the GCO-OCCO collaborates with the different areas and departments entrusted with compliance functions in identifying potential risks of noncompliance and defining and implementing controls to prevent their materialisation.

- Reporting: all departments entrusted with compliance functions regularly report to the GCO-OCCO any critical aspects which may have an impact on Inditex, from a compliance perspective. GCO-OCCO consolidates the information gathered in a report approved on a half-yearly and annual basis by the Committee of Ethics. Such report is submitted to the Board of Directors via the Audit and Compliance Committee.

The Compliance Function is governed by the Compliance Policy and the Compliance Management Procedure.



Structure of the Compliance Model

Based upon the guidelines provided in the regulatory framework, namely the provisions on criminal liability of legal persons of the Spanish Criminal Code, as amended, Inditex has set in train a structure of (high level) core regulations which constitute the key points of the Company's Compliance Model. Such core regulations at the basis of the Model are:

- **The Code of Conduct and Responsible Practices,** which reflects Inditex's business culture and sets forth the ethical lines of action that must be followed by all employees of the Inditex Group upon engaging in their occupation.

- **The Code of Conduct for Manufacturers and Suppliers,** which defines the minimum standards for an ethical behaviour which must be met by all manufacturers and suppliers of the Inditex Group.

In addition to such core regulations (and their respective organisational documents), Inditex has approved a number of regulations which are also deemed to be high-level and cross-cutting.

The regulations at the basis of the Model of Criminal Risk Prevention of the Inditex Group, that seeks to prevent or, as the case may be, reduce a potential perpetration of offences should be mentioned first:

- **The Policy on Criminal Risk Prevention** that associates commitments to an ethical conduct undertaken under the Code of Conduct and Responsible Practices with such offences whose perpetration by the employees and/or the Group itself the Policy intends to prevent.

- **The Criminal Risk Prevention Procedure** that sets out the duties of the Committee of Ethics in the field of criminal risk prevention, and the organisational measures of the Company in this area.

- **The Scoping Matrix of Criminal Risks and Controls** that sets out the criminal risks and controls established to prevent the materialisation of such risks.

The Model of Criminal Risk Prevention is the cornerstone of the Compliance Model.

The Model of Criminal Risk Prevention is subject to an ongoing process of verification (internal and external), update and improvement, to bring it into line with the development and growth of the Inditex Group, and statutory requirements, recommendations and best practices from time to time existing in the field, thus ensuring its effectiveness and the appropriate operation of the controls which are part of the Scoping Matrix of Criminal Risks and Controls

Within the scope of such Model of Criminal Risk Prevention, a number of regulations have been approved further to statutory obligations comprising the regulatory framework applicable to Inditex. Namely, for the purposes of ensuring that all Inditex employees and those third parties with whom they are engaged in any business relationship comply with the main anti-bribery and anti-corruption regulations applicable in the markets where the Group is present, the so-called **Integrity Policies** have been approved. Such Policies endorse the provisions set out in ISO 37001 standard and implement the ethical values of the Group, defined in the Codes of Conduct. The Integrity Policies consist of:

- **The Policy on Donations and Sponsorships,** which covers the requirements that donations and sponsorships must meet to be made and/or accepted.

- **The Policy on Gifts and Business Courtesies,** which covers the requirements that must be met for the offering and/or acceptance of gifts and business courtesies to be valid and compatible with Inditex's conduct regulations.

- **The Policy on Dealings with Public Servants,** which (i) expressly forbids briberies in the public or private sectors; (ii) covers extortion payments; (iii) expressly forbids facilitation payments; and (iv) establishes due diligence processes implemented to ensure that the conduct of such third parties with whom Inditex has relationships is in line with the ethical values, regulations and standards of the Company, the applicable regulations in the markets and the existing best practices regarding anti-bribery.

Furthermore, the so-called Conflicts of Interest Policy was approved in 2019. Such Policy sets out the principles and yardsticks that must be considered to prevent, detect, disclose and manage such conflicts of interest which may affect Inditex employees in the performance of their job, jeopardising their requisite objectivity or professionalism.

As a demonstration of Inditex's unwavering commitment to anti-money laundering and the prevention of terrorist financing activities and its will to work with the competent authorities, Inditex relies on the Anti-Money Laundering and Terrorist Financing Policy. Such Policy defines the due diligence processes in the field implemented within the Company taking into account the different business it conducts, that is:

- The process to limit cash payments at stores; and

- The process to identify and review business partners, suppliers and other third parties, with whom Inditex has a business relationship.

Such due diligence processes have been made a part of the Company's internal regulations in particular via:

- The Due Diligence Policy, which addresses the due diligence process which consists of identifying and reviewing all business partners and third parties with whom Inditex has trade relations, in the field of corruption, fraud, international trade sanctions and/or any other risks of a similar nature. Therefore, this is a process independent from any other social, environmental, operational, financial, commercial review or otherwise, that the Group may carry out in respect of suppliers or other third parties.

  Likewise, the Due Diligence Procedure covers the organisational measures implemented by the Company to duly monitor third parties with which it is associated. In 2019, work has been done to implement the third-parties due diligence project which will be fully operational in FY2020.

- The Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorised Markets, which sets out restrictions to hire suppliers, as only suppliers who have their registered office in markets authorised by the Group and which meet statutory and business operability criteria can be hired.

[Further and more detailed information on Inditex's Model of Criminal Risk Prevention and its management and oversight bodies is provided in the Statement on Non-Financial Information of the Group, which is in an integral part of the Directors' Report, as Annex IV.]

Pursuant to the provisions of the above-referred Integrity Policies and to Inditex's work and ethical culture, the Company does not make any direct or indirect contributions to any political parties, foundations related to them or candidates to public offices.

Other internal regulations with a significant weight within Inditex, are:

a. The Financial Risk Management Policy.

b. The Enterprise Risk Management Policy.

c. The Corporate Social Responsibility Policy.

d. The Environmental Sustainability Policy.

e. The Tax Policy and Strategy.

f. The Internal Regulations of Conduct regarding Transactions in Securities (IRC).

g. The Policy on Internal Control over Financial Reporting System (IFRS).

h. The Health and Safety Policy.

i. The Standard for Procurement Management.

j. The Policy on Human Rights.

k. The Corporate Citizenship Policy.

l. The Diversity and Inclusion Policy.

m. The Occupational Health and Safety Policy.

International roll-out of the Compliance Model

Inditex has encouraged the international roll-out and implementation of the Compliance Model across all Group's companies and all the markets where it operates.

The global management of the Compliance Model is led by the corporate Compliance Function, with the support of regional Compliance Officers appointed in Europe, Asia and America, who in turn rely on local Compliance delegates in each market where the Company is present.

As part of this international roll-out process, different local policies have been implemented that seek to comply with the legal requirements and the recommendations existing in the different jurisdictions. In this regard, special mention should be made of the approval of the Code of Conduct for the USA, Puerto Rico and Canada, in line with applicable regulations and existing best practices in the field in such countries.

Specific anti-corruption models have been implemented for the purposes of meeting statutory requirements existing in certain jurisdictions. Such models are also subject to an ongoing process of verification (internal and external), update and improvement.

Information, Awareness-raising and Training on Compliance

a) Communication, and internal and external circulation

Inditex has implemented a repository of regulations duly arranged, easy to find and available on the Company's intranet, under the "Compliance" section, which can be accessed from any device. Such repository allows the appropriate circulation of the Company's regulations and helps monitor, implement and assess the Compliance Function.

Likewise, the Company's main regulations are also available to the different stakeholders, on the corporate website (www.inditex.com), under the new "Compliance" tab, as well as on the suppliers' web.

For the purposes of further ensuring at the highest level, the Company's formal commitment to an ethical and responsible behaviour as part of the Group's business culture and especially, to the Model of Criminal Risk Prevention, GCO-OCCO is responsible for:

- Apprising and keeping members of the Board of Directors duly updated, by means of a quarterly follow-up, on the following issues: (i) the enforcement of the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers; (ii) the findings of the supervision of the Model of Criminal Risk Prevention of the Group; and, (iii) the proceedings to implement such Model, both at domestic and international level (i.e., proceedings relating to the acceptance of the Code of Conduct and Responsible Practices, and the circulation, communication and training in the field).

- Timely disclosing any and all corporate internal regulations approved to this end, to all officers and supervisors of area and activities of the Group (i.e., brand directors, heads and supervisors of corporate areas, heads of subsidiaries in other markets and their chief financial officers, and other heads and supervisors of activities and departments), reminding them of their obligation to circulate the communication and the regulations to all the relevant staff members within their purview. Upon determining any other potential recipients, GCO-OCCO also considers the specific scope of application of each policy and procedure subject to communication.

Other communication and internal circulation initiatives addressed to Group employees are also carried out (e.g. displaying posters about the Code of Conduct and the Ethics Line at stores of the different formats and markets, with direct access thereto in local language, via a QR code; posting online highlights on the intranet, etc.). Special mention should be made of the email sent from the Ethics Line address to all officers and middle managers of the Group, and to such Group employees in Spain, who on account of their relationship with suppliers and/or third parties, must be expressly aware of the risks relating to private-to-private corruption or business corruption, reminding them of the provisions of the Code of Conduct and Responsible Practices and the Policy on Gifts and Business Courtesies regarding acceptance and receipt of gifts from suppliers.

b) Training

Inditex pays special attention to training as a key tool to raise awareness and consolidate its corporate ethical and compliance culture among its employees and stakeholders. In this regard, Inditex provides training (both onsite and through the e-learning platform) fit for the different recipients thereof.

The Compliance Function is responsible for coordinating the different training and awareness-raising initiatives and proceedings in the field of Criminal Compliance (namely, regarding the Code of Conduct and Responsible Practices and the Ethics Line – formerly known as the "Whistle Blowing Channel" –), carried out by the different areas and departments entrusted with compliance duties, and for the joint reporting in the relevant annual report, pursuant to certain guidelines set out in the new Training Plan on Criminal Compliance for 2020. The Plan seeks to provide training on the different risk events which are relevant for the Company. The Plan has been drafted based upon the Map of Criminal Risks and Controls, stemming from the Scoping Matrix, further to its review and update.

The Committee of Ethics approved in 2019 the Report on Training on Criminal Compliance for 2019 that reviews the training, dissemination and communication proceedings carried out in the year and addresses the relevant plans for improvement.

The most relevant training and dissemination proceedings carried out in 2019 include:

- Training on the Code of Conduct and Responsible Practices, the Committee of Ethics and the Ethics Line run to all new hires both: (i) onsite, during the "Welcome Day" at Inditex headquarters and at the Group brands; and (ii) online, via OnAcademy, an e-learning platform.

  On the other hand, it should be mentioned that upon being hired, all employees are imparted specific training on the Code of Conduct and Responsible Practices, which they undertake to comply with either when they sign the employment agreement, which includes an adherence to the Code clause, or via the relevant statement.

  Consequently, considering the number of hires registered in 2019 versus the average staff, 29% of all Group employees have received training on the Code of Conduct and Responsible Practices in the year (29% of employees in 2018) as broken down below:

	% TOTAL	
GEOGRAPHIC AREA	2019	2018
Spain	14.9%	13.7%
Rest of Europe	31.5%	33.2%
America	34.2%	42.0%
Asia and Rest	44.9%	45.6%
TOTAL	29%	29%

	% TOTAL	
JOB CLASSIFICATION	2019	2018
Manager	1.8%	3.3%
Supervisor	1.6%	4.2%
Specialist	34.6%	33.9%
TOTAL	29%	29%

- The implementation of the plan for the circulation and acceptance of the Code of Conduct and Responsible Practices for the US has continued in 2019, with 99.99% of the US staff having adhered to such Code and received training on the same as at 31 December 2019 (vs 99% of staff as at 31 December 2018).

  Special mention should be made of the circulation, awareness-raising and internal training campaign on the Code of Conduct and Responsible Practices for Canada following its launch in August 2019.

  Following the publication of the Code by the management of the subsidiary and its posting on the corporate website and the local intranet, an intensive plan for the circulation of the Code and the acceptance thereof by the employees has been launched: (i) posters of the Code of Conduct and the Ethics Line are on display at the stores of the different brands in the market, as well as at headquarters, with a QR code to have direct access thereto; and, (ii) training on the Code has been run during the "Morning Meetings" held at the stores of the different brands in the market.

  As at 31 January 2020, 86% of the employees of the Canadian subsidiary had adhered to and received training on the Code of Conduct and Responsible Practices.

- Also noteworthy is the training on the Code of Conduct and Responsible Practices campaign launched in 2019 at all the stores of all Group brands in China, France and Turkey. A module on anti-corruption and the Ethics Line was included in such training.

  As at 31 January 2020, training on the Code of Conduct and Responsible Practices had been imparted in 550, 265 and 230 stores in China, France and Turkey, respectively. This means that, as at 31 January 2020, 95%, 56% and 99% of store staff in China, France and Turkey, respectively, had received training on the Code of Conduct and Responsible Practices.

- Onsite training addressed to the following groups which are, on account of their position and responsibility, or the type of activity they carry out, exposed to a higher risk of perpetrating offences relating to private-toprivate corruption:

  - Governing bodies of the Group:

    - Managers of Group brands in Spain and other corporate supervisors, and supervisors of areas have received training on the Code of Conduct and Responsible Practices, the Integrity Policies and the Conflicts of Interest Policy.

    - Onsite training and training via video conference has been run to subsidiaries' directors, brand managers, corporate supervisors and supervisors of other areas of the different subsidiaries of the Group in Europe (France, Italy and UK) and America (Argentina, Canada, Chile, USA and Mexico) on a number of topics, including without limitation, the Code of Conduct and Responsible Practices, the Integrity Policies and the Conflicts of Interest Policy, and in particular in France, Italy, Mexico and UK, the relevant anti-corruption or criminal risk prevention models.

    - Specific training on the 3rd parties Due Diligence Policy and Procedure has been imparted to 10 Chief Financial Officers of foreign subsidiaries.

    This means that 20.20% of Group officers and in particular 33.33% of senior managers have received training on Criminal Compliance (in 2018, 34.7% of officers and 100% of senior managers, respectively).

  - Other groups of employees:

    - Employees of Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Zara Home, Oysho, Uterqüe and Tempe who, on account of their job, are often in contact with suppliers and/or civil servants or public administrations (namely, commercial teams), have received training on the Code of Conduct and Responsible Practices - in particular, on corruption, fraud and bribery prevention, and on conflicts of interest -, and the Ethics Line (94.2% of Zara's commercial teams in 2018).

    This is one of the most relevant training proceedings since: (i) members of commercial teams of the above referred brands represent 30% on aggregate number of commercial teams' staff of the Group (36.9% in 2018); and (ii) such training is addressed to a larger number of groups, as it is also imparted to employees of departments or areas other than commercial teams who are also exposed to a high risk of corruption.

    This initiative is expected to be further implemented in 2020 at Lefties, the commercial team of e-commerce and other groups of employees who are, on account of their job, highly exposed to this type of risk.

    - Purchase team of ITX Trading subsidiary in China has received training on the Code of Conduct and Responsible Practices, and in particular, on corruption and bribery, conflicts of interest and the Ethics Line.

    Inditex has a number of product purchase offices not based at the headquarters of the Group brands. The purchase office in China represents approximately 30% of the aggregate number of employees of such offices, and the employees of this specific purchase office to whom training was run represent 16% of total number of staff members of such offices (35% in 2018, including the employees of the purchase office in Turkey who received training).

    This initiative is expected to extend to the remaining purchase offices of the Group throughout 2020.

    - Specific training on the 3rd parties Due Diligence Policy and Procedure has been imparted to 21 Chief Accounting Officers of foreign subsidiaries and to all legal heads of the Group.

To ensure maximum transparency, Inditex posts all relevant communications on its corporate website, as well as the results releases, reporting on the meetings and other proceedings with institutional investors.

B) Good Corporate Governance

Corporate Governance can be defined as the manner in which companies are organised, managed and controlled. Therefore, it qualifies as a general and cross-cutting branch within the scope of Compliance management and organisation, that seeks to ensure compliance at all times and at the highest level, to wit, by members of management and members of the Board of Directors, with regulations, recommendations and best practices in the field.

In this context, good corporate governance is in place, when directors and officers responsible for governance, proceed diligently, ethically and with transparency in the performance of their duties, are held accountable for their deeds, which are subject to verification and monitoring, both internal and external, and ensure balance of powers, respect and equal treatment of all shareholders, namely of minority ones.

Section 5.4. of the Board of Directors' Regulations reads as follows: *"The Board of Directors shall perform its duties in accordance with the corporate interest, it being understood as the viability and the maximization of the Company' s value in the long term for the common interest of all the shareholders, which shall not prevent taking into account also other lawful interests, whether public or private, concurring on the development of the business activity, especially those of the other "stakeholders" of the Company: employees, customers, suppliers and the civil society in general. The Board of Directors shall determine and review the business and financial strategies of the Company in the light of said criterion, seeking a reasonable balance between the proposals passed and the risks assumed."* Thus, the enhancement of the Company's value may only be understood as an ongoing building value process with regard to each and every stakeholder therein involved: employees, shareholders, customers, business partners, suppliers and the society at large, i.e., a socially responsible business model that allows ongoing dialogue and serves the common interests of all the groups associated with the Company.

The concept of good corporate governance is an essential part of the corporate Compliance model and a strategic tool to implement the ethical, effective and competitive business model.

Annual Corporate Governance Report

In line with the foregoing, the Annual Corporate Governance Report for financial year 2019 (from 1 February 2019 through 31 January 2020) approved by Inditex's Board of Directors, available on the corporate website (www.inditex.com) and on CNMV[1]'s website (www.cnmv.es) provides full and reasoned information about the structure and governance practices of the Company. As regards its format, contents and structure, the 2019 Annual Corporate Governance Report has been filed in accordance with the provisions of applicable regulations, and of CNMV's Circular 2/2018, of 12 June, which amended (i) Circular 5/2013 of 12 June, that established the standard forms for the annual corporate governance report of listed public companies, savings banks and other entities that issue securities admitted to trading on official securities market; and (ii) Circular 4/2013 of 12 June that established the standard forms for the annual report on remuneration of directors of listed public companies, and of members of the board of directors and control committees of savings banks issuing securities admitted to trading on official securities markets (**"Circular 2/2018"**). This Report has been filed in a free format, in accordance with the provisions of Circular 2/2018, above referred.

In 2019 the degree of compliance with the applicable recommendations of CNMV' Unified Good Governance Code of Listed Companies (GGC) stands at 99%.

(1) CNMV stands for Comisión Nacional del Mercado de Valores, the Spanish Securities and Exchange Commission

Regulations on corporate governance

Inditex's corporate governance regulations are listed below, together with the date when they were last amended:

INTERNAL REGULATIONS	COMPETENT GOVERNING BODY	DATE OF APPROVAL / LAST AMENDMENT
Articles of Association	General Meeting of Shareholders	16-07-2019
Regulations of the General Meeting of Shareholders	General Meeting of Shareholders	14-07-2015
Board of Directors' Regulations	Board of Directors	16-07-2019
Audit and Compliance Committee's Regulations	Board of Directors	16-07-2019
Nomination Committee's Regulations	Board of Directors	16-07-2019
Remuneration Committee's Regulations	Board of Directors	16-07-2019
Sustainability Committee's Regulations	Board of Directors	16-07-2019
Internal Regulations of Conduct regarding transactions in Securities (IRC)	Board of Directors	16-07-2019
Remuneration Policy for Directors	General Meeting of Shareholders	16-07-2019

Transparency and information

Good governance requires that stakeholders may have regular and timely access to any relevant, appropriate and reliable information, both as regards governance regulations and exercise, and the results achieved.

Therefore, in order to achieve maximum transparency, in addition to disclosing all relevant information and communications on its corporate website (www.inditex.com), Inditex has kept the market regularly posted in 2019 by submitting the relevant "Results releases" and by means of meetings and other proceedings with institutional investors.

A summary of the most relevant issues of Inditex's Corporate Governance is included in this section of the Annual Report:

Ownership structure.

2. General Meeting of Shareholders.

3. Board of Directors.

4. Board Committees and other governing bodies.

5. Remuneration.

6. Senior managers.

7. Related-party transactions and conflict of interest situations.

8. Transparency, independence and good governance.

9. Internal Regulations of Conduct regrading Transactions in Securities (IRC) and Compliance Supervisory Board (CSB).

01/ Ownership structure

01.01/ Share capital

As at 31 January 2020, Inditex's share capital amounted to €93,499,560.00 represented by 3,116,652,000 shares.

All shares are of the same class and series, are represented by the book-entry method and are fully paid-up and subscribed. All of them carry the same voting and economic rights.

01.02/ Market capitalization

Inditex has been listed on the different Spanish Stock Exchanges since 23 May 2001 and has been part of the selective Ibex 35 index since July 2001. In addition, it has been part of the Stoxx Europe 600 since September 2001, of the selective Morgan Stanley Capital International index since November 2001, of the Dow Jones Sustainability index since September 2002, of the FTSE4Good index since October 2002 and of the FTSE ISS Corporate Governance index, since its launching in December 2004.

As at 31 January 2020, Inditex's share price per the listing price on Spain's Electronic Trading System (continuous market) was €31.38 per share.

01.03/ Share capital ownership

The Company issues bearer shares, represented by the book-entry method. Notwithstanding this, pursuant to section 497 of the revised text of the Spanish Companies Act approved by Real Decreto Legislativo 1/2010, of 2 July, (the "Companies Act" or "LSC" [Spanish acronym]), the contract entered into by Inditex and Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) [Spanish Central Securities Depositary in charge of the Register of Securities, and the Clearing and Settlement of all trades] regarding the daily share ownership notification service has remained in effect in 2019. As at 31 January 2020, board members had a 59.371% equity interest in the Company's share capital, broken down as follows:

	% OF SHARES CARRYING VOTING RIGHTS		% OF VOTING RIGHTS THROUGH FINANCIAL INSTRUMENTS			% VOTING RIGHTS THAT CAN BE TRANSMITTED THROUGH FINANCIAL INSTRUMENTS	
NAME OR COMPANY NAME OF DIRECTOR	DIRECT	INDIRECT	DIRECT	INDIRECT	% OF TOTAL VOTING RIGHTS	DIRECT	INDIRECT
Mr Pablo Isla Álvarez de Tejera	0.063%	-	0.008[2]%	-	0.071%	-	-
Mr Amancio Ortega Gaona	-	59.294%	-	-	59.294%	-	-
Mr Carlos Crespo González	0.001%	-	0.004[3]%	-	0.005%	-	
Mr José Arnau Sierra	0.001%	-	-	-	0.001%	-	-
PONTEGADEA INVERSIONES, S.L.	50.010%	-	-	-	50.010%	-	-
Bns Denise Patricia Kingsmill	-	-	-	-	-	-	-
Ms Anne Lange	-	-	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%	-	-
Mr Rodrigo Echenique Gordillo	-	-	-	-	-	-	-
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-	-	-

(2) With regard to the second cycle of the 2016-2020 Long-term Incentive Plan, the Executive Chairman may receive up to a maximum of 95,651 shares, i.e. 0.003%. Likewise, with regard to the first cycle of the 2019-2023 Long-term Incentive Plan, the Executive Chairman may receive up to a maximum of 161,361 shares, i.e. 0.005%.

(3) With regard to the second cycle of the 2016-2020 Long-term Incentive Plan, the CEO may receive up to a maximum of 20,666 shares, i.e. 0.001%. Likewise, with regard to the first cycle of the 2019-2023 Long-term Incentive Plan, the CEO may receive up to a maximum of 106,752 shares, i.e. 0.003%

In addition to board members, according to the Company's Register of Shareholders, and as it is inferred from the public information filed with CNMV, the owners of significant holdings in the Company, excluding board members, were:

- Partler 2006, S.L. (owner of 289,362,325 shares, representing 9.284% of the share capital)

- Rosp Corunna Participaciones Empresariales, S.L.U[4]. (owner of 157,474,030 shares, representing 5.053% of the share capital).

01.04/ Rights on shares

The second and last cycle (2017-2020) of the 2016-2020 Long-term Incentive Plan accrued on 31 January 2020. Such Plan was approved by the Board of Directors on 8 March 2016, on the proposal of the Remuneration Committee, and by the Annual General Meeting held on 19 July 2016.

Under such Plan, executive directors have accrued the following incentive, respectively:

Executive Chairman:

- An incentive in cash in the gross amount of €769k.

- An incentive in shares equivalent to 31,888 shares

CEO

- An incentive in cash in the gross amount of €46k. This is the amount accrued from the date of his appointment as CEO on 16 July 2019, through 31 January 2020.

- An incentive in shares materialised in 1,259 shares. Such number corresponds to the part accrued from the date of his appointment as CEO on 16 July 2019 through 31 January 2020.

With regard to the above-referred second cycle of the plan, the incentive was delivered within the month following the statement by the Board of Directors of the annual accounts for 2019, i.e., in April 2020.

The new 2019-2023 Long-Term Incentive Plan addressed to members of management and other employees of Inditex and its Group is in effect in 2020. The Plan was approved by the Annual General Meeting held on 16 July 2019.

Pursuant to the terms and conditions of such Plan approved by the Annual General Meeting on 16 July 2019 (full text of the resolution is available on www.inditex.com), the Executive Chairman and the CEO might obtain a maximum number of 390,000 and 260,000 shares, respectively.

01.05/ Shareholders' agreements

No notice has been received by Inditex regarding the existence of any shareholders' agreements in respect of voting rights in annual general meetings, or which may limit the free transfer of shares, nor has it learned about any concerted actions between its shareholders.

01.06/ Own shares

The authorisation granted by the Annual General Meeting on 16 July 2019, by virtue of which the Board of Directors is authorised to acquire the Company's own shares, is in effect (the full text of this resolution is available on www.inditex.com). Such authorisation superseded the previous one, approved by the Annual General Meeting on 19 July 2016.

As at 31 January 2020, Inditex was the owner of 2,125,384 treasury shares representing 0.068% of the share capital.

02/ General meeting of shareholders

The General Meeting of Shareholders duly convened and with a quorum present, pursuant to statutory provisions and those of the Articles of Association and its own Regulations, is the supreme and sovereign body of expression of the will of the Company. Its resolutions are binding on all shareholders, including absent or dissenting shareholders, without prejudice to any remedies they may have at law.

02.01/ Authorities

The General Meeting of Shareholders is authorised to pass all kinds of resolutions concerning the Company. In particular, without prejudice to any other powers vested by the applicable regulations, the exercise of the following powers is reserved to such body:

(4) Ms Sandra Ortega Mera and Mr Marcos Ortega Mera are the indirect owners of significant holdings through such company.

(a) To resolve on the individual annual accounts of the Company and, where appropriate, on the consolidated accounts of the Company and its Group, as well as on the distribution of the income or loss.

(b) To appoint, re-elect and remove directors, as well as, confirm or revoke interim appointments of directors made by the Board of Directors, and to review their management.

(c) To approve the adoption of remuneration systems consisting of the granting either of shares or stock options, as well as any other remuneration system linked to the value of the shares, for the benefit of directors.

(d) To approve the directors' remuneration policy pursuant to statutory terms.

(e) To conduct, as a separate item on the agenda, an advisory say-on-pay vote on the Annual Report on Remuneration of Directors.

(f) To authorize the release of the directors from the duty of preventing conflicts of interest and of the prohibitions arising from the duty of loyalty, when the authorisation to release them is attributed by statute to the General Meeting of Shareholders, as well as from the obligation not to compete with the Company.

(g) To authorise the Board of Directors to increase the Company's share capital, or to proceed to the issue of bonds convertible into Company's shares.

(h) To resolve the issue of bonds convertible into Company's shares or which allow bondholders to participate in the company's earnings, the increase or the reduction of the share capital, the exclusion or restriction of the pre-emptive right, the transformation, merger, split-off or winding-up of the Company, the global assignment of assets and liabilities, the approval of the final balance sheet of liquidation, the transfer of the registered office abroad, and generally, any other amendment whatsoever of the Articles of Association.

(i) To authorise the Board of Directors to increase the Company's share capital, or to proceed to the issue of bonds convertible into Company's shares.

(j) To approve such transactions which entail a structural amendment in the Company, and namely: (i) the transformation of listed companies into holding companies, through "subsidiarization" or the assignment to subsidiaries of core activities theretofore carried out by the Company, even though the Company retains full control of such entities; (ii) the acquisition, disposal or contribution of essential assets to another company; and, (iii) such transactions which entail an effective amendment of the corporate objects and those having an effect equivalent to the liquidation of the Company.

(k) To appoint, re-elect and remove the statutory auditor.

(l) To appoint and remove, where appropriate, the Company's liquidators.

(m) To approve the Regulations of the General Meeting of Shareholders and any subsequent amendment thereof.

(n) To resolve on the matters submitted to it by a resolution of the Board of Directors.

(o) To give directions to the Board of Director or to submit to its prior authorisation the passing by the Board of Directors of decisions or resolutions on certain management matters; and

(p) To grant to the Board of Directors such powers it may deem fit to deal with unforeseen issues.

02.02/ Proceedings of the General Meeting of Shareholders

The Board of Directors must call the Annual General Meeting once a year, within the first six months of the closing of each financial year in order to, at least, review the Company's management, approve, where appropriate, the financial statements of the previous year and decide upon the distribution of income or loss.

The Extraordinary General Meeting shall meet when the Board of Directors so resolves, or when a number of shareholders representing at least 3% of the share capital so request, expressing in the request the business to be transacted. In this latter case, the General Meeting of Shareholders must be convened to be held within the term provided in the applicable regulations and the agenda of the meeting must necessarily include the matters that were the subject of the request.

In the resolutions regarding the notice calling of the Annual General Meeting, the Board of Directors shall require the presence of a Notary to take up the minutes of the Meeting.

General Meetings must be convened by the Board of Directors through notice published in the Official Gazette of the Companies Register or in one of the newspapers with the largest circulation in Spain, on the Company's website (www.inditex.com) and on CNMV's website (www.cnmv.es), at least one month in advance of the day scheduled for the meeting to be held, or within any longer period required by statute, where appropriate, on account of the scope of the resolutions submitted for deliberation. The notice must state the name of the Company, the day, time and place of the meeting, as well as the date on which, if appropriate, the General Meeting shall be held on second call. There must be at least a 24-hour period between the first and the second call. The notice shall likewise state, clearly and precisely, all the business to be transacted therein.

No later than the date of publication, or at any rate, on the business day that immediately follows, the Company shall send the notice calling the meeting to CNMV, and to the Governing Organisations of the Stock Exchanges where the Company's shares are listed for its insertion in the relevant Listing Bulletins.

Notwithstanding the above, the General Meeting shall be deemed to have been duly called and a quorum shall be deemed to be present to transact any business, whenever the whole share capital is present and all those attending unanimously agree to hold the meeting.

02.03/ Quorum required to hold a valid General Meeting of Shareholders

CALL	GENERAL RULE (SEC. 193 LSC)	SPECIAL CASES (SEC. 194 LSC)
First	Attendance of shareholders, present or by proxy, owning at least 50% of the subscribed share capital with the right to vote shall be required.	
Second	Generally, a quorum shall be present regardless of the share capital attending the meeting	Attendance of shareholders representing at least 25% of the subscribed share capital with the right to vote shall be required.

02.04/ Passing of resolutions

The system regarding passing of resolutions is that provided in the Companies Act.

02.05/ Attendance to the Annual General Meeting held in FY2019 and the two previous years:

	ATTENDANCE DATA				
			% DISTANCE VOTING		
DATE AGM	% PHYSICALLY PRESENT	% PRESENT BY PROXY	ELECTRONIC VOTING	OTHERS	TOTAL
18-07-2017	0.08%	86.56%	0.68%(1)	87.32%	
17-07-2018	0.08%	88.15%	0.002%(2)	0.013%(2)	88.245%
16-07-2019	0.08%	87.19%	0.001%(3)	0.349%(3)	87.619%

(1) One hundred and fourteen shareholders cast their vote through distance communication means, by post, or electronic vote.

(2) One hundred and nineteen shareholders cast their vote through distance communication means, by post, or electronic vote.

(3) Three hundred and sixty-one shareholders cast their vote through distance communication means, by post or electronic vote.

02.06/ Resolutions passed

The full text of the resolutions passed by the Annual General Meeting held in FY2019 and the result of the votes thereof are available on www.inditex.com. All resolutions were passed by majorities of votes for ranging from 99.10% to 100%.

Specifically, resolutions were passed regarding the items below:

"1.- Review and approval, where appropriate, of the Annual Accounts (Balance Sheet, Income Statement, Statement of Changes in Equity, Statement of Cash Flows and Notes to the accounts) and Directors' Report of Industria de Diseño Textil, Sociedad Anónima, (Inditex, S.A.) for financial year 2018, ended 31 January 2019.

2.- Review and approval, where appropriate, of the Consolidated Annual Accounts (Consolidated Balance Sheet, Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows and Notes to the consolidated accounts) and Consolidated Directors' Report of the Inditex Group for financial year 2018, ended 31 January 2019.

3.- Review and approval, where appropriate of the Statement on Non-financial Information (Act 11/2018, of 28 December, on mandatory disclosure of non-financial information).

4.-Distribution of the income or loss of the financial year and declaration of dividends.

5.- Determining the new number of directors.

6.- Re-election and appointment of members of the Board of Directors:

a) Re-election of Mr Pablo Isla Álvarez de Tejera to the Board of Directors, as executive director.

b) Re-election of Mr Amancio Ortega Gaona to the Board of Directors, as non-executive proprietary director.

c) Appointment of Mr Carlos Crespo González to the Board of Directors, as executive director.

d) Re-election of Mr Emilio Saracho Rodríguez de Torres to the Board of Directors, as non-executive independent director.

e) Re-election of Mr José Luis Durán Schulz to the Board of Directors, as non-executive independent director.

7.-Amendment of the Articles of Association to bring them into line with the latest amendment of the Companies Act, the renaming of the Audit and Control Committee (hereinafter, "Audit and Compliance Committee") and the formation of a new Sustainability Committee:

a) Amendment of article 13 ("The General Meeting of Shareholders") in Part I ("General Meeting of Shareholders") Chapter III ("Governing Bodies of the Company").

b) Amendment of article 22 ("Board of Directors"), article 28 ("Audit and Compliance Committee"), article 29 ("Nomination Committee") and article 30 ("Remuneration Committee", and addition of a new article 30bis ("Sustainability Committee"), all of them in Part II ("Board of Directors") Chapter III ("Governing Bodies of the Company").

c) Amendment of article 34 ("Annual Accounts. Accounting documents. Review of the annual accounts"), article 37 ("Declaration of dividends") and article 38 ("Filing of accounts"), in Chapter IV ("Financial year, annual accounts: verification, approval and publication. Distribution of income or loss").

8.- Re-election of Deloitte, S.L. as Statutory Auditor of the Company and its Group for FY2019.

9.- Approval, where appropriate, of a long-term incentive plan in cash and in shares, addressed to members of management, including the executive directors, and other employees of the Inditex Group.

10.- Authorisation to the Board of Directors for the derivative acquisition of own shares, superseding the authorisation approved by the Annual General Meeting in 2016.

11.- Partial amendment of the remuneration policy for directors for financial years 2019, 2020 y 2021, in order to add the annual fixed remuneration of Mr Carlos Crespo González for the performance of executive functions.

12.- Advisory vote (say on pay) on the Annual Report on the Remuneration of Directors.

13.- Granting of powers to implement resolutions.

14.- Reporting to the Annual General Meeting on the amendment of the Board of Directors' Regulations and the formation of a new Sustainability Committee.

02.07/ Shareholders' rights

Any shareholder may attend the General Meeting of Shareholders regardless of the number of shares they hold.

All shares of the Company carry the same voting and economic rights, without there being any statutory or by-law restrictions on the acquisition or transfer of shares.

As regards the exercise of voting rights, the only restriction is that provided in section 83.1 of the Companies Act, according to which any shareholder who is in arrears regarding any outstanding payments may not exercise their voting right.

No restrictions to the right to cast vote through distance communication means exist either, which may be exercised by any shareholder.

02.08/ Encouragement of informed participation of shareholders

The information on the Annual General Meeting of Shareholders held in 2019 is included in the new section "Compliance", "Good Corporate Governance", "General Meeting of Shareholders" on the Company's website (https://www.inditex.com/en/investors/corporate-governance/annual-general-meeting), available to shareholders from the date the notice calling the Annual General Meeting has been posted, facilitating the participation of all shareholders pursuant to the provisions of the Companies Act.

02.09/ Investors relations

Information on investors relations and namely the "Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors" is provided in the section headed "Investors and Stock Market indexes" of this Annual Report.

03/ Board of directors

Except for such matters exclusively within the purview of the shareholders at the General Meeting of Shareholders, the Board of Directors is the highest decision-making, supervisory and monitoring body of the Company, as it is entrusted with its administration, management and representation, delegating as a general rule the management of the day-to-day business of the Company to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding Inditex's policy, monitoring the management bodies, evaluating the performance of officers, making the most relevant decisions for the Company and liaising with the shareholders.

It is also incumbent on the Board of Directors to ensure that the Company enforces its social and ethical duties, and its duty to act in good faith with regard to its relationship with its employees and with third parties, as well as to ensure that no individuals or small groups of individuals have decision power within the Company which has not been subjected to counterweights and controls, and that no shareholder receives a more privileged treatment than the others.

The Board performs its duties in accordance with the corporate interest, it being understood as the viability and maximisation of the Company's value in the long term in the interest of all the shareholders, which shall not prevent taking into account the rest of lawful interests, either public or private, that concur in the development of every business activity, and especially those of the other "stakeholders" of the Company (employees, customers, suppliers and civil society at large), determining and reviewing its business and financial strategies pursuant to said criterion, trying to achieve a reasonable balance between the proposals chosen and the risks taken.

03.01/ Authorities

The Board of Directors shall directly exercise the following powers

(a) Approval of the general policies and strategies of the Company, and namely:

(i) The strategic or business plan as well as the annual management goals and budget;

(ii) The investment and financing policy;

(iii) The dividends and treasury stock policy and namely, the limits thereof, pursuant to statute;

(iv) The design of the structure of the corporate group of which the Company is the controlling company;

(v) The enterprise risk management policy, including tax risks, and the periodic follow-up of the internal information and control systems;

(vi) The definition of the Company 's tax strategy;

(vii) The Corporate Governance Policy; and

(viii) The Corporate Social Responsibility Policy.

(b) Approval of the following decisions:

(i) The statement of the annual accounts, the directors' report and the proposal for the allocation of income or loss of the Company and the consolidated annual accounts and directors' report to be submitted to the General Meeting of Shareholders;

(ii) The notice calling the General Meeting of Shareholders, determining its agenda and preparing the proposed resolutions to be submitted thereto;

(iii) The approval of the financial information that the Company, being a listed company, must periodically release;

(iv) The approval of the Annual Corporate Governance Report, the Annual Report on Remuneration of Directors and the issue of any manner of reports that the Board of Directors should recommended or which it must issue pursuant to statute, provided that the transaction covered by such report is not eligible to be delegated;

(v) The approval of any manner of investments or transactions, which considering their value or features, are considered strategic or deemed to entail a special tax risk, unless the approval thereof is incumbent on the General Meeting of Shareholders;

(vi) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered as tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group, and,

(vii) The approval, following report of the Audit and Compliance Committee, of the transactions of the Company or of any of the companies within its Group with directors, shareholders or their related parties.

(c) The following internal proceedings of the Board of Directors:

(i) To decide on the organisation and proceedings of the Board of Directors, and namely:

- The approval and amendment of the Board of Directors' Regulations;
- The appointment, on the proposal or following report of the Nomination Committee, as the case may be, of the internal positions within the Board of Directors, and the members and internal positions of its committees;
- The election, on the proposal or after report of the Nomination Committee, as the case may be, of directors through the co-option procedure to fill any vacancies which may occur within the Board of Directors; and
- Submitting to the General Meeting of Shareholders motions to elect, re-elect, ratify or remove directors.

(ii) The approval of a specific and ascertainable policy for the selection of directors that ensures that proposed election or re-election is duly supported by a prior analysis of the requirements of the Board of Directors and that encourages diversity of knowledge, experience and gender;

(iii) The proposal of the amount of the remuneration of directors as such to the General Meeting of Shareholders, as well as the approval of the remuneration of executive directors, in both cases, on the proposal of the Remuneration Committee and pursuant to the Articles of Association and the remuneration policy for directors approved by the General Meeting of Shareholders;

(iv) The appointment and removal of chief executive officers as well as the approval beforehand of the contracts to be executed between the Company and the directors entrusted with executive duties;

(v) Overseeing and evaluating on an annual basis:

- The quality and efficiency of the proceedings of the Board of Directors itself and its committees;
- The diversity in the composition and skills of the Board of Directors;
- The performance of duties by the Chairman of the Board of Directors and by the chief executive of the Company;
- The performance of its supervisory and control committees based upon the reports furnished by the same, and
- The performance and contribution of each director, especially that of the chairs of the different board committees.

Where the Chairman of the Board of Directors would discharge executive duties, his evaluation shall be led by the Lead Independent Director.

To proceed to such evaluation, the Board of Directors may rely on the support of external advisors and on such internal resources which it may, from time to time, deem fit. Notwithstanding the foregoing, the Board of Directors shall be assisted every three years, by an external advisor, once the Nomination Committee has established his/her independence, to proceed to such evaluation. Upon evaluating the independence of the external advisor, the relations that such advisor, or any company within its Group, may have with the Company or with the Group shall be considered. Such relations shall be detailed, as the case may be, in the Annual Corporate Governance Report.

The Board of Directors shall carry out an annual evaluation of its proceedings and of that of its committees and propose an action plan to correct the shortcomings revealed. The result of the evaluation shall be recorded in the minutes of the meeting of the Board of Directors or attached thereto as an annex.

(vi) The authorisation or release from the obligations stemming from the duty of loyalty of directors, after report of the Nomination Committee, where such responsibility is not incumbent on the General Meeting of Shareholders;

(d) The following issues regarding senior managers:

(i) The appointment and dismissal of senior managers after report of the Nomination Committee;

(ii) The approval of the basic terms and conditions of the contract with senior managers, including their remuneration and, where appropriate severance clauses, after report of the Remuneration Committee;

(iii) Overseeing the proceedings of the senior managers appointed by the Board of Directors.

(e) Supervising the process of drafting and submitting financial information and the directors' report, which shall include non-financial information as legally required, and making recommendations or proposals aimed to safeguard the integrity thereof.

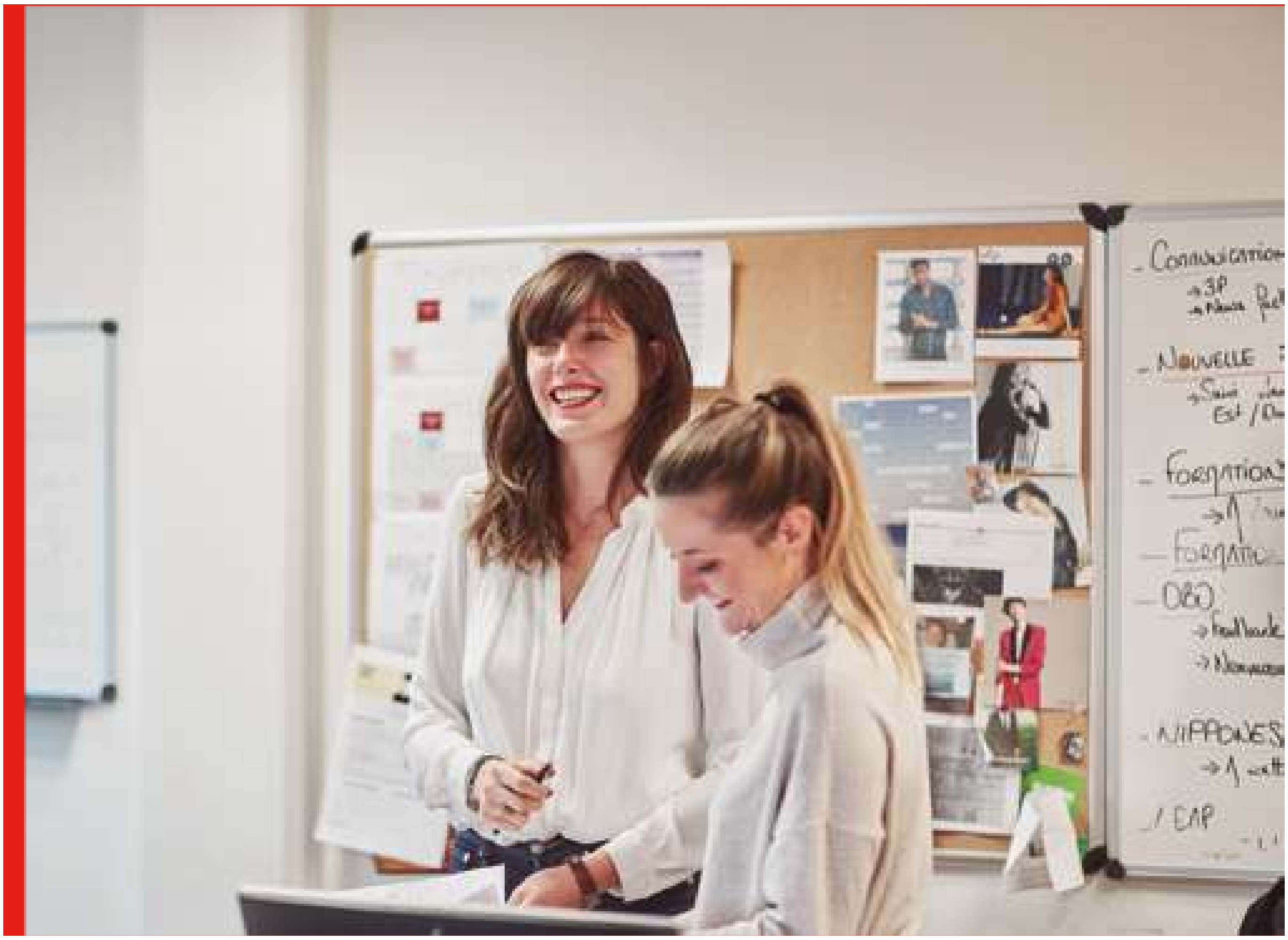
(f) The remaining responsibilities reserved by the Board of Director' Regulations and the applicable laws and regulations.

03.02/ Composition

11 members sit on the Board of Directors: 6 non-executive independent directors, 3 non-executive proprietary directors and 2 executive directors.

The composition of the Board of Directors as at 31 January 2020 is shown in the table below:

NAME (PERSON OR COMPANY) OF THE DIRECTOR	LEGAL REPRESENTATIVE	TYPE OF DIRECTOR	POSITION ON THE BOARD	DATE FIRST APPOINTED	DATE LAST APPOINTED	ELECTION PROCEDURE
Mr Pablo Isla Álvarez de Tejera		Executive	Executive Chairman	9-06-2005	16-07-2019	AGM
Mr Amancio Ortega Gaona		Proprietary	Ordinary member	12-06-1985	16-07-2019	AGM
Mr José Arnau Sierra		Proprietary	Deputy Chairman	12-06-2012	18-07-2017	AGM
Mr Carlos Crespo González		Executive	CEO	16-07-2019	16-07-2019	AGM
PONTEGADEA INVERSIONES, S.L.	Ms Flora Pérez Marcote	Proprietary	Ordinary member	9-12-2015	19-07-2016	Board of Directors;
Bns. Denise Patricia Kingsmill		Independent	Ordinary member	19-07-2016	19-07-2016	AGM
Ms Anne Lange		Independent	Ordinary member	10-12-2019	10-12-2019	Board of Directors
Ms Pilar López Álvarez		Independent	Ordinary member	17-07-2018	17-07-2018	AGM
Mr José Luis Durán Schulz		Independent	Ordinary member	14-07-2015	16-07-2019	AGM
Mr Rodrigo Echenique Gordillo		Independent	Ordinary member	15-07-2014	17-07-2018	AGM
Mr Emilio Saracho Rodríguez de Torres		Independent	Ordinary member	13-07-2010	16-07-2019	AGM



03.03/ Profile of directors

- Mr Pablo Isla Álvarez de Tejera

Executive Chairman since 2011. He previously served as Deputy Chairman and CEO since 2005.

A law graduate from Complutense University of Madrid (1987), he became Spanish State Attorney [Abogado del Estado] in 1988, ranked #1 of its class. From 1992 to 1996 he was Group General Counsel of Banco Popular. He went on to be appointed General Director of State Assets at the Ministry of Economy and Finances. From July 2000 to 2005 he was Chairman of Altadis Group. He currently is an independent director on the board of directors of Nestlé.

He was re-elected to the Board of Directors by the Annual General Meetings held on 13 July 2010, 14 July 2015 and 16 July 2019.

He is the direct holder of 1,972,156 shares in the Company.

- Mr Amancio Ortega Gaona

Founder of Inditex. Mr Ortega began his business career in the textile manufacturing sector in 1963. In 1972 he founded Confecciones Goa, S.A., the first garment-making factory of Inditex and 3 years later he founded Zara España, S.A. the first retailing company of the Group. He was re-elected to the Board of Directors by the Annual General Meetings held on 30 June 1990, 31 July 1995, 20 July 2000, 15 July 2005, 13 July 2010, 14 July 2015 and 16 July 2019.

Mr Ortega is the controlling shareholder of the Company where he owns 1,848,000,315 shares through Pontegadea Inversiones S.L. and Partler 2006, S.L.

- Mr José Arnau Sierra

Deputy Chairman since June 2012. Non-executive proprietary director since 2012, representing the founder, Mr Amancio Ortega Gaona.

A law graduate from University of Santiago de Compostela and State Tax Inspector, he has been the chief executive of Group Pontegadea since 2001.

He was the head of the Tax Department and a member of Inditex's Steering Committee from 1993 to 2001, and served on its Board of Directors from 1997 to 2000. He had previously held different positions within the Tax Administration. He has been a member of different boards of directors as legal representative of Pontegadea Inversiones, S.L. From 1993 to 1996, he taught Tax Law at the University of A Coruña. He has been a member of the Board of Trustees of Fundación Amancio Ortega from inception and its Executive Deputy Chair since 2017.

He was appointed to the Board of Directors in June 2012, ratified by the AGM held on 17 July 2012 and re-elected at the AGM held on 18 July 2017.

He is the direct holder of 30,000 shares.

- Mr Carlos Crespo González

Chief Executive Officer since 2019.

Mr Carlos Crespo González has a degree in Business Administration, majoring in Business Management, from the University of A Coruña. From 1996 to 2001, he worked as an auditor at Arthur Andersen (currently Deloitte).

He joined the Inditex Group in 2001 as a member of the Financial Administration Department, where he held different positions, including Corporate Head of Financial Stock Management. In September 2005, he was appointed Chief Audit Officer of the Inditex Group.

Mr Crespo, who is also a chartered accountant and is registered with the Registro Oficial de Auditores de Cuentas (ROAC) [Official Registry of Statutory Auditors of Spain], was a member of the Steering Committee of the Spanish Institute of Internal Auditors (IAI) from 2008 until 2017, where he chaired the Nomination Committee.

In March 2018, he was appointed Chief Operating Officer of the Company.

Mr Crespo was elected as a director by the Annual General Meeting held on 16 July 2019.

He is the direct holder of 26,258 shares in the Company.

- Pontegadea Inversiones, S.L.

The Company is represented on the Board of Directors of Inditex by Ms. Flora Pérez Marcote. It owns 1,558,637,990 shares in the Company, which represents 50.01% of the share capital.

Ms. Flora Pérez Marcote is the legal representative of Pontegadea Inversiones S.L., where she holds the position of First Deputy Chair. She has spent her entire career within the Inditex Group, where she held different positions in areas relating to both design of products and the supply chain. In addition, she has broad experience as company director since 1992. She has been a member of the Board of Directors of Inditex since 2005 representing Pontegadea Inversiones, S.L. Additionally, she has been a member of the Board of Trustees of Fundación Amancio Ortega Gaona since March 2003 and its Deputy Chair since October 2005.

Pontegadea Inversiones, S.L. was appointed to the Board of Directors on 9 December 2015 and ratified by the Annual General Meeting on 19 July 2016.

- Bns. Denise Patricia Kingsmill

Independent director since July 2016. In 2000 she was awarded a CBE for services to Employment Law and Competition. In June 2006, Baroness Kingsmill was appointed to the House of Lords as a Labour Peer. She is a Member of the Select Committee on Economic Affairs.

After a 20 year legal career she became deputy chair of the Competition Commission between 1996 and 2004. She has 5 honorary Doctorates from universities in the United Kingdom. Baroness Kingsmill has been a Chair/ member of the Remuneration committees of many international companies. As a lawyer she has advised in relation to remuneration schemes. In 2001 she was invited by the Government to head a task force looking at women's employment and remuneration in the UK.

In 2003 she was appointed Chairman of the Department of Trade and Industry's Accounting for People task force. She headed a second Government enquiry ("Accounting for People") into how companies should evaluate and measure the contribution of their work forces and specifically as to how they should communicate their progress in this area of "Human Capital Management" to all their stakeholders. In 2013 she was the co-chair of the Design Commission report into Design and Public Services ("Re-starting Britain").

Until May 2018, Baroness Kingsmill was the Chair of Monzo Bank and a Member of the Supervisory Board of E. ON SE and until March 2019, she was the founder and Chair of Aspen Initiative UK. She is currently a member of the Advisory Board for the Global Sustainability Forum and the International Advisory Board of IESE Business School. Baroness Kingsmill has been an adviser to a number of international companies and has been a non-executive director of various British, European and American boards, including International Consolidated Airlines Group, S.A. and Telecom Italia.

A diverse and varied career spanning fashion and design, the law and regulation, as well as politics and people have given Baroness Kingsmill a unique perspective on the contemporary boardroom."

Baroness Kingsmill was elected as a director on 19 July 2017 by the Annual General Meeting.

- Ms Anne Lange

Independent director since December 2019. A French citizen, Ms Lange is an entrepreneur and a sought after C-level business advisor with over 25 years of experience in technology innovation, both private & public sectors. She is graduated of French Grandes Ecoles, Institut d'Etudes Politiques in Paris and Ecole Nationale d'Administration (ENA).

Her career began at the French Prime Minister's office as head of department for state-owned broadcasting companies until she joined Thomson, a high-tech champion, where she built up a new generation of consumer internet access devices. Anne worked in diverse global executive functions with Cisco since 2004, based out of France and Silicon Valley. As a C-level executive, her engagements centered on adoption and innovation of technological, organisational and business processes to drive business transformation. Anne is the co-founder and former CEO of Mentis Services, an IoT Data Intelligent Software provider of urban space services, recently sold. She is currently the founder and managing partner of Adara, a consulting company that provides senior-level advice in transformation strategy and an investor in start-ups.

She currently serves on the executive boards of Orange (French leading service provider), Pernod-Ricard (second largest wine and spirits company in the world) and FFP (Peugeot's family holding).

- Ms Pilar López Álvarez

Independent director since July 2018. Ms López has a Bachelor of Science in Business Administration and a Major in Finance from ICADE.

She has worked in a variety of roles at J.P. Morgan in Madrid, London and New York (1993-1999). She joined Telefónica in 1999, where she held the following positions: Head of Management Planning and Control (1999-2001), Financial Controller in Telefónica Móviles (2001-2006), Strategy Director in Telefónica de España (2006-2007), Chief Financial Officer of O2 Plc., based in the UK (2007-2011) and for Telefónica Europa based in Madrid (2011-2014), and Head of the Operational Simplification Program of Grupo Telefónica (2014-2015). She is a member of the Board of Trustees of Fundación ONCE, and of Fundación Junior Achievement, and a member of the Board of Directors of Asociación para el Progreso de la Dirección (APD).

She has served as Supervisory Board member of Telefónica Czech Republic AS (2007-2014), and as Vice Chairman of the Supervisory Board of Telefónica Deutschland Holding AG (2012-2015). She was a member of the Board of Tuenti Technologies and non-executive director of Ferguson Plc (2013-2018).

At present, she is Country Manager of Microsoft Ibérica S.R.L.

Ms López was elected as director on 17 July 2018 by the Annual General Meeting.

She is the direct holder of 4,000 shares in the Company.

- Mr José Luis Durán Schulz

Independent director since July 2015. Mr Durán holds a degree in Economics and Management from ICADE (Instituto Católico de Administración y Dirección de Empresas). From 1987 through 1990, he was an auditor at Arthur Andersen. In 1991, he joined Carrefour Group, where he held the following positions: Head of Management Control (Spain, Europe and Latin America) (1991-1997); Chief Financial Officer for Spain (1997-2001); Group Chief Financial Officer (2001-2005) and Group Chief Executive Officer (2005-2008).

In July 2009, he joined Maus Frères International Group, based in Switzerland, where he held the following positions, until January 2015: Chief Executive Officer of Lacoste, Executive Chairman of Gant and Board member of Aigle, S.A. Until 4 October 2015, he was member of the Governance, Remuneration and Nomination Committee at Unibail-Rodamco, and member of the Board of Directors of such company. Until 30 June 2017, he was an independent director and member of the Audit Committee of Orange. At present, he is the CEO of Value Retail Management.

Mr Durán was elected as a director by the Annual General Meeting held on 14 July 2015 and re-elected by the Annual General Meeting on 16 July 2019.

He is the direct holder of 3,106 shares.

- Mr Rodrigo Echenique Gordillo

Independent director since July 2014. Mr Echenique is a law graduate from Complutense University of Madrid and Abogado del Estado [State lawyer].

He has been a member of the Board of Directors of Banco Santander, S.A. since 1987. At present, he is the Chair of Santander España, the Chair of the Board of Trustees of Fundación Banco Santander and member of the Board of BSI (Banco Santander Internacional) and of Directorio Santander Chile.

He is a member of the Board of Trustees of Fundación Consejo España-EE.UU, Deputy-Chair of the Board of Trustees of Teatro Real, member of the Board of Trustees of Escuela Superior de Música Reina Sofia, of Fundación Empresa y Crecimiento and of Fundación ProCNIC y CNIC. He has been CEO, Deputy Chairman and Executive Director of Banco Santander, S.A., and has chaired Banco Popular. He also served as Deputy Chairman of Banco Banif, S.A., Chairman of Allfunds Bank, and of SPREA. He has been a member of the Board of Directors of Banco Santander International and Santander Investment. He has been Ordinary Member of the Board of Directors of different industrial and financial companies such as Ebro Azúcares y Alcoholes, S.A., Industrias Agrícolas, S.A., SABA, S.A. and Lar, S.A.

He chaired the Social Advisory Board of University Carlos III of Madrid. Additionally, he was first member and then Chairman of the Advisory Board of Accenture, S.A., Lucent Technologies, and Quercus y Agrolimen, S.A. He has been the Chairman of Vallehermoso, S.A., Vocento, S.A., NH Hotels Group, Metrovacesa, S.A., Merlin Properties, and SOCIMI, S.A.

Mr Echenique was elected as a director by the Annual General Meeting held on 15 July 2014 and re-elected by the Annual General Meeting held on 17 July 2018.

- Mr Emilio Saracho Rodríguez de Torres

Independent director since June 2010. Mr Saracho is a Graduate in Economics from the Complutense University of Madrid, he has an MBA from the University of California in Los Angeles (UCLA), awarded in 1980. He was also a Fulbright scholar. Mr Saracho began his career in 1980 in Chase Manhattan Bank, where he was responsible for operations in different sectors such as Oil and Gas, Telecommunications and Capital goods. In 1985, he took part in the launching and implementation of Banco Santander de Negocios, where he led the Investment Banking division. In 1989, he was appointed head of the Division of Large Companies of Grupo Santander and Deputy General Director. He has been a director of FISEAT, Santander de Pensiones and Santander de Leasing. In 1990, he worked for Goldman Sachs in London as co-head of Spanish and Portuguese operations. In 1995, he returned to Santander Investment as General Director in charge for the Investment Banking area worldwide. From 1996 to 1998, he was responsible for the Banking operations in Asia. Mr Saracho joined JP Morgan in 1998 as Chairman for Spain and Portugal and head of business for the Iberian Peninsula and member of the European Management Committee. From early 2006 through 1 January 2008, he was Chief Executive Officer of JP Morgan Private Bank for Europe, the Middle East and Africa, based in London. He also sat on the Operating Committee and on the European Management Committee, while chairing at the same time J.P. Morgan in Spain and Portugal. He was in charge of Investment Banking operations of JP Morgan for Europe, the Middle East and Africa, and sat on the Executive Committee of the Investment Bank and on the Executive Committee of JP Morgan Chase. From December 2012 through April 2015, he was Deputy CEO for EMEA. From 2015 to the end of 2016, he was Vice Chairman of JP Morgan Chase & Co and from February to June 2017, he chaired the Board of Directors of Banco Popular. At present, he sits on the Board of Directors of International Consolidated Airlines Group, S.A. (IAG) and is Senior Advisor of Altamar Capital Partners.

Mr Saracho was elected as director on 13 July 2010 by the Annual General Meeting and re-elected at the Annual General Meetings held on 14 July 2015 and 19 July 2019.

03.04/ General Counsel and Secretary of the Board of Directors

Mr Antonio Abril Abadín is the General Counsel and Secretary of the Board of Directors. Likewise, he is the Secretary of all board committees.

The appointment and removal of the Secretary of the Board must be approved by the Board of Directors in plenary session, following a report of the Nomination Committee. The Secretary needs not be a director.

The Secretary shall support the Chairman in his duties and must provide for the smooth running of the Board of Directors by taking particular care to provide directors with the necessary advice and information, keep the documents of the Company, enter the proceedings in the minutes' books and certify the Board's resolutions. When directors or the Secretary himself/herself should express concern about any motion or, in the case of directors, about the Company's performance, and such concerns are not resolved by the Board, they will be acknowledged in the minutes at the request of the person expressing them. Likewise, the Secretary shall devote particular attention to the formal and material legality of the Board's proceedings and ensure that the corporate governance principles and the Company's internal rules and regulations, are observed.

03.05/ Gender diversity

Pursuant to the provisions of the Board of Directors' Regulations and the Nomination Committee's Regulations, the Nomination Committee must set a representation target for the least represented gender on the Board of Directors and prepare guidelines on how to reach such goal as well as ensure that, upon filling new vacancies and appointing new directors, the selection procedures encourage diversity and conform to the prohibition of any manner of discrimination.

Pursuant to Inditex's "Director Selection Policy", efforts will be made so that by 2020, the number of female directors sitting on the Board would represent at least 30% of the total number of members of the Board of Directors.

Additionally, pursuant to the provisions of section 529bis(2) of the Companies Act, the Board of Directors shall ensure that diversity of gender, experience and knowledge is encouraged in director selection processes, which should not suffer from any implicit bias that may entail any discrimination and particularly, that selection of female directors is fostered.

In this regard, the Board of Directors' Regulations and the own sets of rules of board committees have been reviewed and amended in 2019, for the purposes, without limitation, of reinforcing Inditex's commitment to diversity. In this regard, the number of topics to be considered in terms of diversity have been increased regarding background, education and professional experience, age, gender or disability, and the recommendation about a diverse composition of board committees has been embraced, taking into account the limits arising from their smaller size.

Likewise, the Nomination Committee has been entrusted with the power to ensure that upon filling new vacancies or appointing new directors, selection procedures encourage diversity.

Meanwhile, pursuant to the Code of Conduct and Responsible Practices of the Inditex Group, no one who is employed at Inditex shall be discriminated against because of their gender, and all employees shall be bound to interact with other employees, pursuant to criteria of respect, dignity and justice, taking into account the different cultural background of each individual, without allowing any manner of violence, harassment or abuse at the workplace, or any manner of discrimination on account of race, religion, age, nationality, gender or any other personal or social condition beyond qualifications and capacity.

Finally, Inditex's Diversity and Inclusion Policy, approved by the Board of Directors on 12 December 2017 seeks to fully endorse the regulatory requirements, the recommendations and the best practices in the area of diversity, and to mark Inditex's commitment to diversity and multiculturalism in the working environment, in all positions and levels within the Company, including on the Board of Directors, as well as the Company's unbreakable zero tolerance policy against any kind of discrimination. The principles and lines of action of the Diversity and Inclusion Policy govern all the proceedings in the area of human resources, such as, without limitation, recruitment and selection, compensation and benefits, promotions, transfers, skills enhancement, professional development and training, demotions, terminations and other, disciplinary actions.

Throughout 2019, certain changes have been made to the structure and size of the Board of Directors based on the prior analysis of the needs of the Company and the Board of Directors itself, the findings of which were written up in the relevant explanatory report issued by the Nomination Committee, in accordance with recommendation 14 of the Good Governance Code and sections 3, 4 and 5 of Technical Guide 1/2019 on Nomination and Remuneration Committees ("Technical Guide 1/2019").

As shown in the above-referred report issued by the Nomination Committee, further to the review of the size, composition, skills and effectiveness of the Board of Directors at the time, the Nomination Committee considered that the number of board members should be increased, for the purposes of keeping a majority of independent directors, thus ensuring compliance by the Company with the applicable regulations and with best practices in the field of corporate governance. It was further pointed out that in the framework of the enlargement of the board, motions on the appointment of new directors should aim at reinforcing diversity of background, experience and skills, namely, of gender, and reinforcing the presence of female directors, still the least represented gender on the board.

Considering the foregoing, it was resolved by the Annual General Meeting held on 16 July 2019, to increase the number of members of the Board of Directors from 9 to 11 and to appoint Mr Carlos Crespo González as new executive director, with a vacant seat on the Board pending filling.

In order to fill the above-referred vacancy, further to a selection process driven by the Nomination Committee, on the advice of an external consultant, the Board of Directors approved in the meeting held on 10 December 2019, following a motion raised by the Nomination Committee, the co-option of Ms Anne Lange to the board of directors as non-executive independent director, until the ratification of her appointment by the Annual General Meeting.

Thus, the appointment of Ms Lange has contributed to the achievement of the targets set by the Nomination Committee in the above-referred report.

Consequently, as at 31 January 2020, 4 women sit on the Board: Ms Flora Pérez Marcote (legal representative of Pontegadea Inversiones, S.L., proprietary director), Bns. Denise Patricia Kingsmill (independent director), Ms Pilar López Álvarez (independent director) and Ms Anne Lange (independent director). This represents an increase of the presence of female directors on the board as compared to the previous year, currently standing at 36.36% on total number of directors. Thus, Inditex is above the average in respect of IBEX35 companies.

In addition, independent female directors sit on the following board committees:

- Bns. Denise Patricia Kingsmill is an ordinary member of the Audit and Compliance Committee and the Remuneration Committee, and chairs the Sustainability Committee.

- Ms Pilar López Álvarez is an ordinary member of the Executive Committee, as well as of the Audit and Compliance, Nomination and Sustainability Committees.

- Ms Anne Lange is an ordinary member of the Audit and Compliance, Nomination and Sustainability Committees.

(Considering the foregoing, female directors represent 42.85%, 40%, 20% and 60% on membership of the Audit and Compliance Committee, the Nomination Committee, the Remuneration Committee and the Sustainability Committee, respectively).

03.06/ Membership of Directors on Board of Directors of other listed companies

The Board of Directors may not propose or appoint any persons to fill a vacancy on the Board who already are directors in more than four listed companies other than the Company.

As at 31 January 2020 Directors who served on the boards of listed companies other than Inditex are shown below:

NAME OR COMPANY NAME OF THE DIRECTOR	NAME OF LISTED COMPANY	POSITION
Mr Pablo Isla Álvarez de Tejada	Nestlé, S.A.	Independent director
	Pernod-Ricard, S.A	Independent director
	FFP	Independent director
Ms Anne Lange	Orange, S.A.	Non-executive director
	Banco Santander, S.A.	Non-executive director
Mr Rodrigo Echenique Gordillo	Banco Santander Chile	Non-executive director
Mr Emilio Saracho Rodríguez de Torres	International Consolidated Airlines Group, S.A.	Independent director

03.07/ Selection, appointment, re-election and removal of directors

The procedure for the selection, appointment and re-election of members of the Board of Directors is formal and transparent and is expressly covered in the Articles of Association, the Board of Directors' Regulations and the Nomination Committee's Regulations.

The Director Selection Policy was approved by the Board of Directors in the meeting held on 9 December 2015. According to such Policy, selection processes of prospective directors shall be based upon a prior analysis of the needs of the Company and of the Board of Directors itself. Such analysis shall be carried out by the Board of Directors on the advice of the Nomination Committee.

The outcome of such prior analysis shall be recorded in an explanatory report issued by the Nomination Committee, which may be posted on the corporate website upon calling the General Meeting to which the nomination, ratification or re-election of each director is submitted.

Prospective directors of the Company shall meet the following requirements:

- Be honest, suitably qualified persons of well-known ability, competence, experience and merits.

- Be trustworthy professionals, whose conduct and career is in line with the principles laid down in the Code of Conduct and Responsible Practices and with the views and values of the Inditex Group.

Additionally, the Nomination Committee shall define the required duties and skills of candidates who have to fill each vacancy and evaluate the required time and dedication for them to effectively discharge their duties.

For such purposes, the Nomination Committee is responsible for reviewing the skills, knowledge, expertise and other positions held by the current directors, and setting up a skills chart of the Board and keeping it duly updated.

In the process for director selection, efforts shall be made so that the Board of Directors would reach an appropriate balance of profiles, knowledge, skills, careers and experiences so that multiple viewpoints are contributed to the discussion of the business transacted and the decision-making process is enriched.

Those persons who are involved in any legal grounds of disqualification to hold the office of director, or who do not meet the requirements laid down by the Company's corporate governance rules to be a director, shall not be eligible to be a director.

Namely, the Board of Directors may not propose or appoint, to fill any vacancy as director, anyone who holds the office of director at the same time in more than four listed companies other than the Company.

Being charged with the selection process, the Nomination Committee shall take into account the motions submitted by any director, and assess if the prospective candidate meets the requirements to be eligible. For such purposes, it shall take all necessary measures and make all appropriate enquiries to ensure that the candidates are not involved in any of the scenarios described in the foregoing paragraphs.

The Company may rely on external advisors with regard to the prior analysis of the needs of the Company, the search or assessment of potential candidates or the evaluation of their performance.

In this regard, it is incumbent on the Nomination Committee to assess the convenience of engaging the services of external experts and establish and ensure their effective independence.

Pursuant to the provisions of the Articles of Association, the Board of Directors' Regulations and the Nomination Committee's Regulations, directors shall be appointed by the General Meeting of Shareholders or by the Board of Directors, in accordance with statute and the Company's corporate governance regulations.

The motions on election, ratification or re-election of directors that the Board of Directors submits to the Annual General Meeting, and the election resolutions passed by the Board of Directors by virtue of the powers to co-opt that it is reserved by statute, must be preceded by (i) a motion made by the Nomination Committee with regard to independent directors, or by (ii) a report from the Nomination Committee regarding the remaining categories of directors. The above-referred motion or report shall be prepared by the Nomination Committee and include the class in which the relevant director is included, this classification being duly supported.

The motions on the election of directors that the Board of Directors submits to the Annual General Meeting shall be accompanied at any rate by an explanatory report issued by the Board of Directors assessing the qualifications, experience and merits of the proposed candidate; such report shall be attached to the minute of the Annual General Meeting or of the Board of Directors itself. Additionally, with regard to the ratification or re-election of directors, the explanatory report shall assess the quality of the director's work and his dedication to office during his mandate, as well as his observance of the Company's corporate governance rules. At any rate, the Nomination Committee shall take into account the need for progressive board refreshment.

Where the Board of Directors departs from the motions and reports of the Nomination Committee, it must state the reasons for its actions and place them on the record.

The Board of Directors shall explain to the Annual General Meeting in charge of appointing, ratifying or re-electing directors the category of such directors, and such classification shall be confirmed or, where appropriate, reviewed on an annual basis in the Annual Corporate Governance Report, after verification by the Nomination Committee.

The Nomination Committee shall verify on an annual basis compliance with the Director Selection Policy, and report it to the Board of Directors, which will acknowledge it in the Annual Corporate Governance Report.

With regard to the removal and dismissal of directors, directors shall vacate office upon expiry of their term of office, or at any time further to a resolution of the General Meeting of Shareholders.

The Board of Directors may only propose the removal of a director before the expiry of his/her term of office when a just cause arises, where the director has incurred in any grounds for dismissal or resignation pursuant to statute or to the Company's corporate governance rules. Such just cause must be considered by the Board, and in case of independent directors, following a favourable report of the Nomination Committee.

Likewise, where directors tender their resignation, the Nomination Committee must ensure the transparency of such process, gathering such information as it may deem necessary to this end. The Company shall address the grounds for such resignation in the Annual Corporate Governance Report.

The Annual General Meeting held on 16 July 2019 resolved, pursuant to item 5 on the agenda, to increase the number of members of the Board of Directors from 9 to 11.

The Annual General Meeting further resolved, pursuant to item 6 on the agenda, to re-elect Mr Pablo Isla Álvarez Tejera as executive director, Mr Amancio Ortega Gaona, as proprietary director, and Mr Emilio Saracho Rodríguez de Torres and Mr José Luis Durán Schulz, both of them independent directors, and to appoint Mr Carlos Crespo González, as new executive director. Consequently, a vacant seat existed on the Board pending filling.

In order to fill the above-referred vacancy, further to a selection process driven by the Nomination Committee, on the advice of an external consultant, the Board of Directors approved in the meeting held on 10 December 2019, following a motion raised by the Nomination Committee, the co-option of Ms Anne Lange to the board of directors as non-executive independent director, until the ratification of such appointment by the Annual General Meeting.

Both the enlargement of the Board of Directors, and the re-election and appointment of directors, were based on the prior analysis of the Company and the Board of Directors itself, written up in an explanatory report approved by the Nomination Committee on 23 May 2019, in accordance with the provisions of section 3 of the Director Selection Policy, recommendation 14 of the Good Governance Code, and sections 3, 4 and 5 of Technical Guide 1/2019.

In the analysis of board needs, above-referred, the Nomination Committee took into account:

- The commitments undertaken by the Company under the Director Selection Policy regarding: (i) diversity of knowledge, skills, experiences and gender on the Board of Directors; and; (ii) meeting the representation target for the least represented gender on the Board of Directors provided in Recommendation 14 GGC and in section 5 of the Director Selection Policy.

- The findings of the annual evaluation of the performance of the Board in 2018 (on the advice of an independent external consultant), whereby the following requirements were identified: (i) the need to increase the size of the board in line with the Group's dimensions and complexity and so that it is on a par with that of comparable companies; and (ii) the need to appoint profiles with background and experience in the digital and new technologies sector and in sustainability.

- The need to increase the presence of independent directors on the Board above 50%, in line with recommendations 15 and 17 GGC.

Thus considering the provisions and objectives of the Director Selection Policy, and further to the joint review of the above-referred needs and of the size of the Board, the Nomination Committee determined that in the framework of the enlargement of the board, the motions on the appointment of new directors should seek to ensure diversity of knowledge, skills, experiences and qualifications. In particular, the Committee considered that it would be convenient to reinforce: (i) experience and knowledge in the digital and new technologies sector, as well as in sustainability; (ii) the presence of female directors; and, (iii) the majority presence of independent directors.

The Nomination Committee issued the relevant motions and reports on the re-election and appointment, as the case may be, of Mr Amancio Ortega Gaona, as proprietary director, Mr Emilio Saracho Rodríguez de Torres and Mr José Luis Durán Schulz, as independent directors, and Mr Pablo Isla Álvarez Tejera and Mr Carlos Crespo González, as executive directors. In turn, the Board of Directors prepared the relevant report in support, assessing the skills, experience and merits of the proposed directors and candidate. With regard to Messrs. Ortega, Isla, Saracho and Durán, their performance as director, their dedication to the office during their tenure, as well as the observance of the Company's corporate governance regulations were also assessed.

Such motions and reports, and the report on the analysis of board needs were posted on the corporate website at the same time as the notice calling the Annual General Meeting.

Considering the foregoing, it can be found that the motions on the re-election and appointment of directors raised by the Board to the Annual General Meeting, and the subsequent co-option of Ms Lange to the Board were consistent with the prior analysis of board needs. Thus, the process to re-elect and appoint directors followed in 2019 has contributed as a whole, without limitation, to maintain or reinforce:

(i) the balanced composition of the supreme governing body of the Company with independent, proprietary and executive directors serving thereon, also ensuring the majority presence of independent directors on the Board;

(ii) the diversity of background, experiences, origin and gender within the Board, namely the experience in the new technologies sector and in sustainability.

Furthermore, with the appointment of Ms Lange, the average tenure of independent directors on the board has been reduced – in accordance with the principle of progressive board refreshment – and the target of having 30% female directors sitting on the Board of Directors has been fulfilled in advance as the percentage of female directors on the Board as at 31 January 2020 is higher than the one set in the Director Selection Policy.

All of the foregoing has taken place in accordance with the provisions and yardsticks of the Director Selection Policy, and this has been established by the Audit and Compliance Committee upon conducting the periodic evaluation of the Company's corporate governance system, as the verification of compliance with such Policy was included in its scope. The findings of such evaluation are included in a report issued on 9 December 2019. All of which was duly reported to the Board of Directors in the meeting held on 10 December 2019.

03.08/ Resignation of directors

Directors must resign in such scenarios which could have a negative impact on the proceedings of the Board of Directors or the credit and reputation of Inditex.

Additionally, directors must place their office at the disposal of the Board of Directors and, should this latter deem it appropriate, tender their resignation in the following cases:

a) When they reach a certain age.

b) When they cease to hold such executive positions to which their appointment as director was associated.

c) When they are involved in any of the incompatibility or prohibition cases provided in statute, the Articles of Association or the Board of Directors' Regulations, including if they would happen to hold the office of director in more than four listed companies other than the Company.

d) When they are seriously admonished by the Audit and Compliance Committee for having breached their duties as directors.

e) When they are involved in any circumstances that may harm the name and reputation of the Company or, otherwise jeopardise the Company's interests. For such purposes, they shall report to the Board of Directors any criminal cases in which they are accused as well as any subsequent procedural consequence.

f) When the reasons for their appointment cease to exist.

g) With regard to proprietary directors, when the shareholders they represent dispose of their ownership interest in its entirety, or reduce it up to a limit which requires the reduction of the number of proprietary directors.

h) With regard to independent directors, when they have continuously held such position in the Company for 12 years.

In 2019, no director has left the Board, either through resignation, dismissal, or on any other grounds.

03.09/ Proceedings of the Board of Directors

Quorum

A quorum will be present at any Board meeting when at least half plus one of its members attend it, whether in person or by proxy. Should the Board of Directors be comprised of an odd number, it will be validly held when it is attended by the whole number of directors immediately above half.

Directors shall do their best to attend the meetings of the Board of Directors, and, when they cannot do so in person, they shall endeavour to grant proxy to another member of the Board of Directors, giving instructions as to its use and communicating the same to the Chairman of the Board of Directors. Non-executive directors may only be represented by another non-executive director.

Attendance to meetings

Directors' attendance data, both in person or by proxy, to meetings held in 2019 are shown below:

GOVERNING BODY	NUMBER OF MEETINGS	% DIRECTORS' ATTENDANCE
Board of Directors	5	100%
Audit and Compliance Committee	5	100%
Nomination Committee	4	100%
Remuneration Committee	5	100%
Sustainability Committee	0	100%

With regard to the Sustainability Committee, its formation was approved by the Board of Directors on 11 June 2019, and was completed on 10 December 2019 with the appointment of its members. The Sustainability Committee will hold its first meeting in 2020.

Passing of resolutions

Except for a number of cases provided in Inditex's internal regulations, board resolutions shall be passed when the absolute majority of directors attending the meeting vote for such resolution.

Notwithstanding the above, to permanently delegate any power of the Board of Directors to the Executive Committee or to the executive directors, should there be one, and to appoint the directors who have to fill such positions, the vote for of two-thirds of the members of the Board is required.

Likewise, in order to amend the Board of Directors' Regulations, the resolution must be passed by a majority of two-thirds of the directors present.

The Chairman of the Board of Directors has a casting vote in the event of equality of votes between the directors attending the meeting.

Proxy granting

Any director can grant proxy to another director in writing to be represented, such proxy having to be granted specifically for each meeting, and this must be communicated in writing to the Chairman. Non-executive directors may only grant proxy to other non-executive directors.

External advice

In order to be aided in the performance of their duties, non-executive directors may request that legal, accounting, technical, financial, commercial or other experts be engaged at the Company's expense. The commissioned task must of necessity deal with particular problems of a certain importance and complexity which may arise in the performance of the office.

The decision to hire external experts must be notified to the Chairman of the Board of Directors and it may be open to veto by the Board of Directors if it is proven that: a) such engagement is not necessary for the proper performance of the duties entrusted to non-executive directors; b) the cost thereof is not reasonable in view of the importance of the problem and of the assets and income of the Company; c) the technical assistance obtained may be adequately provided by in-house experts and staff members; or; d) the confidentiality of the information to be provided to the expert may be jeopardised.

Information

Pursuant to section 19.2 of the Board of Directors' Regulation, the notice calling ordinary meetings shall be given at least three days in advance of the meeting, and the notice shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information.

For such purposes, documentation deemed to be appropriate to prepare the meetings of the board and its committees, according to the agenda including presentations, is made available to directors through a software platform. Through such tool, directors are granted permanent access to such documentation. Additionally, other relevant information for the appropriate performance of their duties is added through the tool.

Meanwhile, attendance of officers and supervisors to the meetings is encouraged, which is recurrent, to give their view on certain issues directly associated to the duties of the Board of Directors and of each of its committees, so that directors have a direct understanding of business concerns.

Likewise, directors have the broadest powers to gather information on any issue of the Company (and its subsidiaries), review its books, registers, documents and other records of the Company's operations and inspect all its facilities, likewise it is also provided that the exercise of the powers of information shall be channeled through the Chairman, the Deputy Chairman or the Secretary of the Board of Directors, who will attend to the requests of directors by providing them with the information directly, offering appropriate spokespersons at the appropriate level in the organisation or establishing such measures that enable them to conduct the desired examinations and inspections *in situ*.

Meanwhile, directors are bound to diligently gather information on the course of business of the Company and to thoroughly prepare the meetings of the Board of Directors and of any committee where they sit.

Evaluation proceedings

It is incumbent on the Nomination Committee to establish and oversee an annual programme to evaluate the performance of the Board of Directors, its members and committees, the Executive Chairman and the CEO, as well as the Lead Independent Director and the Secretary of the Board of Directors. Such evaluation process is carried out as follows:

1. The Nomination Committee prepares an annual programme to evaluate the performance of the Board of Directors, its members and committees, the Executive Chairman and the CEO, the Lead Independent Director and the Secretary of the Board.

2. Based upon this annual programme, each committee must prepare its own report assessing its performance and that of its members. Such report shall be sent to the Board of Directors. In parallel, the Nomination Committee will prepare a report to evaluate the performance of the Board of Directors, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board.

   To carry out this procedure, separate questionnaires are sent to each director, as described below:

   a) An individual self-evaluation questionnaire for each director, sent by the Board of Directors (through its Chairman) to all its members.

   b) An evaluation questionnaire in respect of board committees, sent by the Chair of each committee to all the members sitting on it.

   c) An evaluation questionnaire in respect of the Board of Directors, including specific questions about the role of the Lead Independent Director and the Secretary of the Board of Directors, sent to all board members through the Chair of the Nomination Committee.

3. The Lead Independent Director shall be responsible for coordinating the evaluation of the Chairman.

4. The Nomination Committee will also play a part in the evaluation of the performance of the Executive Chairman, the CEO and the remaining executive directors, if any.

5. Finally, the Board of Directors shall assess – pursuant to statute and to the Board of Directors' Regulations–, the performance of the Board itself, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board, based upon the reports issued by these latter, as stated in section 2 above.

The above-referred questionnaire is reviewed and updated every year, to bring the annual evaluation of performance into line with best practices on good governance. In particular, the evaluation process has been subject to a number of updates in 2019 to: (i) bring it into line with the new governance structure of the Company; and, (ii) cover certain editorial improvements, in line with Technical Guide 1/2019.

In accordance with Recommendation 36 of the Good Governance Code, Inditex has relied once again on the advice of external consultant Spencer Stuart with regard to the self-evaluation process.

The findings of the self-evaluation process carried out in 2018 have resulted in a number of improvements in the internal organisation and procedures followed in 2019:

(i) The number of board members has increased, from 9 to 11, in line with the Group's dimensions and complexity and so that it is on a par with that of comparable companies.

(ii) In the context of the enlargement of the board of directors, the findings of the self-evaluation of board members have allowed identifying such profiles whose presence on the board was deemed relevant. Thus, in accordance with the strategic objectives marked as a priority by directors, experience and background of board members have been reinforced regarding (i) the digital and new technologies sector, to speed up the digital strategy; and, (ii) sustainability, in line with the strong commitment of the Group in the field.

(iii) In connection with the above, the governance structure, the experience and background of Directors have been brought into line with the strategic objectives marked as a priority.

(iv) The balanced composition has been reinforced and the governance structure of the Company has improved, in particular through: (i) the majority presence of non-executive independent directors on the supreme governing body of the Company and its committees; and (ii) the balanced distribution of male and female directors, with an appropriate percentage of female representation on the board.

Meanwhile, as regards the organisation and proceedings of the board and its committees, the following improvements are noteworthy:

(i) The increased size of the board has resulted in a redistribution of membership on board committees, thus achieving a higher degree of specialisation.

(ii) An annual schedule of dates and agendas of business to be transacted by the Nomination and the Remuneration Committees in 2020 has been approved.

Such schedule allows to systematically arrange the agenda of the meetings, the information and attendees, planning fixed sections (recurrent issues) and business to be transacted at certain meetings. All of which contributes to a better scheduling of the Committees, and in line with this, to increase the number of meetings of directors with members of management.

(iii) A meeting of independent directors exclusively was held for the first time, led by the Lead Independent Director, to discuss the most sensitive topics of the Company, thus ensuring and preserving their independence within the board.

Such meeting was deemed very useful as it has served the purposes of determining such issues considered to be a priority, with the subsequent scheduling of meetings and proceedings of the board and its committees.

(iv) Finally, proceedings aimed at promoting Compliance culture have continued, in particular, by reinforcing the powers of the Audit and Compliance Committee in the field of corporate governance and Compliance.

In the evaluation carried out in 2019 findings have been positive with regard to all evaluated aspects. The following can be pointed out: the capacity and structure, the duties, effectiveness and proceedings, and the planning and arrangement of the meetings of the Board of Directors, the Nomination and the Remuneration Committees, and the contribution and performance of directors, the Executive Chairman, the Lead Independent Director and the Secretary of the Board.

Special mention should be made of the findings regarding the appointment of the CEO and the formation of the new Sustainability Committee, which have been outstanding. In this regard, the appointment of the CEO has been deemed to have contributed to reinforcing the business executive management in the fields of new technologies and sustainability.

04/ Board committees and other governing bodies

04.01/ Audit and Compliance Committee

Regulations

Article 28 of the Articles of Association as amended, section 15 of the Board of Directors' Regulations as amended, and namely the Audit and Compliance Committee's Regulations set out the regulations governing the proceedings of the Audit and Compliance Committee. The Audit and Compliance Committee's Regulations is available on Inditex website (www.inditex.com).

The Audit and Compliance Committee's Regulations was amended in 2019 for the purposes of: (i) expressing its new name, replacing its former name as "Audit and Control Committee"; (ii) bringing certain of its provisions into line with the principles and recommendations set forth in CNMV's Technical Guide 3/2017, on audit committees at public-interest entities, ("Technical Guide 3/2017"); (iii) adapting its provisions as a result of the forming of the new Sustainability Committee; and (iv) reinforcing its powers in the field of Compliance and corporate governance.

Composition

NAME	POSITION	TYPE	POSITION HELD SINCE (AS AT 31/01/2020)
Mr José Luis Durán Schulz	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Ms Anne Lange	Ordinary member	Non-executive independent	10-12-2019
Ms Pilar López Álvarez	Ordinary member	Non-executive independent	17-07-2018
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	17-07-2012
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent	15-07-2014
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Non-executive independent	13-07-2010

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Audit and Compliance Committee.

The Audit and Compliance Committee shall be made up of a minimum of 3 and a maximum of 7 directors appointed by the Board itself, a majority of whom must necessarily be independent directors who shall be elected, especially its Chair, taking into account his/her knowledge, qualification and expertise in accounting, audit and risks management matters. At present, 6 members of the Audit and Compliance Committee, entirely made up of non-executive directors, are independent, which represents 85.71% of all its members.

Members of the Committee, and namely its Chair, have knowledge, qualification and expertise in accounting, audit or risks management matters, and the required technical knowledge regarding the business sector to which the Company belongs.

Likewise, at least 1 of them shall be appointed taking into account his/her knowledge, qualifications and experience on accounting, audit, internal control or risks management issues, and at least another one of them (who could be the same as the former if he/she complies with the requirements described) shall be appointed taking into account their knowledge, qualifications and experience in the field of information technology.

The Board of Directors shall encourage diversity of members on the Committee as regards professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

The Chair of the Audit and Compliance Committee, who must be an independent director, shall be elected for a term that does not exceed 4 years and must be replaced at the expiry of the aforementioned term. He/she may be re-elected once a period of one year has elapsed since the date of his/her removal. Mr Durán was appointed Chair of the Audit and Compliance Committee on 19 July 2016.

Duties and powers

Section 5 of the Audit and Compliance Committee's Regulations sets forth the mission of the Audit and Compliance Committee and its powers are set out in sections 6 to 13 thereof.

In addition to such powers it is expressly assigned pursuant to statute and the Recommendations of the Good Governance Code, the Audit and Compliance Committee shall be expressly entrusted with the following duties:

- Powers relating to corporate governance: (i) to review and evaluate the appropriateness of the corporate governance system and to propose to the Board of Directors the amendments and updates of the Company's corporate governance regulations; (ii) to oversee the degree of compliance by the Company with recommendations on good governance; (iii) to oversee compliance with the Internal Regulations of Conduct regarding Transactions in Securities, and, in general, with the corporate governance regulations of the Company; (iv) to regularly receive information on issues relating to management of treasury stock; and (v) to prepare and table to the Board of Directors for approval, the Annual Corporate Governance Report.

- Powers relating to Compliance: (i) to issue reports on the policies and procedures of the Company on topics within its remit; (ii) to oversee compliance with the applicable regulations and the effectiveness of the internal policies and procedures of the Company; (iii) to review the recommendations and best practices on Compliance and corporate governance, both domestic and/or international, and to encourage compliance with the most demanding standard; (iv) to oversee compliance with the Annual Compliance Plan and with the Model of Criminal Risk Prevention of the Group; (v) to ensure that the Compliance Function relies on the necessary resources for the appropriate discharge of its duties; and (vi) to receive information, at least every six months, on the level of compliance with the Codes of Conduct and the proceedings of the Ethics Line.

- Powers relating to tax issues: it is incumbent on the Audit and Compliance Committee: (i) to receive from the head of tax issues of the Company prior to the statement of the annual accounts and the filing of the Corporate Tax return, information on tax criteria followed by the Company in the year, and on the degree of compliance with the Code on Good Tax Practices; and (ii) to apprise the Board of Directors of the tax policies applied and, in the case of transactions or matters which must be referred to the Board of Directors for approval, of the tax consequences thereof, when they represent a relevant factor.

- Powers relating to oversight and assessment of the systems of relations with the different stakeholders regarding all topics within its remit.

Certain provisions of the Audit and Compliance Committee's Regulations have been amended in 2019, and this amendment has affected inter alia, the powers of the Committee. In particular, (i) its powers in the field of corporate governance and Compliance have been increased, pursuant to the terms described above; (ii) it has been divested of the powers in the field of social and environmental sustainability, which will be hereinafter incumbent on the Sustainability Committee; and, (iii) a number of powers assigned to the Committee by statute or the Recommendations of the Good Governance Code have been worked up, to wit:

- Powers relating to the Internal Audit function: in accordance with Recommendation 46 of the Good Governance Code, Inditex's Internal Audit function directly reports to the Audit and Compliance Committee.

  In this regard, in addition to overseeing its effectiveness, the Committee shall assess the performance of the Internal Audit Function and of the Chief Audit Officer.

- Powers relating to statutory audit: the Committee shall be responsible for assessing the performance of the statutory auditor, considering their contribution to the quality of the work done and the integrity of financial information.

- Powers relating to the process of preparing regulated financial information: the supervisory role of the Committee regarding the preparation and reporting of financial information has been extended to also cover regulated non-financial information of the Company. And this, without prejudice to the power incumbent on the new Sustainability Committee regarding the supervision of the preparation process of the regulated non-financial information within its remit. Additionally, the Committee is responsible for overseeing the effectiveness of the internal control over financial reporting (ICFR) system, which is designed by the Management. Likewise, the Committee shall ensure that the financial information released by the Company or that it must release is regularly updated on the corporate website and, as the case may be, on CNMV's website.

- Powers relating to Enterprise Risk Management: the Committee shall assess the effectiveness of internal management and control systems over financial and non-financial risks (including tax risks). To achieve this, in accordance with Recommendation 53 of the Good Governance Code, the Committee shall evaluate any question regarding non-financial risks (including operational, technological, legal, social, environmental, political and reputational).

  To discharge the duties it has been entrusted, the Audit and Compliance Committee is expressly authorised (i) to regularly request from the Management reports on the effectiveness of the internal control systems and their weaknesses; (ii) to regularly assess the effectiveness of alert mechanisms in place within the Company; and (iii) to meet, with the heads of business units at least once a year, who will report to the Committee on recent trends of business and the risks associated thereto.

Last, the Committee must ensure that risks are kept within the accepted levels of risk tolerance, having to re-assess risks at least once a year, and promote a corporate culture wherein risk is a factor upon decision-making at all levels of the Company and its Group.

04.02/ Proceedings

The Committee shall meet, at least on a quarterly basis, for the purposes of reviewing the periodic financial information to be submitted to the market authorities as well as the information that the Board of Directors must approve and include as part of its annual public documentation. Likewise, it shall meet each time that its Chair calls it. The Chair shall call the Audit and Compliance Committee whenever the Board of Directors or its Chairman would request the issue of a report or the submission of motions and, at any rate, whenever it is appropriate for the successful performance of its functions.

It should be underlined that the Chair and the Secretary of the Audit and Compliance Committee hold a preparatory meeting with the officers of the main areas directly related to the Committee on account of their duties, at any rate the Chief Financial Officer and the Chief Audit Officer, for the purposes or reviewing and preparing the items on the scheduled agenda. The meeting of the Audit and Compliance Committee is called after such preparatory meeting is held.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the notice shall be signed by the Chair. A quorum for Committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to the provisions of statute.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings. Likewise, in order for the Committee to duly discharge its duties, external advisors may attend its meetings.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary.

Members of management or staff members of the Company and its Group are bound to attend the meetings of the Audit and Compliance Committee and provide its members with assistance and access to the information they may have, upon request of the Committee. Likewise, the Committee may also request the presence at its meetings of the Company's auditor.

Activities of the Audit and Compliance Committee

The Audit and Compliance Committee held five meetings in 2019.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Audit and Compliance Committee in 2019 stands at 100%.

The average duration of each meeting has been of approximately 5 hours.

In addition to the main lines of action described below, the Annual Report on the proceedings and activities of the Audit and Compliance Committee for financial year 2019 includes a schedule of the meetings held in the year, business transacted and related working papers – mainly the relevant reports and motions – and the attendees.

In 2019, the main lines of action of the Audit and Compliance Committee have focused on the following:

A. Powers regarding the supervision of the process to draw up and release the periodic financial information, annual accounts and audit report

- Process to draw up and release financial information

The Audit and Compliance Committee reviews the economic and financial information of the Company before it is approved by the Board of Directors.

To do so, prior to the stating of the quarterly, half-yearly or annual financial statements, the Audit and Compliance Committee also meets with the Company's Management to review, among other things, the enforcement of the accounting principles and the estimates made upon stating the financial statements.

Additionally, the Committee, which is entirely made up of non-executive directors, meets with the external auditors for the purposes of reviewing the Company's annual accounts and certain periodic financial information, reviewing the fulfilment of legal requirements and the appropriate use of generally accepted accounting principles upon stating the annual accounts.

The Audit and Compliance Committee reviewed on 11 March 2019 the results for full year 2018. It reviewed the quarterly results for 2019 and the relevant Results Releases and Press Releases in the meetings held on 10 June (1Q), 9 September (1H) and 9 December 2019 (3Q). Such results – and the respective Results Releases and Press Releases – were provided by the Board of Directors to the market and its supervisory bodies on a quarterly basis pursuant to the Periodic Public Information (PPI) format.

Likewise, the annual accounts and the directors' reports, both individual and consolidated, and the Auditor's Report for 2018 were also reviewed. The Committee verified that an unqualified Auditor's Report was issued.

- Statement on Non-financial Information

The Committee gave a favourable report to the Statement on Non-financial Information (SNFI) of the Inditex Group for 2018 in the meeting held on 11 March 2019. In accordance with the provisions of Act 11/2018, the SNFI included a description of the Group's business model as well as the most significant priorities of its strategy, those relating to: (i) Human Rights; (ii) social and staff-related issues; (iii) corruption and bribery; and (iv) environmental issues, as well as the analysis and description of the policies relating to each such issues approved, and of the due diligence processes carried out to identify and assess risks.

The SNFI was subject to an independent review by an external facilitator and the Audit and Compliance Committee verified that it was unqualified. The SNFI was an integral part of the Annual Report for 2018.

- Report on the Internal Control over Financial Reporting (ICFR) System

The Committee has overseen the effectiveness of the ICFR System. This is accounted for in section F of the Annual Corporate Governance Report for 2018 approved on 11 March 2019. The Company's ICFR System has been verified by the statutory auditor, who issued an unqualified report.

B. Powers regarding statutory audit

- Overseeing the effectiveness of the statutory audit and fulfilment of the audit engagement

The audit conducted in 2018 was reviewed by the Audit and Compliance Committee in the meeting held on 11 March 2019, with the attendance of the external auditors previously called to attend.

The work done by external auditors consisted of auditing the consolidated financial statements of the Group as at 31 January 2019 and auditing the individual financial statements of certain Group companies, also as at 31 January 2019. They issued an unqualified report. Likewise, auditors issued a limited review report on the financial statements, and for the first time, they reviewed the consolidated financial statements for the first and third quarter of 2019, on the engagement of the Internal Audit function.

Special mention should be made of the specific audit of the special-purpose consolidated balance sheet as at 1 February 2019. This assignment has consisted of the specific review of the application by the Group as of 1 February 2019 of IFRS 16 lease standard.

Additionally, the main issues, classified in international, domestic, accounting issues and other less relevant ones, were reviewed.

Members of the Audit and Compliance Committee met with external auditors on 11 March, 10 June, 9 September and 9 December 2019, without any member of the management being present, to transact different business under its remit.

Likewise, external auditors were in attendance in the meeting held on 9 December 2018 upon special invitation of the Committee, to address the 2020 audit plan.

- Verifying the independence of the statutory auditor

Pursuant to the provisions of the Procedure to Contract an Auditor for the Provision of Non-audit Services approved by the Committee on 18 July 2016, the Audit and Compliance Committee evaluated and approved in all the meetings held in 2019 the engagement by the Company and Group companies of non-audit services from external auditors.

On 11 March 2019, the Committee approved the report on the independence of the external auditors, which also addressed the issue of the provision of non-audit services.

Pursuant to recommendation 6 GGC, such report was made available to the shareholders on the corporate website (www.inditex.com) at the time the AGM was called.

In the meeting held on 11 March 2019, above referred, having established that independence requirements are met and assessed the degree of fulfilment of the audit engagement, the audit findings, and the terms of the contracts entered into with auditors to perform non-audit services other than those covered in the audit engagement, the Audit and Compliance Committee gave a favourable report to the re-election of statutory auditor, to be approved by the Board and subsequently submitted to the Annual General Meeting.

Finally, the Procedure for the selection of the statutory auditor was approved by the Committee in the meeting held on 9 September 2019, for the purposes of meeting Recommendation 60 of Technical Guide 3/2017. The yardsticks and proceedings to be considered upon selecting or replacing statutory auditor are defined in such Procedure.

C. Powers regarding Internal Audit

The Chief Audit Officer attended all the meetings of the Audit and Compliance Committee held in 2019 and took an active part therein.

Different issues within the Committee's remit were addressed in such meetings and the Committee oversaw the work plan of the Internal Audit Department (progress report of the projects and review of the follow-up on the most critical recommendations, both of operational, financial, compliance and systems audits currently in progress), and approved its budget and its activities report.

In the meeting held on11 March 2019, the Internal Audit Department submitted the Brexit Contingency Plan to the Committee, which it acknowleged.

D. Powers regarding Compliance

- Supervision of the Model of Criminal Risk Prevention: review of the reports issued by the Committee of Ethics

The Committee reviewed and approved the Annual Report of the Committee of Ethics for 2018 in the meeting held on 11 March 2019, and the 2019 First-Half Report in the meeting held on 9 September 2019.

The Committee acknowledged in the meeting held on 11 March 2019 the supervision of the Model on Criminal Risk Prevention for 2018 and the findings of the assurance review of such Model with limited assurance scope, carried out by an external facilitator, in order to establish that the controls included in the Scoping Matrix of Criminal Risks and Control are effective and appropriate and that the Model complies with the requirements laid down in the Criminal Code and in UNE 19601 standard.

The above reports address, inter alia, the enforcement of the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, with a description of the cases seen by the Committee of Ethics, the proceedings carried out and the resolutions issued; the outcome of the supervision of the Manual of Criminal Risk Prevention of the Group and proceedings to implement the *Corporate Compliance* System at domestic and international level (circulation and communication of such system, proceedings regarding the acceptance of the Code of Conduct and Responsible Practices and training on corporate compliance).

Likewise, the Audit and Compliance Committee followed-up on the supervision of the Model of Criminal Risk Prevention and the progress of the implementation of the Group's Corporate Compliance System in the meetings held on 11 June, 9 September and 9 December 2019.

- Supervision of the Compliance Function.

In the meeting held on 11 March 2019, the Committee approved the strategic action lines of the Compliance Function and its budget for 2019.

Additionally, the Committee acknowledged the 2018 Annual Compliance Report in the meeting held on 13 March 2019 and the 1H2019 Compliance Report in the meeting held on 9 September 2019.

- Corporate policies.

In order to bring the internal regulations of the Company into line with cer tain regulator y developments, international standards and best practices on corporate governance and corporate compliance, and to implement certain aspects of the internal regulations, in 2019 the Audit and Compliance Committee gave a favourable report to the following corporate policies:

- In the meeting held on 10 June 2019, to the Data Protection Policy, approved by the Board of Directors on 11 June 2019.

- In the meeting held on 16 July 2019, to the Conflicts of Interest Policy, approved by the Board of Directors in the meeting held on that same day.

- In the meeting held on 9 September 2019, to the Occupational Health & Safety Policy and the Due Diligence Policy, both of which were approved by the Board on 10 September 2019.

  The Procedure for the Selection of the Statutory Auditor was also approved by the Committee in that same meeting.

- Finally, in the meeting held on 9 December: (i) to the amendment of the Ethics Line Procedure; (ii) to the Travel Management Policy; (iii) to the Information Security Policy; and (iv) to the Product Control Policy in the field of Industrial and Intellectual Property. All of them went on to be approved by the Board of Directors on 10 December 2019.

E. Overseeing Enterprise Risk Management Function

The Audit and Compliance Committee is responsible for verifying the level of risk tolerance and its limits, at least by means of an annual review and the reception of periodic reports on the degree of compliance with the Enterprise Risk Management Policy, to be tabled to the Board. Its main proceedings in the field in 2019 were:

- Risks Map

In the meeting held on 9 December 2019 the Head of the ERM Department apprised the Committee of the main risks affecting business development and the control measures established to manage and monitor such risks. The Committee gave a favourable report to the update of the 2019 Risks Map

- Evaluation of other risks

Pursuant to sections 5.3(j) of the Audit and Compliance Committee's Regulations, and to the Enterprise Risk Management Policy, the evaluation of any question regarding *"non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks)" is part of the Committee's duty to oversee the effectiveness of risk control systems.*

Likewise, pursuant to section 9(h) of the above-referred set of rules, the Audit and Compliance Committee may *"meet with the heads of business units at least once a year, and whenever the Committee deems it appropriate, for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit."*

Considering the foregoing, the Committee encourages attendance of officers and supervisors of the Company at its meetings, to be regularly apprised of the operation of the risk management systems established, and in particular, with regard to:

- Report on Tax Policies

Pursuant to the Company's Tax Policy, the Committee acknowledged in the meeting held on 11 March 2019 the tax policies followed in the year

- Brexit Contingency Plan

The Audit and Compliance Committee acknowledged the Brexit Contingency Plan submitted by the Internal Audit Department in the meeting held on 11 March 2019. Such Plan addressed the main significant contingencies identified and the measures raised to mitigate their impact.

- Report on the follow-up of projects of IT and Information Security Departments

In the meetings held on 10 June 2019, the Committee acknowledged the reports on Cybersecurity and Information Security addressing the most relevant issues in the field which may have an impact on the Company, and followed-up on the progress of the projects of the Information Security Department.

Likewise, the Committee acknowledged in the meeting held on 9 December 2019 the report of the Data area, within the IT Department, on the status of the project to substantially amend the Group's data architecture system, and followed-up on the progress of the projects and objectives of the 2019-2020 Plan. The appointment of the new Chief Analytics Officer was also acknowledged in such meeting.

- Report of the Data Protection Officer

In the meeting held on 10 June 2019, the Committee acknowledged the report on the degree of implementation of the requirements on Data Protection introduced upon entry into force of Regulation (EU) 2016/679 of the European Parliament and of the Council last 25 May 2018, as well as the contents and scope of the Data Protection Policy approved by the Board of Directors on 11 June 2019.

- The corporate strategy

As a general rule, the Board of Directors delegates the management of the day-to-day business and the conduct of its strategy to the management team, focusing on performing its general supervisory role and exercising its non-delegable powers, pursuant to statute, the Articles of Association and its own set of rules.

Within the scope of its powers relating to enterprise risk management, the Audit and Compliance Committee will be regularly updated by the Management and the heads of business unities who will attend its meetings for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.

Accordingly, the Committee acknowledged the Business Plan update in the meetings held on 11 March and 9 December 2019.

F. Powers relating to Corporate Governance

The most relevant proceedings of the Committee in 2019 regarding observance of statutory and good governance requirements have been:

- Annual Corporate Governance Report (ACGR)

The Audit and Compliance Committee approved on 11 March 2019 the Annual Corporate Governance Report for 2018, drafted as regards its format, contents and structure, in accordance with applicable regulations in force and CNMV's Circular 2/2018 of 12 June which amended Circular 5/2013 of 12 June, that established the standard forms for the annual corporate governance report of listed public companies, savings banks and other entities that issue securities admitted to trading on official securities markets; and Circular 4/2013 of 12 June that established the standard forms for the Annual Report on remuneration of directors of listed public companies, and of members of the board of directors and control committees of savings banks issuing securities admitted to trading on official securities markets. The Committee submitted the ACGR to the Board of Directors which approved it on 12 March 2019, and subsequently sent it to the CNMV as a relevant fact. The ACGR is available on CNMV website (www.cnmv.es).

- Review of the reports of the Compliance Supervisory Board and the Office of the Chief Compliance Officer.

The Audit and Compliance Committee reviewed in the meetings held on 11 March and 9 September 2019 the quarterly reports prepared by the Office of the Chief Compliance Officer and the Compliance Supervisory Board on (i) the enforcement of the Internal Regulations of Conduct, and (ii) the measures taken to promote knowledge and ensure compliance with the provisions of the IRC.

- Amendment of internal regulations.

The Audit and Compliance Committee gave a favourable report to the amendment of the Articles of Association and the Board of Directors' Regulations in the meeting held on 10 June 2019.

Additionally, the Committee gave a favourable report in the meeting held on 16 July 2019, to the amendment of the respective set of rules of the Audit and Compliance Committee, the Nomination Committee and Remuneration Committee and to the new Sustainability Committee's Regulations.

Finally, the Committee gave a favourable report to the amendment of the Internal Audit Charter on 9 December.

- Evaluation of the appropriateness of the corporate governance system.

In the meeting held on 9 December 2019 the Audit and Compliance Committee appreciated that the Company's corporate governance system is appropriate, as it considers that it meets its purpose of promoting corporate interests taking into account the lawful interests of the different stakeholders.

- Related-party transactions

In the meeting held on 11 March 2019, the Audit and Compliance Committee issued and approved the report on related-party transactions carried out by the Inditex Group throughout 2018.

Pursuant to the provisions of Recommendation 6 GGC, such report was made available to the shareholders on the corporate website (www.inditex.com) since the date the notice calling the Annual General Meeting was published.

- Report on treasury stock

The Committee acknowledged in the meeting held on 11 March 2019 the report on treasury stock, issued by the Capital Markets Director pursuant to the provisions of the document headed *"Recommendations by the Comisión Nacional del Mercado de Valores for securities issuers and financial intermediaries acting on their behalf in discretionary transactions with own shares"* dated 18 July 2013.

- Report on its activities

The Committee issued the annual report on its activities on 10 June 2019 It was published in the 2018 Annual Report and is available on www.inditex.com

G. Other powers

- Structural and corporate changes

In the meeting held on 9 September 2019, the Committee gave a favourable report to the general terms and conditions of the review of the Group's international corporate structure. Such review was subsequently approved by the Board of Directors on 10 September 2019.

H. Inditex's Annual Report

The Committee gave a favourable report to the Annual Report for 2018 in the meeting held on 10 June 2019. Such Report provides information on the activities of the Company and its Group over the past years and in particular in 2018, regarding three specific areas: financial, social and environmental.

04.03/ Annual report on the proceedings and activities of the Audit and Compliance Committee

The Audit and Compliance Committee issues on an annual basis a report on its activities during the year. Such report is available to shareholders on the Company's website (www.inditex.com) since the date when the notice calling the Annual General Meeting is posted.

04.04/ Nomination Committee

Regulations

Article 29 of the Articles of Association, section 16 of the Board of Directors' Regulations, and namely the Nomination Committee's Regulations approved on 9 June 2016 set out the regulations governing the proceedings of the Nomination Committee. The Nomination Committee's Regulations are available on Inditex website.

The Nomination Committee's Regulations were amended in 2019 in order to bring some of its provisions into line with the principles and recommendations set forth in Technical Guide 1/2019.

Composition

NAME	POSITION	TYPE	POSITION HELD SINCE (AS AT 31/01/2020)
Mr Emilio Saracho Rodríguez de Torres	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Ms Pilar López Álvarez	Ordinary member	Non-executive independent	17-07-2018
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent	14-07-2015

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Nomination Committee.

The Nomination Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the Board of Directors, a majority of whom must necessarily be independent directors who shall be elected, considering the appropriate knowledge, qualifications and expertise based upon the duties they they are called upon to discharge. At present, 4 directors sitting on the Nomination Committee are independent, which represents 80% of all its members.

In this regard, pursuant to the Nomination Committee's Regulations, the Board of Directors shall endeavour to ensure that Committee members, and namely its Chair, have the appropriate knowledge, qualifications and experience on corporate governance issues, analysis and strategic assessment of human resources, selection of directors and officers and assessment of the suitability requirements legally provided for the discharge of senior management functions.

Likewise, the Board of Directors shall encourage diversity of members on the Committee as regards professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

Mr Saracho was appointed Chair of the Nomination Committee on 14 July 2015 and re-elected as such on 16 July 2019.

Duties and powers

Section 5 of Nomination Committee's Regulations sets forth the mission of the Nomination Committee and its powers are set out in sections 6 to 9 thereof.

In addition to such powers it is expressly assigned pursuant to statute and the Recommendations of the Good Governance Code, the Nomination Committee is entrusted with the following duties:

- Proposing a diversity of directors and of senior managers policy.

- With regard to the annual evaluation programme, the Nomination Committee is expressly entrusted with the following powers: (i) establishing and overseeing an annual programme for evaluating the performance of the Executive Chairman, the CEO and board committees; (ii) reporting on an annual basis to the Board of Directors on the performance of the Executive Chairman, the CEO and the remaining executive directors; (iii) proposing an action plan or recommendation to amend potential weaknesses detected or to improve the operation of the Board and its committees; and (iv) assessing the convenience of discussing with the directors the findings of their individual evaluations and, if appropriate, the measures to be adopted to improve their performance.

  Additionally, the Committee may gather information about the evaluation of senior managers.

- With regard to succession plans, the Committee is expressly entrusted with the power to be regularly apprised of the succession and career plans of senior managers.

- Designing and periodically organising the induction and refresher programmes for directors.

The Nomination Committee's Regulations were amended in 2019 for the purposes, inter alia, of bringing it into line with the principles and recommendations set out in Technical Guide 1/2019. Such amendment has affected the mission and powers of the Committee. In particular, the following powers it is expressly assigned pursuant to statute and the Recommendations of the Good Governance Code have been worked upon:

- With regard to director selection, the Nomination Committee shall be responsible for setting up a skills chart of the Board on the basis of which the profiles required of candidates that must fill board vacancies will be defined.

  Moreover, the Committee shall assess the convenience of outsourcing the search for candidates and, as the case may be, hiring the services of external experts.

- In case of removal of directors: the Committee must ensure the transparency of the process and gather the information it may deem appropriate.

Proceedings

The Nomination Committee shall meet at least 3 times a year, and each time that its Chair calls it. The Chair of the Nomination Committee shall call it whenever the Board of Directors or its Chairman would request the issue of a report or the submission of motions and at any rate whenever it is appropriate for the successful performance of its functions.

Likewise, the Chair may arrange working meetings to prepare Committee meetings on specific topics apart from the formal meetings of the Committee.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the meeting notice shall be authorised by the signature of the Chair. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings, and shall inform the Board thereof. Likewise, in order for the Committee to duly discharge its duties, external advisors may attend its meetings.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary.

Activities of the Nomination Committee

The Nomination Committee held 5 meetings in 2019.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by Nomination Committee during financial year 2019 stands at 100%.

The average duration of each meeting has been of approximately 2 hours.

In addition to the main lines of action described below, the Annual Report on the proceedings and activities of the Nomination Committee for financial year 2019 includes a schedule of the meetings held by such body in the year, business transacted and related working papers – mainly the relevant reports and motions – and the attendees.

In 2019, the main lines of action of the Nomination Committee have focused on the following:

A. Powers regarding appointment of directors

In the meeting held on 23 May 2019, the Nomination Committee gave a favourable report to the motion raised by the Executive Chairman on the appointment of Mr Carlos Crespo González to the Board of Directors as executive director, to be submitted to the Annual General Meeting and to his subsequent election as CEO and member of the Executive Committee.

The Committee had previously approved an explanatory report on the analysis of prior needs of the Board, for the purposes of re-election and appointment of directors.

Likewise, the Committee resolved in the meeting held on 10 June 2019, to give a favourable report to the motions on the re-election of Mr Pablo Isla Álvarez de Tejera and Mr Amancio Ortega Gaona to the Board of Directors as executive and proprietary directors, respectively, and to propose the re-election of Mr Emilio Saracho Rodríguez de Torres and Mr José Luis Durán Schulz as independent directors.

The motions and reports above referred were subsequently submitted by the Board to the Annual General Meeting and were approved by the latter on 16 July 2019.

The relevant reports issued by the Nomination Committee had been made available to the shareholders on the corporate website (www.inditex.com) since the date the notice calling the Annual General Meeting was published.

The motions on (i) the appointment of Mr Crespo as new CEO; and, (ii) the re-election and appointment of members of the Executive Committee were also approved by the ensuing board meeting held after the Annual General Meeting.

The Committee resolved on 9 December 2019 to propose the co-option of Ms Anne Lange to the Board of Directors as independent director. Such appointment was approved by the Board of Directors on 10 December, until it is ratified by the Annual General Meeting.

Finally, also on 9 December 2019, the Committee resolved to raise to the Board of Directors the motions on (i) the appointment of members of the new Sustainability Committee and the ensuing appointment of its Chair and Secretary; and, (ii) the new composition of the Audit and Compliance Committee, the Nomination Committee and the Remuneration Committee.

Such motions were subsequently approved by the Board of Directors in the meeting held on 10 December 2019.

B. Powers regarding appointment of officers

In the meeting held on 9 December 2019, the Nomination Committee gave a favourable report to the motion on the appointment of Mr Javier Losada Montero as new Chief Sustainability Officer of the Inditex Group replacing Mr Félix Poza Peña.

Such motion was subsequently approved by the Board of Directors in the meeting held on 10 December 2019.

C. Powers regarding the process to evaluate the performance of the Board of Directors, its members and committees, the Executive Chairman, the Lead Independent Director and the Secretary of the board.

Pursuant to the provisions of the Board of Directors' Regulations and the Nomination Committee's Regulations and, in line with the Recommendations of the Good Governance Code and Recommendation 17 of Technical Guide 1/2019, the Nomination Committee submitted to the Board of Directors on 9 September 2019 the supervision of the "Programme for the Evaluation of the Board of Directors, the Directors, the Committees and the Executive Chairman". Such programme addresses the annual evaluation of the performance of the advisory committees of the Board and the supervision thereof.

Such programme covers the preparation and supervision of the annual evaluation of the performance of the Board, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board. In 2019, the programme has been updated and improved, in line with the criteria and recommendations of Technical Guide 1/2019 and with the new organisational structure.

Likewise, pursuant to Inditex' internal regulations and best practices in the field of corporate governance, the Nomination Committee approved on 9 December 2019 the report on the evaluation of the performance of the Board of Directors, the Directors, the Nomination Committee and its members, the Executive Chairman, the Lead Independent Director and the Secretary of the Board. Such report was subsequently approved by the Board in the meeting held on the following day.

The findings of the evaluation conducted in 2019 has been positive in respect of the areas evaluated, highlighting the following, without limitation: the size and structure, the functions, the effectiveness and the proceedings, the planning and organisation of the meetings of the Board of Directors and of the Nomination Committee and the Remuneration Committee, and the contribution and performance of the Directors, the Executive Chairman, the Lead Independent Director and the Secretary of the Board.

In this regard, directors have considered that the appointment of the new CEO has contributed to reinforcing the executive business management in the field of new technologies and sustainability.

Meanwhile, the formation of the Sustainability Committee has been considered to be timely and satisfactory, as its existence and proceedings will contribute to: (i) achieving a higher degree of specialisation and advice in the field; (ii) a better design of objectives and the relevant policies in the field, and of follow up and monitoring of compliance thereof; and (iii) focusing on the decision-making process within the board regarding sustainable management and accountability to stakeholders.

In addition and as part of the findings of the self-evaluation process, the meeting of non-executive directors led by the Lead Independent Director, held on 18 February 2019 has been considered very useful.

D. Schedule of dates and agenda of business to be transacted

Pursuant to recommendations of CNMV's Technical Guide 1/2019, the Nomination Committee approved in the meeting held on 9 December 2019 the schedule of dates and agenda of business to be transacted by the Committee in 2020.

E. Report on its activities

The Nomination Committee issued the annual report on its activities on 10 June 2019 It was published in the 2018 Annual Report and is available on www.inditex.com

04.05/ Annual report on the proceedings and activities of the Nomination Committee

The Nomination Committee issues on an annual basis a report on its activities during the year. Such report is available to shareholders on the Company's website (www.inditex.com) since the date when the notice calling the Annual General Meeting is posted.

04.06/ Remuneration Committee

Regulations

Article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations, and namely the Remuneration Committee's Regulations set out the regulations governing the proceedings of the Remuneration Committee. The Remuneration Committee's Regulations are available on the corporate website.

The Remuneration Committee's Regulations were amended in 2019 in order to bring some of its provisions into line with the principles and recommendations set forth in Technical Guide 1/2019.

Composition

NAME	POSITION	TYPE	POSITION HELD SINCE (AS AT 31/01/2019)
Mr Rodrigo Echenique Gordillo	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Mr José Luis Duran Schulz	Ordinary Member	Non-executive independent	14-07-2015
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Non-executive independent	14-07-2015

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Remuneration Committee.

The Remuneration Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors. Members of such Committee shall be appointed considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge. At present, 4 directors sitting on the Remuneration Committee, entirely made up of non-executive directors, are independent, which represents 80% of all its members.

In this regard, pursuant to the Remuneration Committee's Regulations, the Board of Directors shall endeavour to ensure that Committee members, and namely its Chair, have the appropriate knowledge, qualifications and experience to discharge the duties they are called upon to perform, including among others, the analysis and strategic assessment of human resources and the design of remuneration policies and schemes for directors and senior managers.

Likewise, the Board of Directors shall encourage diversity of members on the Committee as regards professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

Mr Echenique was appointed Chair of the Remuneration Committee on 14 July 2015 and re-elected on 17 July 2018. He had previously chaired the defunct Nomination and Remuneration Committee since 15 July 2014.

Duties and powers

Section 5 of the Regulations sets forth the mission of the Remuneration Committee and its powers are set out in section 6 thereof. Namely:

The Remuneration Committee has been assigned the powers expressly entrusted by statute, and the recommendations set forth in the Good Governance Code.

Notwithstanding this, the Remuneration Committee's Regulations were amended in 2019 for the purposes, inter alia, of bringing them into line with the principles and recommendations of Technical Guide 1/2019, with the result that some of the powers it is entrusted by statute or pursuant to the recommendations of the Good Governance Code have been built up.

Proceedings

The Remuneration Committee shall meet at least 3 times a year and each time that its Chair calls it. The Chair shall call the Remuneration Committee whenever the Board of Directors or its Chairman would request the issue of a report or the submission of motions within its remit and, at any rate, whenever this is suitable for the successful performance of its functions.

Likewise, the Chair may arrange working meetings to prepare Committee meetings on specific topics apart from the formal meetings of the Committee.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the call shall be authorised by the signature of the Chair or the Secretary. A quorum will be present at any meeting of the Remuneration Committee when at least half plus one of its members attend it, whether in person or by proxy. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings. The Committee may rely on external advisors to duly perform the duties it has been entrusted with.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary.

Activities of the Remuneration Committee

The Remuneration Committee held 5 meetings in 2019.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Remuneration Committee in FY2019 stands at 100%.

The average duration of each meeting has been of approximately two hours.

In addition to the main lines of action described below, the Annual Report on the proceedings and activities of the Remuneration Committee for financial year 2019 includes a schedule of the meetings held by such body in the year, business transacted and related working papers – mainly the relevant reports and motions – and the attendees.

In 2019, the main lines of action of the Remuneration Committee have focused on the following:

A. Contract and remuneration of the Executive Chairman

The Remuneration Committee approved in the meeting held on 11 March 2019 the motion regarding the remuneration of the Executive Chairman for the performance of executive functions to be subsequently submitted to the Board of Directors.

The motion was approved by the Board of Directors in the meeting held on 12 March 2019.

The Committee resolved in the meeting held on 16 July 2019 to raise to the Board of Directors the motion on the new terms and conditions of the contract with Mr Pablo Isla Álvarez de Tejera, following his re-election as Executive Chairman.

The motion was approved by the Board of Directors in the meeting held on 16 July 2019.

B. Contract and remuneration of the CEO

The Committee resolved in the meeting held on 10 June 2019 to raise to the Board of Directors the motion on the remuneration of the new executive director, namely the fixed salary for the performance of executive functions, for the purposes of having it included in the Remuneration Policy for Directors for FY2019, 2020, 2021. The motion was approved by the Board in the meeting held on 11 June 2019.

The Committee resolved in the meeting held on 16 July 2019 to raise the motion on the contract with Mr Carlos Crespo González as CEO to the Board of Directors for approval. The motion was approved by the Board of Directors in the meeting held on 16 July 2019.

C. Annual Report on Remuneration of Directors for 2018

The Remuneration Committee resolved in the meeting held on 11 March 2019 to table the Annual Report on Remuneration of Directors for 2018 to the Board of Directors for approval, which it did in the meeting held on 12 March 2019.

Such report was submitted to CNMV as a relevant fact and is available on CNMV's website: (www.cnmv.es).

Additionally, pursuant to section 541LSC, the Annual Report on Remuneration of Directors for 2018 was approved by the Annual General Meeting held on 16 July 2019, having been put to the advisory say-on-pay vote.

D. 2016-2020 Long-term Incentive Plan

The Remuneration Committee acknowledged in the meeting held on 11 March 2019, the accrual of the first cycle (2016-2019) of the 2016-2020 Plan.

E. 2019-2023 Long-term Incentive Plan

The Remuneration Committee gave a favourable report in the meeting held on 11 March 2019 to the objectives and terms of the new 2019-2023 Long-term Incentive Plan addressed to members of management and other employees of the Inditex Group, and tabled it to the Board of Directors.

Likewise, in the meeting held on 16 July 2019, the Committee gave a favourable report to the 2019-2023 Long-term Incentive Plan Regulations, which were raised to the Board of Directors and approved by the latter in the ensuing meeting held on that same day.

The 2019-2023 Long-term Incentive Plan was approved by the Annual General Meeting on 16 July 2019.

The Remuneration Committee acknowledged in the meeting held on 9 September 2019 the list of beneficiaries of the first cycle (2019-2022) of the 2019-2023 Long-term Incentive Plan.

F. Remuneration Policy

The Committee approved in the meeting held on 10 June 2019 the explanatory report on the motion regarding the partial amendment of the Remuneration Policy for Directors for 2019, 2020 and 2021 to be subsequently tabled to the Annual General Meeting, for the purposes of including the fixed remuneration of the CEO for the performance of executive functions.

The partial amendment of the Remuneration Policy for Directors was approved by the Annual General Meeting on 16 July 2019.

Such report was issued by the Nomination Committee pursuant to section *529novodecies*(3)LSC, article 30.3.(a) of the Articles of Association, section 17.2.(a) of the Board of Directors' Regulations and section 5.3.(a) of the Remuneration Committee's Regulations.

The Remuneration Policy and the explanatory report issued by the Remuneration Committee have been made available to the shareholders on the corporate website since the date the notice calling the Annual General Meeting was published.

G. Remuneration of Senior managers

The Remuneration Committee gave a favourable report to the remuneration of Senior managers in the meeting held on 11 March 2019 and submitted it to the Board of Directors, which approved it on 12 March 2019.

Additionally, in the meeting held on 10 December 2019, the Committee gave a favourable report to the motion regarding the economic terms and conditions of the senior management contract entered into with Mr Javier Losada Montero, which was approved by the Board of Directors in the meeting held on 10 December 2019.

H. Extraordinary Employees Profit-Sharing Plan

The Board of Directors approved on 14 March 2017 on an exceptional basis, following a favourable report of the Committee, an Extraordinary Employees Profit-Sharing Plan for Inditex employees worldwide, that seeks to boost and reward, on an exceptional basis, their contribution to the improvement of results and their permanence with the Inditex Group for the duration of the Plan, that is financial years 2017 and 2018.

On 11 March 2019, the Remuneration Committee gave a favourable report to the result of the second period of the Plan for financial year 2018 and to the global incentive, and to the payment of an extraordinary incentive that seeks to cement throughout 2019 the collective commitment, efforts and contribution of the beneficiaries of such plan to the achievement of the objectives set by the Group, in particular, improving the results for such year, 2019, and ensuring talent retention within the Company.

The Remuneration Committee gave a favourable report to the terms and conditions of the new Extraordinary Employees Profit-Sharing Plan, which will be in effect, on an exceptional basis, for one year, from 1 February 2019 through 31 January 2020, and resolved to table it to the Board of Directors for approval.

The objectives and terms of such new Plan were approved by the Board in the meeting held on 12 March 2019.

I. Schedule of dates and agenda of business to be transacted

Pursuant to recommendations of CNMV's Technical Guide 1/2019, the Remuneration Committee approved in the meeting held on 10 December 2019 the schedule of dates and agenda of business to be transacted by the Committee in 2020.

J. Report on its activities

The Remuneration Committee issued the annual report on its activities on 10 June 2019. It was published in the 2018 Annual Report and is available on www.inditex.com.

04.07/ Annual report on the proceedings and activities of the Remuneration Committee

The Remuneration Committee issues on an annual basis a report on its activities during the year. Such report is available to shareholders on the Company's website (www.inditex.com) since the date when the notice calling the Annual General Meeting is posted.

04.08/ Sustainability Committee

Formation

The Board of Directors resolved on 11 June 2019 to form the Sustainability Committee, in line with the Group's corporate strategy and its commitment to sustainability, its composition and own set of rules pending approval.

The Sustainability Committee's Regulations were subsequently approved by the Board of Directors in the meeting held on 16 July 2019, following a favourable report of the Audit and Compliance Committee.

To complete the whole formation process, the Board approved on 10 December 2019, following a favourable report of the Nomination Committee, the appointment of its members and the subsequent election of its Chair and Secretary.

Regulation

Article 30bis of the Articles of Association, section 17bis of the Board of Directors' Regulations and in particular the Sustainability Committee's Regulations set out the regulations governing the Sustainability Committee. Such set of rules is available on Inditex corporate website (www.inditex.com).

Composition

NAME	POSITION	TYPE	POSITION HELD SINCE (AS AT 31/01/2020)
Bns. Denise Patricia Kingsmill	Chair	Non-executive independent	10-12-2019
Ms Anne Lange	Ordinary member	Non-executive independent	10-12-2019
Ms Pilar López Álvarez	Ordinary member	Non-executive independent	10-12-2019
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	10-12-2019
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent	10-12-2019

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Sustainability Committee.

The Sustainability Committee shall be made up of a minimum of 3 and a maximum of 7 non-executive directors appointed by the Board of Directors, a majority of whom shall be independent directors. Members of such Committee shall be appointed considering the appropriate knowledge, qualifications and expertise based upon the duties they must discharge. At present, 4 directors sitting on the Sustainability Committee, entirely made up of non-executive directors, are independent, which represents 80% of all its members.

In this regard, pursuant to the Sustainability Committee's Regulations, the Board of Directors shall endeavour to ensure that Committee members, and namely its Chair, have the appropriate knowledge, qualifications and experience in the field of sustainability, social action initiatives, sustainable management of resources and design of communication policies with stakeholders.

Likewise, the Board of Directors shall encourage diversity of members on the Committee as regards professional experience, qualifications, personal skills, sector-specific knowledge and gender, taking into account the restrictions that are a result of the smaller size of the Committee.

Bns. Denise Patricia Kingsmill was appointed as Chair of the Sustainability Committee on 10 December 2019.

Duties and powers

The mission of the Sustainability Committee is addressed in section 5 of the Sustainability Committee's Regulations, and its powers are set out in sections 6 to 8 thereof. In particular:

- To follow-up on the Company's sustainability strategy and policies.

- To oversee monitoring of the entire supply chain and compliance by suppliers with Inditex's Code of Conduct for Manufacturers and Suppliers.

- To verify that the goods that the Company sells comply with the product health and safety standard.

- To verify compliance with the most exacting environmental standards, encouraging biodiversity conservation and the sustainable management of natural resources in respect of use of raw materials, production processes, product and store.

- To verify compliance with the Company's Policy on Human Rights across its entire value chain.

- To monitor the Company's relation with its different stakeholders in the field of sustainability and with the Social Advisory Board.

- To verify the reporting process in respect of sustainability information in accordance with applicable regulations and the international standards of reference, in particular regarding the contribution towards achievement of UN Sustainable Development Goals (SDGs).

- To follow-up on any other environmental matters or initiatives which might have an impact on the Company's sustainability.

Proceedings

The Sustainability Committee shall meet at least 3 times a year and each time that its Chair calls it. The Chair of the Sustainability Committee shall call it whenever the Board of Directors or its Chairman would request the issue of a report or the submission of motions and at any rate whenever it is appropriate for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the meeting notice shall be authorised by the signature of the Chair. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

Likewise, for the purposes of making the appropriate arrangements that ensure the achievement of the objectives effectively sought, the Committee shall prepare an annual working plan, which shall include, at least, the specific objectives for the financial year and an annual schedule of ordinary meetings. The Committee may rely on external advisors to duly perform the duties it has been entrusted with.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary.

Activities of the Sustainability Committee

Although the Committee was formed further to a resolution passed by the Board of Directors on 11 June 2019, the formation process was completed with the appointment of its members, resolved by the Board in the meeting held on 10 December 2019. Consequently, the first meeting of the Sustainability Committee will be held in 2020

04.09/ Executive Committee

Composition

NAME	POSITION	TYPE OF DIRECTOR
Mr Pablo Isla Álvarez de Tejera	Chairman	Executive
Mr José Arnau Sierra	Deputy Chairman	Non-executive proprietary
Mr Amancio Ortega Gaona	Ordinary member	Non-executive proprietary
Mr Carlos Crespo González	Ordinary member	Executive
Ms Pilar López Álvarez	Ordinary member	Non-executive independent
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent
Mr Emilio SarachoRodríguez de Torres	Ordinary member	Non-executive independent

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Executive Committee.

The Chairman of the Board of Directors acts as Chairman of the Executive Committee and the Deputy Chairman of the Board of Directors acts as Deputy Chairman of the Executive Committee.

All types of directors sitting on the Board of Directors are represented on the Executive Committee.

In 2019, Mr Carlos Crespo was appointed as new member of the Executive Committee. Consequently the maximum number of members allowed on the Executive Committee has increased from 7 to 8 for the purposes of adapting its size and structure to that of the Board of Directors, as regards membership of directors of all types.

Duties and proceedings

The Executive Committee holds in delegation all the powers of the Board, except for those that cannot be delegated by statute or according to the Company's Articles of Association and those that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board of Directors.

The permanent delegation of powers by the Board of Directors to the Executive Committee shall require two-thirds of the members of the Board to vote for, and may include, at the Board's discretion, all or a part of the powers of the Board itself.

The Executive Committee did not hold any meetings in 2019.

04.10/ Other governing bodies

Internal committees:

In addition, 2 other internal committees exist, which regularly report to the Audit and Compliance Committee, to wit: the Compliance Supervisory Board and the Committee of Ethics. Each of them is addressed herein in its own independent section.

External committees: the Social Advisory Board

Regulations

In December 2002, the Board of Directors authorised the creation of the Social Advisory Board and approved its Regulations, which determine the principles of action, the basic rules governing its organization and proceedings and the rules of conduct of its members.

The Regulations of the Social Advisory Board have been amended several times, the last of which took place on 16 July 2019 for the purposes of establishing its functional reporting line to the Sustainability Committee.

Composition

The following members sit on Inditex's Social Advisory Board: Mr Ezequiel Reficco; Ms Cecilia Plañiol Lacalle; Ms Paula Farias Huanqui; Mr Francisco Javier Sardina López and Mr Víctor Viñuales Edo.

Powers

Reporting to the Board of Directors, the Social Advisory Board is Inditex's advisory body in the field of Sustainability

Activities

In 2019, the Social Advisory Board held 3 meetings. The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Social Advisory Board in 2019 stands at 87%.

The main lines of action of the Social Advisory Board have focused on the following: (i) in the meeting held on 20 February 2019, it gave a favourable report to the Statement on Non-Financial Information of the Inditex Group for FY2018 and to the 2019-2022 Environmental Sustainability Strategic Plan; (ii) in the meeting held on 4 June 2019, it gave a favourable report to the social and environmental sections of the 2018 Annual Report; and, (iii) in the meeting held on 9 December 2019, it gave a favourable report to the main lines of the new Sustainability strategy, the new assessment strategy for suppliers/manufacturers of the Group, and to the 2019-2022 Social Sustainability Strategic Plan.

05/ Remuneration

05.01/ Remuneration of Directors

In 2019, the aggregate remuneration of the Board of Directors amounted to €9,458k.

Included in such aggregate remuneration is the amount of the remuneration of directors in their status as such, as well as the fixed salary, the short-term variable remuneration and the long-term variable remuneration of executive directors. In particular, with regard to variable components of remuneration:

- Annual variable remuneration: taking into account the exceptional situation created by the global coronavirus pandemic, Inditex's Board of Directors has resolved, on the proposal of the Remuneration Committee, that the annual variable remuneration of the Executive Chairman and the CEO for financial year 2019 be halved.

- Long-term or pluri-annual variable remuneration: included therein are the incentives in cash and in shares accrued by the Executive Chairman and the CEO as at 31 January 2020 under the second cycle (2017-2020) of the 2016-2020 Long-term Incentive Plan.

Also included in such aggregate remuneration is the remuneration accrued by the following directors: (i) Mr Carlos Crespo González, in his capacity of executive director, from the date of his appointment as such, i.e., 16 July 2019; and, (ii) Ms Anne Lange, in her capacity of director and member of the following board committees: Audit and Compliance, Nomination, and Remuneration, from the date on which she was appointed, i.e., 10 December 2019.

05.02/ Annual Report on Remuneration of Directors

The Board of Directors approved in the meeting held on 17 March 2020 the Annual Report on Remuneration of Directors for FY2019 prepared by the Remuneration Committee pursuant to the provisions of section 541 of the Companies Act; Order EEC/461/2013 of 20 March, whereby the contents and structure of the annual corporate governance report, the annual remuneration report and other information instruments of listed public companies, savings banks and other entities which issue securities admitted to trading in official securities markets, are determined; and of CNMV's Circular 2/2018. Pursuant to this latter, the Report has been filed in a free format; it is available on www.inditex.com.

The Remuneration Policy for Directors in effect for financial years 2019, 2020 and 2021 was approved by the Annual General Meeting held on 17 July 2018, with 99.38% of votes for, and amended in part further to a resolution passed by the Annual General Meeting held on 16 July 2019 (with 99.54% of votes for), exclusively for the purposes of adding thereto the annual fixed remuneration of the CEO for the performance of executive functions. This was done in accordance with section 529novodecies of the Companies Act.

06/ Senior Managers

As at 31 January 2020, Inditex's senior managers, excluding the Executive Chairman and the CEO are:

NAME (PERSON OR COMPANY)	POSITION
Mr Antonio Abril Abadín	General Counsel and Secretary of the Board
Ms Lorena Alba Castro	Chief Logistics Officer
Mr José Pablo del Bado Rivas	Director of PULL & BEAR
Mr Jesús Echevarría Hernández	Chief Communication Officer
Mr Ignacio Fernández Fernández	Chief Financial Officer
Mr Antonio Flórez de la Fuente	Director of BERSHKA
Ms Begoña López-Cano Ibarreche	Chief Human Resources Officer
Mr Abel López Cernadas	Import, Export and Transport Director
Mr Marcos López García	Capital Markets Director
Mr Juan José López Romero	General Services and Infrastructures Director
Mr Javier Losada Montero	Chief Sustainability Officer
Mr Gabriel Moneo Marina	Chief IT Officer
Mr Javier Monteoliva Díaz	Legal Director
Ms María Lorena Mosquera Martín	Director of ZARA HOME
Ms Paula Mouzo Lestón	Chief Audit Officer
Mr Jorge Pérez Marcote	Director of MASSIMO DUTTI
Mr Óscar Pérez Marcote	Director of ZARA
Mr Ramón Reñón Túñez	Deputy General Manager
Mr José Luis Rodríguez Moreno	Director of UTERQÜE
Ms Carmen Sevillano Chaves	Director of OYSHO
Mr Jordi Triquell Valls	Director of STRADIVARIUS

06.01/ Remuneration of senior managers

In 2019, the aggregate remuneration accrued by senior managers amounted to €30,834k.

Included in such aggregate remuneration is the amount of the fixed remuneration, the short-term variable remuneration and the long-term variable remuneration accrued by senior managers. In particular, with regard to variable components of remuneration:

- Annual variable remuneration: taking into account the exceptional situation created by the global coronavirus pandemic, Inditex's Board of Directors has resolved, on the proposal of the Remuneration Committee, that the annual variable remuneration of senior mangers for financial year 2019 be halved.

- Long-term or pluri-annual variable remuneration: included therein are the incentives in cash and in shares accrued by senior managers as of 31 January 2020 under the second cycle (2017-2020) of the 2016-2020 Long-term Incentive Plan.

Also included in such aggregate remuneration is the amount of the remuneration accrued in 2019 by the following officers: (i) Mr Carlos Crespo González, in the capacity of Chief Operating Officer of the Inditex Group through 16 July 2019; (ii) Mr Félix Poza Peña, former Chief Sustainability Officer until 10 December 2019, date on which he ceased performing senior management functions; and, (iii) Mr Javier Losada Montero, new Chief Sustainability Officer from this latter date.

06.02/ Severance or golden parachute clauses

This type of clause is included in the employment agreements entered into with 23 officers, including the Executive Chairman and the CEO. The main description of these clauses can be found in the Annual Corporate Governance Report, available on www.inditex.com.

07/ Related-party transactions and conflict of interest situations

07.01/ Related-party transactions

The power to approve any transaction between the Company and a director or a significant shareholder is exclusively reserved to the Board of Directors. Prior to such approval, the Audit and Compliance Committee must report on such transactions which entail or might entail any conflict of interest situation, related-party transactions or transactions which entail the use of corporate assets.

Under no circumstance shall the Board of Directors approve the transaction if a report has not been previously issued by the Audit and Compliance Committee evaluating the transaction from the standpoint of market conditions.

As regards transactions with significant shareholders, the Audit and Compliance Committee shall examine them also from the standpoint of an equal treatment of all shareholders.

In case of transactions within the ordinary course of Company business of a customary or recurrent nature, a general authorisation of the line of transactions and their conditions of execution will suffice.

The Company shall report on the transactions it has conducted with directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, with the scope provided in statute for each case. Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by the Company or any companies within the Inditex Group with directors and with those acting on their behalf, whenever they are alien to the ordinary course of business of the Company or are not carried out on an arm's length basis.

No Board authorisation is required for those related-party transactions that meet at the same time the following terms:

i. they are conducted under contracts with standard terms and conditions which apply *en masse* to many clients;

ii. they are conducted at prices or rates generally established by the suppliers of the good or service in question; and

iii. their amount is not in excess of 1% of the Company's annual revenues.

Such authorisation has to be granted by the Annual General Meeting where it refers to a related-party transaction with a director which amount is in excess of ten percent (10%) of the corporate assets.

The detail of the transactions carried out by the Inditex Group with related parties, whether natural or legal, and of significant transactions carried out by Inditex with other entities belonging to the same Group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the Company as regards its object and conditions, is provided in section D.2 of the Annual Corporate Governance Report.

07.02/ Mechanisms to prevent conflict of interest

The definition of "conflicts of interest" is provided in the Board of Directors' Regulations, which also lays down the rules governing such situations. The following situations which may entail a conflict of interest are addressed therein: the rendering of professional services in competing companies, the use of corporate assets and/or the use of non-public company information for private purposes, taking advantage of business opportunities of the Company or making undue influence of office. On the other hand, the specific questions regarding which directors must provide information to the Company are covered in the heading "Duties of information of the director" of the Board of Directors' Regulations.

Section 34 of such set of rules also provides the principles which shall govern the proceedings of all the persons affected by a conflict of interest (prevention, information, abstention and transparency).

Additionally, the Board of Directors' Regulations set forth that the rules of conduct provided therein for the Directors shall apply, to the extent that they are compatible with their specific nature, to the Company's senior managers; namely, and with the due nuances: the duty of confidentiality; conflicts of interest, in connection with the duty to inform the Company; the use of corporate assets for private purposes; the confidentiality of non-public information; the business opportunities and prohibition to make undue influence of the office.

Likewise, with regard to significant shareholders, the Board of Directors' Regulations provide the rules which apply to "Transactions with directors and significant shareholders".

Among the duties it is entrusted with, it is incumbent on the Audit and Compliance Committee to report on the transactions which entail or might entail any conflict of interest, related-party transactions or which entail the use of corporate assets, and generally, on those topics covered under Chapter IX of the Board of Directors' Regulations. In light of the report of the Audit and Compliance Committee, the approval of the transaction, where appropriate, falls on the Board of Directors.

Although the system above described exclusively applies to directors and other individuals within the Organisation considered as senior managers, the Company has in place a number of mechanisms to detect, determine and solve potential conflicts of interest which may arise regarding officers and other employees.

In this regard, section 4.8 of the Code of Conduct and Responsible Practices addresses the situations in which employees must disclose to the Committee of Ethics the existence of a conflict between their personal interests and those of the Company.

Moreover, the Board of Directors approved on 16 July 2019 the new Conflicts of Interest Policy, following a favourable report of the Audit and Compliance Committee. Such Policy seeks to supplement and implement the provisions of the Code of Conduct and Responsible Practices on conflicts of interest, defining the appropriate measures aimed at preventing, detecting, disclosing and managing such conflicts of interest which may affect employees in the performance of their job.

08/ Transparency, Independence and Good Governance

08.01/ Financial information

The individual and consolidated annual accounts of the Company and its Group that are stated by the Board of Directors are previously certified by the Executive Chairman and the Chief Financial Officer.

The Audit and Compliance Committee, mostly made up of non-executive independent directors, meets with the statutory auditor in order to review the Company's annual accounts as well as certain periodic financial information that the Board of Directors must provide to the markets and their supervisory boards, overseeing compliance with legal requirements and correct application of generally accepted accounting principles in the statement of such annual accounts. In such meetings, any disagreement or difference of opinion existing between the Company's management and the external auditors is put forward, so that the Board of Directors can take the appropriate steps to ensure that the auditors' report is issued without qualifications. In line with best practices in the field of corporate governance, the Board of Directors meets with the statutory auditor at least once a year, to be apprised of the work done and the evolution of the accounting and risks situation of the Company, without any officer of the Company being present.

Furthermore, before stating the annual, half-yearly or quarterly financial statements, the management of the Company also meets with the Audit and Compliance Committee and is subjected by the latter to suitable questions as to, inter alia, the application of accounting principles or the estimates made upon preparing the financial statements. Such topics are subject to discussion with the external auditors.

The independent auditor's report on Financial Statements for financial year 2019 has been issued without qualifications.

08.02/ Auditors' independence

Mechanisms set to preserve the independence of external auditors are:

- The relationships of the Board of Directors with the Company's statutory auditor shall be channeled through the Audit and Compliance Committee.

- The Audit and Compliance Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the Company of an audit firm incurring in any incompatibility in accordance with the legislation on auditing as well as an audit firm where the fees that it expects to pay them, for all services in all areas, in excess of the limits provided in the laws on auditing.

- The Audit and Compliance Committee, mostly made up of independent directors, proposes to the Board of Directors the appointment and re-election of the statutory auditors, to be submitted to the Annual General Meeting, being responsible for the selection process as well as for the terms of the audit engagement, the scope of their professional mandate and, where appropriate, the termination or non—renewal of their appointment.

  With regard to such selection process, the Procedure for the Selection of the Statutory Auditor was approved by the Audit and Compliance Committee on 9 September 2019, in accordance with the provisions of Technical Guide 3/2017. For the purposes of ensuring an unbiased, fair, transparent and efficient and non-discriminating process, the selection criteria to be considered are defined in the Procedure, as well as the different proceedings both for the selection and appointment of external auditors, and for their re-election or replacement.

- The Audit and Compliance Committee receives from the statutory auditor on a regular basis information on the audit plan and the results of its implementation, and follows up on the recommendations proposed by the auditor; likewise, it may request its collaboration should it deem it appropriate.

- One of the functions of the Committee consists of liaising with statutory auditor in order to receive information on those matters that could compromise their independence, and on any other matter related to the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards. In particular, the Committee shall:

  - receive from the statutory auditor on an annual basis the statement on their independence regarding the Company or the companies directly or indirectly related thereto.

  - Oversee the engagement of the statutory auditor for non-audit services, and supervise the terms and the performance of the contracts entered into with the external auditor of the Company for the rendering of such services.

    For such purposes, the Company relies on the Procedure to Contract an Auditor for the Provision of Additional Non-audit Services, approved by the Audit and Compliance Committee on 18 July 2016, that governs the process that shall be followed so that the Committee may be apprised of and authorise the agreements executed by the Company and the entities within its Group with external auditors for the provision of non-audit services (in particular, when fees are significant), as a mechanism to ensure the due independence of the latter. Additionally, such Procedure lists a number of services that under no circumstances may be provided by external auditors.

    Additionally, for the purposes of reinforcing the duty to oversee and establish the independence of the statutory auditor, the engagement by Inditex's parent company (i.e., Pontegadea Inversiones, S.L. and/or any other significant shareholder from time to time existing) of non-audit services from such auditor shall be subject to the prior authorisation of the Audit and Compliance Committee.

  - Verify that the Company and the statutory auditor comply with applicable regulations regarding the provision of non-audit services, the limits on the concentration of the auditor's business, the rules on professional fees and, generally, all other regulations established in order to ensure the auditors' independence.

    To such end, it will receive from the statutory auditor detailed and itemised information on any non-audit service whatsoever rendered as well as the relevant fees paid in this regard to such auditors, or to any of their related parties, whether natural or legal persons, in accordance with the provisions of the regulations on statutory audit.

  - Ensure that the remuneration of the external auditors for their work does not compromise their quality and independence.

  - Finally, issue on an annual basis and prior to the issue of the auditor's report, a report setting forth its opinion on whether the independence of the statutory auditor or of the audit firms has been compromised. At any rate, such report must contain the assessment of the provision by external auditors of each and every additional non-audit service, considered both separately and as a whole, and its opinion regarding the auditor's independence system pursuant to statutory audit regulations.

- In the event of resignation of the statutory auditor, examine the circumstances that may have given rise thereto.

- The Company discloses in its consolidated annual report information on total fees paid to the external auditors for each type of non-audit service.

08.03/ Auditors' fees for additional non-audit services

	COMPANY	GROUP	TOTAL
Amount of non-audit work (€k)	40	17	57
Amount of non-audit work / total amount charged by the audit firm (in %)	10,1%	0,2%	0,7%

09/ Internal Regulations of Conduct regarding transactions in Securities (IRC) and Compliance Supervisory Board

The first version of the IRC was approved by the Board of Directors in July 2000. It contains, among other things, the rules governing the confidentiality of inside information and/or other relevant information, transactions involving securities of Inditex by the persons included in its scope, the treasury stock policy and the communication of relevant facts.

The new IRC was approved by the Board of Directors on 19 July 2016, for the purposes of updating its contents within the European regulatory framework against market abuse, comprising the Market Abuse Regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council, of 16 April 2014) and Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse, which seeks to reinforce market integrity and establish mechanisms for a streamlined implementation and supervision within the different Member States of the European Union. The last amendment of the IRC was approved by the Board of Directors on 16 July 2019, answering the need to bring some of its provisions into line with the latest regulatory reform in the field , underscoring: (i) the distinction between inside and relevant information; and,(ii) the increase of the limit of the obligation for persons subject to the IRC and their related parties to disclose their personal transactions.

Pursuant to the IRC, the proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be inside information and/or other relevant information, shall comply with the following principles: regulatory compliance, transparency, collaboration and confidentiality.

Compliance with the IRC is mandatory for all the persons included in its scope of application. In this regard, noncompliance with the IRC may give rise to the relevant disciplinary sanctions, as the case may be.

The Compliance Supervisory Board (the "CSB") which reports directly to the Audit and Compliance Committee, is mainly responsible for developing procedures and implementing regulations to enforce the IRC. Such Supervisory Board is composed of:

- The Executive Chairman.

- The General Counsel and Secretary of the Board.

- The Chief Financial Officer.

- The Capital Markets Director, and

- The Chief Human Resources Officer.

Likewise, the Office of the Chief Compliance Officer (the "OCCO") exists within the CSB. The General Counsel of the Inditex Group is the Chief Compliance Officer. The OCCO is charged, inter alia, with enforcing the conduct regulations of stock exchanges and the rules and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The GCO-OCCO keeps a General Documentary Register of all Affected Persons, and informs Affected Persons that they are subject to the provisions of the IRC and reports any breaches and penalties which may arise, where appropriate, from an inappropriate use of reserved information.

C) Corporate Ethical Culture

Inditex has implemented a corporate ethical culture, which is at the core of its Compliance Model. Such Model not only seeks to establish a regulatory compliance system, ultimately intended to limit or even prevent any manner of liability for the Company, but it also seeks to reflect Inditex's firm commitment to good governance and social and environmental sustainability, and convey its corporate ethical culture to all its stakeholders, promoting respect for fundamental Human and Labour Rights across its supply chain.

This is evidenced by the fact that the conduct regulations of the Company and its organisational documents are considered high-level regulations and the main drivers of the Company's Compliance Model. Inditex's main conduct regulations are:

- The Code of Conduct and Responsible Practices

The main goal of the Code of Conduct and Responsible Practices consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which training and personal growth and career development of its employees is based. For such purposes, the principles and values which shall govern the relationship between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined in the Code.

The principles covered in the Code include, inter alia, that according to which the operations of the Inditex Group shall be developed under an ethical and responsible perspective; all persons, whether natural or legal directly or indirectly engaged in any kind of professional, economic, social or industrial relations with the Inditex Group shall be treated in a fair and honourable manner, and that according to which, all the activities of the Group shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

Additionally, the Code includes a number of conduct and responsible practices commitments, including: (i) compliance with applicable laws and regulations, internal regulations, conventions to which Inditex has acceded; (ii) observance of human and labour rights, and compliance with the regulations and best practices in the area of employment, health and safety at work; (iii) the obligation to act in accordance with the following principles: respect, dignity and justice, taking into account the different cultural sensitivity of employees and/or customers, their diversity, multiculturalism, not allowing any form of violence,

harassment or abuse, or discrimination;(iv) compliance with the product health and safety standards which ensure that Inditex's goods do not entail any health and/or security hazard; (v) the creation of fair, ethical and respectful relations with suppliers and public authorities, in line with the international provisions on anti-corruption and anti- bribery; (vi) the obligation to prevent and monitor any conflict of interest situations; (vii) the duty to use Inditex's assets and services in an effective manner, to protect the information of the Company, and to enforce the regulations on personal data protection; (viii) the obligation to protect industrial and intellectual property, both of the Group and of third parties; (ix) the duty to clearly and accurately record any transaction of significant financial weight in the appropriate accounting records, and; (x) the conduct of Inditex's business promoting social and environmental sustainability, as a way to build value for all the stakeholders.

- The Code of Conduct for Manufacturers and Suppliers

As provided in section A) above, the Code of Conduct for Manufacturers and Suppliers defines the minimum standards of ethical and responsible behaviour which must be met across the entire supply chain, in line with the corporate culture of the Inditex Group, firmly rooted in respect for Human Rights.

Compliance with the Code of Conduct for Manufacturers and Suppliers is mandatory for all manufacturers and suppliers involved in purchasing, manufacturing and finishing processes of the goods that the Group sells, and it is based on the general principles which define Inditex's ethical behaviour, as described above. Compliance with all the standards set out in the Code of Conduct for Manufacturers and Suppliers is a pre-requisite for any supplier or manufacturer to become part of Inditex's supply chain.

09.01/ The Committee of Ethics and the Ethics Line (formerly, the "Whistle Blowing Channel")

A collegial body, the Committee of Ethics is composed of four (4) members:

- The General Counsel and Chief Compliance Officer, who chairs it.

- The Chief Audit Officer.

- The Chief Sustainability Officer.

- The Chief Human Resources Officer.

The Committee of Ethics reports to the Board of Directors through the Audit and Compliance Committee and has the following duties:

- Overseeing compliance with Inditex conduct regulations and any other applicable mandatory and/or internal regulations.

- Overseeing compliance with and the effectiveness of the Model of Criminal Risk Prevention.

- Addressing any doubts which may arise regarding the enforcement of the Code of Conduct.

- Proposing to the Board of Directors, following a report of the Audit and Compliance Committee, any explanation and/or any implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.

- Promoting training plans for employees on internal conduct regulations and the proceedings of the Ethics Line.

- Overseeing the Ethics Line and compliance with the Ethics Line Procedure.

The Ethics Line is available to all employees of the Group, manufacturers, suppliers or third parties with a direct relation and a lawful business or professional interest, regardless of their tier or geographic or functional location, so that they may report, even anonymously and within the remit of the Committee of Ethics, any noncompliance with the Group's internal conduct regulations. The Committee of Ethics may also act of its own motion. Any queries about the construction or enforcement of Inditex's internal regulations of conduct may be raised via the Ethics Line.

In the performance of its duties related to management and supervision of the Ethics Linel, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or by any court order.

- The thorough review of any information or document that triggered its action.

- The commencement of proceedings appropriate to the circumstances, of the case, where it shall always act with independence, fully respecting the right of the parties to be heard, to honour and to the presumption of innocence.

- Prohibition of retaliation, and indemnity of anyone who reports through the Ethics Line in good faith.

The proceedings of the Ethics Line are described in the Ethics Line Procedure approved by the Board of Directors on 17 July 2012 and recently amended on 10 December 2019. The Ethics Line Procedure simplifies and reinforces guarantees and protective measures for all parties in the process.

Further to the launching of appropriate proceedings, the Committee of Ethics will take, as the case may be, the relevant prevention, remediation and/or disciplinary measures, including referring the matter reported to the relevant department for the purposes of taking, and at any rate applying, the remediation measures which may be necessary. Such remediation measures shall be reported to the Committee of Ethics.

Decisions of the Committee of Ethics are binding for the Inditex Group and its employees.

Full information on the Committee of Ethics and the Ethics Line is available on the intranet and on the corporate website (www.inditex.com), under the recently added "Compliance" tab, with direct access to such Line.

The Committee of Ethics submits a report at least twice a year to the Audit and Compliance Committee reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Compliance Committee apprises the Board of Directors, on an annual basis as well as whenever this latter so requires, of the enforcement of the Code of Conduct and Responsible Practices and the additional documents which comprise the Model of Compliance with internal regulations, from time to time in force.

In 2019 the Committee of Ethics has seen 310 cases, 288 of them further to a concern or report while the remaining 22 were launched ex-officio.

The Ethics Line is also available to Group employees and third parties in the US, Puerto Rico and Canada, as an additional channel to report potential breaches of the Code of Conduct and Responsible Practices and of any additional conduct regulations. In accordance with local best practices, management of the Ethics Line has been entrusted to an external facilitator. The Ethics Line is available 24 hours a day 365 days a year via phone calls and the web.

In 2019, 76 cases were reported through the Ethics Line for the US, Puerto Rico and Canada (64 of them in the US and 12 in Canada).

PARTNERSHIPS AND COLLABORATIONS

At Inditex we have fluid, multi-directional, and enduring relations with many institutions from all spheres of society. Collaborating with different stakeholders and establishing partnerships with them is fundamental to achieving the United Nations 2030 Agenda Sustainable Development Goals.

SDG	Goals	Contribution of Inditex
17 PARTNERSHIPS FOR THE GOALS	17.16 17.17	At Inditex, collaborating and establishing partnerships with our various stakeholders has always been a cornerstone of our strategy. We join forces with governments, unions, academic institutions, local and international organisations and civil society representatives, among others. This helps us to further sustainable development both across our entire value chain and in the societies where we operate. In this way, we can maximise our contribution to the SDGs.

More information on pages 328 and 329 of this Annual Report.

01/ Collaboration and dialogue

AFIRM Group	A working forum made up of leading companies in the fashion, footwear and sportswear sector, who all share the goal of reducing - across the textile and leather supply chain - the use and impact of substances damaging to health and the environment. More information at: www.afirm-group.com/.
Massachusetts Institute of Technology (MIT)	Under the umbrella of our Closing the Loop programme, we are collaborating with the Massachusetts Institute of Technology (MIT) on the MIT-MISTI (International Science and Technology Initiatives) initiative to research ways of recycling used clothes. More information at: www.mit.edu
Universidade da Coruña	In collaboration with the university, we have developed technical data sheets at Inditex to analyse the various systems and technologies used at each stage of the purification process at textiles factories. The programme aims to improve operations and reduce the amount of chemical substances discharged. Similarly, as part of our strategic partnership for investment in the community, we are working on various programmes such as Intalent, Inditex-UDC Sustainability Chair, the Inditex Chair of Spanish Language and Culture in Bangladesh, and the Inditex-UDC Predoctoral Visits, among others. More information at: www.udc.es
Universidade de Santiago de Compostela	Under the scope of our corporate community investment, we are collaborating with the Universidad de Santiago de Compostela on developing the Inditex Chair of Spanish Language and Culture in Bangladesh. More information at: www.usc.gal
Universitat Politècnica de Catalunya	Inditex is working with the Universitat Politècnica de Catalunya on research into the microplastics present in marine ecosystems, originating from laundry wastewater. Specifically, the project is looking into how to minimise the shedding of these particles (smaller than 5mm) from clothing, thereby preventing them from making their way into the sea. More information at: www.upc.edu
Universidad de Lleida. A3 Leather Innovation Center at Igualada	Our cooperation with A3 Center centres on two aims: developing the best technologies for leather tanning and finishing, and simple and versatile methods for the analysis of key substances such as formaldehyde and chromium (VI). More information at: www. a3center.cat/index.php/es/
Tsinghua University	As part of our partnership with Tsinghua University we are collaborating on various programmes related to our corporate community investment model, such as the Sustainable Development Fund, the OBOR scholarship programme, and a collaboration with the university's School of Economics and Management, among others. More information at: www.tsinghua.edu.cn/en

GLOBAL PARTNERSHIPS AND COMMITMENTS WITH CIVIL SOCIETY

Sustainable Apparel Coalition (SAC)	We are active members of the Sustainable Apparel Coalition (SAC), a textile industry initiative to develop a common sustainability index to assess the environmental performance of providers at every stage of the production process. More information at: www.apparelcoalition.org
Organic Cotton Accelerator (OCA Foundation)	We are founding members and part of the investment committee for the Organic Cotton Accelerator (OCA). The initiative was created to foster a commitment to the development of a responsible and healthy organic cotton market to the benefit of all parties involved. More information at: www.organiccottonaccelerator.org
Better Cotton Initiative (BCI)	At Inditex we are collaborating with the Better Cotton Initiative as members. The initiative aims to develop and promote best practice in traditional cotton cultivation, to the benefit of producers, the environment, and the industry's future. More information at: www.bettercotton.org
Canopy Planet Initiative	As founders of the CanopyStyle initiative, we are collaborating with the organisation Canopy Planet to protect primary forests and forests with a high ecological value through the textile chain. It represents a commitment to protect these types of forests; more specifically, a commitment to ensuring man-made fibres (viscose, modal, lyocell) do not contain cellulose originating from such forests. More information at: www.canopyplanet.org
Textile Exchange	We are collaborating with the Textile Exchange as members. This is an independent, non-profit organisation, and a leading international industry figure. It is a platform to promote the cultivation of organic cotton and global sustainability in the textile industry. More information at: www.textileexchange.org
Zero Discharge of Hazardous Chemicals (ZDHC)	Through this organisation, we join forces with the industry as a whole, working together to achieve our commitment to *Zero Discharge* in 2020. It represents a commitment to limit and eliminate certain chemicals from the product manufacturing process. More information at: www.roadmaptozero.com
CEO Water Mandate	We are signatories of this United Nations initiative to support companies in developing, implementing, and disclosing their water strategies and policies. More information at: www.ceowatermandate.org
Ellen MacArthur Foundation	We have joined the New Plastics Economy Global Commitment, launched by the Ellen MacArthur Foundation in collaboration with the UN Environment Programme for the period to 2025. Through this commitment, we are promoting reusing or recycling all the plastics we use so they can then be reintroduced into the cycle, as well as reducing the amount of unnecessary plastic packaging used and increasing the percentage of recycled content in these materials. More information at: www.ellenmacarthurfoundation.org
Global Fashion Agenda (GFA)	Promotes a series of commitments for advancing towards a circular economy by 2020, known as the GFA 2020 Commitments. More information at: www.globalfashionagenda.com
Fashion Industry Charter for Climate Action (ONUFCCC)	We have committed to implementing this Charter, launched by the United Nations Office for Climate Change, and aligned with the Paris Agreement goals. The aim is for the industry to achieve net zero emissions by 2050, with an initial goal of reducing GHG emissions by 30% by 2030. More information at: www.unfccc.int/climate-action/sectoral-engagement/global-climate-action-in-fashion/about-the-fashion-industry-charter-for-climate-action

GLOBAL PARTNERSHIPS AND COMMITMENTS WITH CIVIL SOCIETY

Cotton Campaign	This is an initiative set up by companies and third sector organisations to improve working conditions and defend human rights in cotton production and sourcing. More information at: www.cottoncampaign.org
Sustainable Fibre Alliance	The Sustainable Fibre Alliance is an international non-profit organisation with the extended cashmere supply chain, from herders to retailers. Its goal is to promote a global sustainability standard in cashmere production, in order to preserve and restore grasslands, ensure animal welfare, and secure livelihoods. More information at: www.sustainablefibre.org
Fashion Pact	This year we signed an agreement between leading fashion companies setting specific goals to tackle industry challenges, specifically to combat climate change, protect our oceans and conserve biodiversity. More information at: www.thefashionpact.org/
Fur Free Alliance	The Fur Free Alliance is an international coalition of animal welfare organisations working together to end the exploitation and killing of animals for fur. More information at: www.furfreealliance.com
Chinese Institute of Public & Environmental Affairs (IPE)	For another year running, we have upheld our collaboration with the Chinese Institute of Public and Environmental Affairs (IPE), in order to improve the environmental management of our supply chain in China and to publish the results of wastewater analysis. We are continuing to work together to develop a map to monitor the performance of textile companies in China. More information at: wwwen.ipe.org.cn/index.aspx
Istanbul Textile and Apparel Exporter Associations - ITKIB	Inditex is part of a long and fruitful collaboration in Turkey with ITKIB, the Istanbul textile association and EKOTEKS, the customs control laboratory, working on the development of new techniques to analyse cosmetics and sustainable fibres. More information at: www.itkib.org.tr/
CIQ Shanghai	We are taking part in the Pre-Testing Programme with CIQ Shanghai, which is part of the Department of Customs Inspection and Quarantine of China, a programme reserved for companies with a very high level of compliance with health regulations for imported items.
UNI Global Union	In 2019, Inditex and the UNI Global Union, a federation of unions representing 20 million workers in more than 150 countries, celebrated the 10th anniversary of their global agreement, signed in 2009 to respect and promote labour rights and decent work across the commercial and distribution network. More information at www.uniglobalunion.org
IndustriALL Global Union	An international federation of almost 600 unions representing more than 50 million industrial sector workers. Our collaboration with IndustriALL is enshrined in the Global Framework Agreement signed in 2007, the first to cover the whole supply chain of a textile company. The Agreement, renewed in 2019, emphasises the essential role of union freedom and the right to collective bargaining, to ensure adherence to the international labour standards set out in the ILO Conventions, United Nations and OECD guidelines. More information at: www.industriall-union.org/es

GLOBAL PARTNERSHIPS AND COMMITMENTS WITH CIVIL SOCIETY

International Labour Organization	We are participants in the ILO's Better Work Programme, working to improve compliance with labour regulations and the competitiveness of global supply chains. Inditex joined the Better Work Programme in October 2007. In 2013 both parties signed a special agreement making us a direct buyer partner of the Better Work Programme. We have maintained a public-private partnership with the ILO, signed in 2017 and to be renewed every three years, with the aim of working together to promote fundamental principles and labour rights in the cotton supply chain. More information at: www.ilo.org/global/lang--es/index.htm
United Nations Global Compact	A United Nations initiative that encourages social dialogue between companies and civil society. Inditex joined in 2001, and we play an active role on the various working platforms together with other stakeholders, such as the Action Platform on Decent Work in Global Supply Chains, and the Action Platform for Reporting on the Sustainable Development Goals More information at: www.unglobalcompact.org/
Shift	A non-profit organisation with human rights expertise, chaired by John Ruggie, author of the United Nations Guiding Principles on Business and Human Rights. Inditex has been a member of Shift since 2018, taking part in its Business Learning Programme, human rights leadership programme which bring companies from all sectors together to work on implementing the Guiding Principles. More information at: www.shiftproject.org/
Ethical Trading Initiative	A platform for dialogue to improve working conditions across the supply chain, consisting of companies, international unions, and non-governmental organisations. Inditex has been a member of ETI since 2005 and is an active participant of its programmes in different countries. More information at: www.ethicaltrade.org/
ACT	A collaborative initiative involving distribution brands, suppliers and trade unions to transform the industry and achieve living wages in the textiles sector through collective bargaining. Inditex has been an active participant in ACT and its work groups since 2015. More information at: www.actonlivingwages.com/
BANGLADESH ACCORD	This is an agreement between global brands and distributors, local and international unions and non-governmental organisations, which aims to secure lasting improvements in textile industry working conditions in the country. Inditex is an original signatory member and sits on the Steering Committee More information at: www.bangladeshaccord.org/
Better Than Cash Alliance	Based at the United Nations, this alliance of governments, companies and diverse international organisations seeks to promote the transition to a digital economy worldwide. At Inditex, our focus in the partnership is on the wage digitalisation and financial education of the supply chain. More information at: www.betterthancash.org/
Foro Social de la Moda	This forum was founded in 2018 as a joint initiative involving organisations in the third sector, local unions affiliated with IndustriALL Global Union (CCOO and UGT) and various Spanish textile brands including Inditex. It provides a forum for dialogue on global supply chains between various stakeholders.
BSR	A global non-profit organisation that works with a network of more than 200 members to build a fair and sustainable world. As members of BSR since 2019, we have taken part in several of the organisation's initiatives, such as the HER programme for the empowerment of women. More information at: www.bsr.org/

GLOBAL PARTNERSHIPS AND COMMITMENTS WITH CIVIL SOCIETY

The Policy Hub	We actively collaborate with The Policy Hub, an organisation that brings the textile industry and its stakeholders together to speed up the sector's transformation to a circular model. More information at: www.policyhub.org
LBG	A framework to measure corporate social action. The LBG framework is currently used by more than 200 companies from 15 sectors worldwide. More information at: www.lbg.es
Open for Business	A coalition of leading global companies dedicated to LGBT+ inclusion, to prove that more inclusive societies are better for business and that companies that promote LGBT+ inclusion are more dynamic, productive and innovative. More information at: www.open-for-business.org/
Tent Partnership for Refugees	Founded by Tent Foundation, a non-profit organisation, this global network of more than 100 companies seeks to mobilise the private sector to create partnerships that can improve the lives of refugees. More information at: www.tent.org
Médecins Sans Frontières	Since 2008 we have collaborated with Doctors Without Borders, a humanitarian medical organisation that delivers emergency aid to people affected by armed conflict, epidemics, pandemics, natural disasters and exclusion from healthcare. As a result of this strategic alliance for corporate community investment, we have developed projects in 45 countries which have benefited more than 4 million people. More information at: www.msf.org
Entreculturas (Between Cultures)	Since 2001 we have collaborated with the Jesuit-sponsored NGO, which aims to bring about social change through education. Over the last 17 years our work for this partnership has included developing educational programmes which have directly benefited more than 1.2 million vulnerable people in Africa, Latin America, and Asia. More information at: www.entreculturas.org
Cáritas	We have worked with Cáritas, a non-profit organisation, since 2007, with the aim of improving wellbeing in the community. Under the framework of our strategic alliance with Cáritas we are currently developing a number of programmes, including the Moda Re- circular economy programme to promote job creation in Spain, and an international cooperation programme in Bangladesh. More information at: www.caritas.org
Water.org	Since 2015 we have been collaborating with the non-profit organisation Water.org to improve access to drinking water and sanitation for vulnerable families in Bangladesh, Cambodia and India. Thanks to our strategic alliance with Water.org, more than a million people now have improved access to water and sanitation, which has been achieved through granting micro-loans. More information at: www.water.org
Every Mother Counts	A non-profit organisation dedicated to helping women access quality healthcare, in order to prevent infant and maternal mortality. Thanks to our partnership that began in 2015, numerous maternal healthcare projects have been developed in countries such as Bangladesh and the United States. More information at: www.everymothercounts.org

02/ Recognitions received by Inditex Group in 2019

ENTITY	RECOGNITION	SCORE/ POSITION
INDITEX		
MAIN AWARDS AND RECOGNITIONS FOR SUSTAINABILITY		
Dow Jones Sustainability Indices	Dow Jones Sustainability Index	68/100
RobecoSAM Sustainability Award Gold Class 2019	Sustainability Yearbook	GOLD
FTSE4Good	Financial Times Sustainability for Good	4.9/5
	Ethical Fashion Report	A
WDi	Workforce Disclosure Initiative	TOP 10%
Global 100	Global 100 Most Sustainable Corporations	94
SDG Cities	SCR500 Champion 2019	
AWARDS AND RECOGNITIONS FOR CORPORATE REPUTATION		
Forbes	The World´s Best Regarded Companies	190
	Global 2000	289
Deloitte.	Global Powers of Retailing	33
merco	Merco Companies	1
	Merco Corporate Responsibility and Corporate Governance	3
	Global Top 100 Brand Corporations	83
The RepTrak Company	Reptrak Spain	34
Gartner	The Gartner Supply Chain Top 25	2
	Supply Chain Top 15 for Europe	1
AWARDS AND RECOGNITIONS FOR TALENT MANAGEMENT		
merco	Merco Talent	1
Bloomberg	Bloomberg Gender Equality Index	
Universum	Most Attractive Employers Spain	3

ENTITY	RECOGNITION	SCORE/ POSITION
AWARDS AND RECOGNITIONS FOR OUR BRANDS		
ZARA		
Forbes	The World's Most Valuable Brands	46
Interbrand	Best Global Brands	29
	Best Spanish Brands	1
WPP	BrandZTop75. Most Valuable Global Retail Brands	12
	Brandz Apparel Top10	2
	BrandZ Top 100. Most Valuable Global Brands	61
Brand Finance	Global 500 The World's Most Valuable Brands	92
	The World's 50 Biggest Apparel Companies	2
PULL&BEAR		
WPP	BrandZ Top 30. Most Valuable Spanish Brands	11
Brand Finance	Top 100 Brand Spain	22
Massimo Dutti		
WPP	BrandZ Top 30. Most Valuable Spanish Brands	9
Brand Finance	The World's 50 Biggest Apparel Companies	45
Bershka		
WPP	BrandZ Top 30. Most Valuable Spanish Brands	12
Brand Finance	The World's 50 Biggest Apparel Companies	38
	Top 100 Brand Spain	13
Stradivarius		
WPP	BrandZ Top 30. Most Valuable Spanish Brands	15
Brand Finance	Top 100 Brand Spain	24
OYSHO		
Brand Finance	Top 100 Brand Spain	53


INDITEX

ANNEX

Annex: Our Sustainability Model indicators

01/ Indicators for social management of the supply chain

Supplier clusters[1]

	2019
SPAIN	
Number of suppliers with purchase in the year	205
Number of sewing factories associated with suppliers with purchase	147
Number of factories involved in other processes associated with suppliers with purchase [2]	359
Workforce of manufacturers working for Inditex in Spain	14,170
PORTUGAL	
Number of suppliers with purchase in the year	170
Number of sewing factories associated with suppliers with purchase	751
Number of factories involved in other processes associated with suppliers with purchase [2]	455
Workforce of manufacturers working for Inditex in Portugal	54,433
MOROCCO	
Number of suppliers with purchase in the year	138
Number of sewing factories associated with suppliers with purchase	326
Number of factories involved in other processes associated with suppliers with purchase [2]	33
Workforce of manufacturers working for Inditex in Morocco	93,465
TURKEY	
Number of suppliers with purchase in the year	202
Number of sewing factories associated with suppliers with purchase	959
Number of factories involved in other processes associated with suppliers with purchase [2]	747
Workforce of manufacturers working for Inditex in Turkey	332,592
INDIA	
Number of suppliers with purchase in the year	122
Number of sewing factories associated with suppliers with purchase	165
Number of factories involved in other processes associated with suppliers with purchase [2]	238
Workforce of manufacturers working for Inditex in India	349,734
BANGLADESH	
Number of suppliers with purchase in the year	117
Number of sewing factories associated with suppliers with purchase	217
Number of factories involved in other processes associated with suppliers with purchase [2]	174
Workforce of manufacturers working for Inditex in Bangladesh	712,031

	2019
VIETNAM	
Number of suppliers with purchase in the year	8
Number of sewing factories associated with suppliers with purchase	122
Number of factories involved in other processes associated with suppliers with purchase [2]	21
Workforce of manufacturers working for Inditex in Vietnam	129,779
CAMBODIA	
Number of suppliers with purchase in the year	4
Number of sewing factories associated with suppliers with purchase	135
Number of factories involved in other processes associated with suppliers with purchase [2]	17
Workforce of manufacturers working for Inditex in Cambodia	141,900
CHINA	
Number of suppliers with purchase in the year	477
Number of sewing factories associated with suppliers with purchase	1,465
Number of factories involved in other processes associated with suppliers with purchase [2]	853
Workforce of manufacturers working for Inditex in China	504,449
PAKISTAN	
Number of suppliers with purchase in the year	55
Number of sewing factories associated with suppliers with purchase	84
Number of factories involved in other processes associated with suppliers with purchase [2]	66
Workforce of manufacturers working for Inditex in Pakistan	292,826
ARGENTINA [3]	
Number of suppliers with purchase in the year	19
Number of sewing factories associated with suppliers with purchase	18
Number of factories involved in other processes associated with suppliers with purchase [2]	51
Workforce of manufacturers working for Inditex in Argentina	3,512
BRAZIL [3]	
Number of suppliers with purchase in the year	3
Number of sewing factories associated with suppliers with purchase	4
Number of factories involved in other processes associated with suppliers with purchase [2]	1
Workforce of manufacturers working for Inditex in Brazil	1,697

(1) Includes data of the main country in each cluster.
(2) Includes raw materials, cutting, dying and washing, printing and finishing. The main process has been considered for those factories that perform more than one process.
(3) All suppliers and active factories of the region are included for these data to be representative.

Ranking and volume of production of suppliers with purchase (*)

	2019			2018		
	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	784	40%	41%	661	35%	37%
B	1,051	53%	56%	1,045	56%	59%
C	44	2%	1%	80	4%	2%
CAP	38	2%	1%	47	3%	1%
PR	68	3%	1%	33	2%	1%
TOTAL	**1,985**	**100%**	**100%**	**1,866**	**100%**	**100%**

Ranking and volume of production of suppliers with purchase per region (*)

	2019			2018		
AFRICA	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	97	60%	64%	67	46%	52%
B	44	27%	24%	59	40%	37%
C	7	5%	6%	13	9%	9%
CAP	11	7%	5%	5	3%	2%
PR	2	1%	1%	1	2%	0%
TOTAL	**161**	**100%**	**100%**	**145**	**100%**	**100%**
AMERICAS	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	8	47%	16%	13	59%	30%
B	9	53%	84%	8	36%	70%
C	0	0%	0%	1	5%	0%
CAP	0	0%	0%	0	0%	0%
PR	0	0%	0%	0	0%	0%
TOTAL	**17**	**100%**	**100%**	**22**	**100%**	**100%**
ASIA	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	354	32%	37%	273	26%	30%
B	700	63%	62%	695	67%	66%
C	21	2%	1%	42	4%	3%
CAP	11	1%	0%	16	2%	1%
PR	21	2%	0%	14	1%	0%
TOTAL	**1,107**	**100%**	**100%**	**1,040**	**100%**	**100%**
EUROPE (NON-EU)	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	58	27%	37%	76	38%	51%
B	131	61%	58%	89	45%	41%
C	10	5%	3%	14	7%	3%
CAP	12	5%	1%	18	9%	4%
PR	4	2%	1%	3	1%	1%
TOTAL	**215**	**100%**	**100%**	**200**	**100%**	**100%**
EUROPEAN UNION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION	NO. SUPPLIERS	% SUPPLIERS	% PRODUCTION
A	267	55%	50%	232	51%	41%
B	167	35%	49%	194	42%	58%
C	6	1%	0%	10	2%	0%
CAP	4	1%	0%	8	2%	0%
PR	41	8%	1%	15	3%	1%
TOTAL	**485**	**100%**	**100%**	**459**	**100%**	**100%**

(*) Supplier A: Complies with the Code of Conduct. Supplier B: Does not comply with some non-relevant aspect of the Code of Conduct. Supplier C: Does not comply with some sensitive, but not conclusive, aspect of the Code of Conduct. Supplier CAP: Supplier in Corrective Action Plan: Supplier PR: Undergoing an auditing process.

Audits per region 2019

GEOGRAPHICAL AREA	PRE-ASSESSMENT	SOCIAL	SPECIAL	TRACEABILITY	TOTAL
Africa	110	406	57	184	757
Americas	12	19	112	299	442
Asia	1,955	3,020	1,117	484	6,576
Europe (non-EU)	388	1,660	236	258	2,542
European Union	324	1,306	97	171	1,898
TOTAL	**2,789**	**6,411**	**1,619**	**1,396**	**12,215**

2019 External and internal audits

	PRE-ASSESSMENT	SOCIAL	SPECIAL	TRACEABILITY	TOTAL
Internal	22	404	1,123	650	2,199
External	2,767	6,007	496	746	10,016
TOTAL	**2,789**	**6,411**	**1,619**	**1,396**	**12,215**

2019 Corrective Action Plan in factories with sensitive non-compliances with the Code of Conduct

GEOGRAPHICAL AREA	FACTORIES THAT STARTED THE IMPROVEMENT PROCESS	FACTORIES THAT IMPROVED COMPLIANCE	FACTORIES IN PROCESS OF IMPROVEMENT	% OF CAPS SUCCESSFULLY COMPLETED
Africa	26	3	16	30%
Americas	0	0	0	-
Asia	118	25	70	52%
Europe (non-EU)	197	40	96	40%
European Union	59	22	19	55%
TOTAL	**400**	**90**	**201**	**45%**

02/ Indicators for our product's health and safety

02.01/ Results of the Picking Programme

The Picking Programme allows us to validate that our products comply with the health and safety standards of the Group, *Clear to Wear* (CtW) and *Safe to Wear* (StW). In 2019 the initial degree of compliance with our standards was 97.4%. For those initially non-complying cases (2.6%), we apply remediation protocols so that these products are properly fixed and the presence of restricted substances is eliminated or parameters such as colour soundness are improved to achieve compliance.

Degree of initial compliance

	2019	2018	2017	2016
CTW - Chemical Substances	98.9%	99.1%	99.1%	99.2%
CTW - Parameters	98.8%	98.6%	98.9%	98.2%
CTW	**97.8%**	**97.7%**	**98.0%**	**97.5%**
STW - Parameters	99.8%	99.8%	99.8%	99.9%
STW - Design	99.7%	99.8%	99.8%	99.7%
STW	**99.6%**	**99.6%**	**99.6%**	**99.6%**
CTW+STW	**97.4%**	**97.4%**	**97.6%**	**97.1%**

Degree of initial compliance by geographical area

AFRICA	2019	2018	2017	2016
CTW	98.4%	97.7%	98.4%	98.0%
STW	98.8%	99.4%	99.0%	99.2%
CTW+STW	**97.2%**	**97.1%**	**97.4%**	**97.3%**

AMERICAS	2019	2018	2017	2016
CTW	100%	96.1%	97.7%	98.7%
STW	100%	100%	100%	100%
CTW+STW	**100%**	**96.1%**	**97.7%**	**98.7%**

ASIA	2019	2018	2017	2016
CTW	97.5%	97.5%	97.7%	97.1%
STW	99.7%	99.8%	99.8%	99.8%
CTW+STW	**97.3%**	**97.3%**	**97.6%**	**96.9%**

EUROPEAN UNION	2019	2018	2017	2016
CTW	98.8%	98.3%	98.7%	98.2%
STW	99.4%	99.5%	99.3%	99.3%
CTW+STW	**98.2%**	**97.8%**	**98.1%**	**97.5%**

EUROPE (NON-EU)	2019	2018	2017	2016
CTW	95.8%	99.6%	98.7%	97.3%
STW	100%	100%	100%	99.0%
CTW+STW	**95.8%**	**99.6%**	**98.7%**	**96.2%**

02.02/ *Ready to Manufacture* Programme

The *Ready to Manufacture* (RtM) Programme defines a number of rules and requirements applicable to all Inditex direct suppliers, both of textiles and leather, as well as their wet process facilities (dry cleaners, laundries, tanneries and stamping).

To ensure compliance with the Ready to Manufacture code, a supervision and control programme is applied to the facilities involved in our production. In 2018, 1,373 audits were performed(1).

(1) The difference in audits compared to the previous year is due to the change of strategy – addition of the RtM audits to the *Green to Wear* standard. This means that the programme only affected the first eight months of 2019.

Facilities audited in the *Ready to Manufacture* Programme by geographical area and process

	DRY CLEANERS				LAUNDRIES				STAMPING				TANNERIES				MIX			
	2019	2018	2017	2016	2019	2018	2017	2016	2019	2018	2017	2016	2019	2018	2017	2016	2019	2018	2017	2016
Africa	6	22	15	10	13	9	10	6	12	9	4	4	0	0	0	0	23	3	3	2
Asia	424	457	373	299	315	225	173	98	166	156	138	97	58	30	20	17	639	182	140	121
European Union	79	133	75	72	27	22	14	17	92	78	68	70	37	26	14	17	239	33	26	29
TOTAL GENERAL	**509**	**612**	**463**	**381**	**355**	**256**	**197**	**121**	**270**	**243**	**210**	**171**	**95**	**56**	**34**	**34**	**901**	**218**	**169**	**152**

Health and Safety claims

Safeguarding the health and safety of our customers is a top priority at Inditex. Therefore, the Company has in place exacting standards, constant training and awareness-raising schemes, as well as thorough prevention and control programmes allowing it to reach the highest security standards with respect to the appearance of nonconformities. Notwithstanding this, in the event of any potential incidents, product health and safety teams are permanently in contact and liaising with our customer service, countries management teams, and teams from any other areas within the Company which might serve as a potential communication channel of incidents and/or claims. In particular, any notice given or claim laid by any customer, inspection body, non-governmental organisation or any other health, safety and/or environmental sustainability-related body, is addressed to our health and safety teams for evaluation and monitoring. As part of Inditex's commitment, where there are signs that a product on sale is likely to be hazardous, the product would be withdrawn from the market and all units thereof sold would be recalled, bringing such measures to the attention of our customers through the relevant channels.

No product health and safety withdrawals have been made during 2018 and 2019.

03/ Decarbonisation and circularity indicators

A set of quantitative environmental indicators, their performance in 2019 and their evaluation in recent years are covered in the chapter entitled Decarbonisation and Circularity (page 160 of this Annual Report). These quantitative indicators allow the advances obtained through the management of natural and energy resources during the year to be assessed.

03.01/ Scope of the indicators

The environmental indicators system includes the data obtained between 1 February 2019 and 31 January 2020.

The data are shown in absolute and relative terms, with the latter being calculated and the level of net sales, for the purpose of representing the efficiency reached after the Company activities and the continuous improvement derived from the management.

The scope of the indicators includes the facilities of the Inditex Group, specifically:

- The head office and the brand head offices: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe and Tempe, all of them located in Spain.

- All Group factories, all of them located in Spain.

- All Group logistics centres.

- All of our own stores.

International offices are not included within the scope. Indicators where the scope is different are given together with the relevant data.

03.02/ Calculations of relative indicators

The calculation of the relative indicators is performed according to the following formula:

- Ratio per square metre (m^2) = (absolute value of the year/ total surface area in m^2) x 1,000.

- Ratio per accounting sales = (absolute value of the year/€) x 1000. (*)

(*) Includes sales made by our stores and to franchises.

03.03/ Greenhouse gas (GHG) emissions

The Greenhouse Gas (GHG) emissions of the Inditex Group are calculated and reported following the international guidelines of the Intergovernmental Panel on Climate Change, IPCC (*Guidelines for National Greenhouse Gas Inventories,* 2006) and the World Resources Institute (*GHG Protocol,* 2015).

03.03.01/ Factors employed in the calculation

The emission factors employed are as follows:

- Natural gas: 0.2021 Kg CO_2eq/kWh.

- Diesel: 2.6853 Kg CO_2eq/litre.

- Fuel oil: 2.9486 Kg CO_2eq/litre.

- Kerosene: 2.4995 Kg CO_2eq/litre.

The emission factors applied to natural gas, diesel, fuel oil and kerosene come from the GHG Protocol tool for the calculation of emissions derived from stationary combustion, version 4.1 of the World Resources Institute (WRI), 2015. For the calculation of emissions for electricity consumption, the emission factor for the energy mix of each market where Inditex is present has been used. The database used corresponds to the GHG Protocol calculation tool of emissions derived from the electricity purchased, version 4.9 of the World Resources Institute (WRI), 2017.

- Conversion factors:

    - 1 tonne of diesel = 1.035 equivalent tonnes of oil (tep.).

    - 1 tonne of fuel oil = 0.96 equivalent tonnes of oil (tep.).

    - 1 tonne of kerosene = 1.065 equivalent tonnes of oil (tep.).

    - Diesel density = 0.832 kg/litre at 15ºC (Joint Research Centre, 2007).

    - Fuel oil density = 0.79 kg/litre (World Resource Institute (2015). *GHG Protocol tool for stationary combustion.* V.4.1.)

    - Kerosene density = 0.94 kg/litre (World Resource Institute (2015). *GHG Protocol tool for stationary combustion.* V.4.1.)

    - 1 tep = 41.868 GJ.

    - 1 GJ = 277.778 KWh.

04/ Working for the community indicators

	2019	2018	2017	2016	VARIATION 2016-2019
CORPORATE COMMUNITY INVESTMENT	**49,231,909**	**46,218,895**	**48,129,552**	**40,042,744**	**23%**

FORM OF CONTRIBUTION (IN EUROS)	2019	2019%	2018	2018%	2017	2017%	2016	2016%	VARIATION 2016-2018
Cash	33,248,048	68%	30,109,825	65%	31,563,507	66%	27,980,509	70%	19%
Time	3,668,531	7%	3,542,309	8%	2,204,859	5%	1,929,798	5%	90%
In-kind	11,684,094	24%	11,935,563	26%	13,812,547	29%	9,584,482	24%	22%
Management costs	631,236	1%	631,198	1%	548,639	1%	547,955	1%	15%
TOTAL	**49,231,909**	**100%**	**46,218,895**	**100%**	**48,129,552**	**100%**	**40,042,744**	**100%**	**23%**

MANAGEMENT COSTS INCLUDED

DRIVER FOR CONTRIBUTION (IN EUROS)	2019	2019%	2018	2018%	2017	2017%	2016	2016%	VARIATION 2016-2018
Charitable gifts	1,633,093	3%	1,801,149	4%	3,263,743	7%	3,395,686	9%	-52%
Community investment	36,668,336	76%	36,179,975	79%	37,020,064	78%	29,245,004	74%	25%
Commercial initiatives in the community	10,299,244	21%	7,606,572	17%	7,297,107	15%	6,854,099	17%	50%
TOTAL	**48,600,673**	**100%**	**45,587,697**	**100%**	**47,580,913**	**100%**	**39,494,788**	**100%**	**23%**

MANAGEMENT COSTS EXCLUDED

ISSUE ADDRESSED (IN EUROS)	2019	2019%	2018	2018%	2017	2017%	2016	2016%	VARIATION 2016-2018
Education	8,501,897	17%	7,468,318	16%	7,727,769	16%	6,396,302	16%	33%
Health	2,798,355	6%	3,861,618	8%	3,725,615	8%	1,964,536	5%	42%
Economic development	1,304,020	3%	1,610,820	4%	1,735,233	4%	1,246,446	3%	5%
Environment	5,446,742	11%	3,586,327	8%	2,653,158	6%	2,368,334	6%	130%
Arts and Culture	1,221,122	3%	870,924	2%	870,516	2%	1,069,238	3%	14%
Social Welfare	19,646,921	40%	19,098,184	42%	20,180,975	42%	15,768,106	40%	25%
Emergency Relief	9,681,616	20%	9,044,621	20%	10,687,647	22%	10,681,827	27%	-9%
Others	0	0%	46,883	0%	0	0%	0	0%	0%
TOTAL	**48,600,673**	**100%**	**45,587,697**	**100%**	**47,580,913**	**100%**	**39,494,788**	**100%**	**23%**

MANAGEMENT COSTS EXCLUDED

LOCATION OF ACTIVITY (IN EUROS)	2019	2019%	2018	2018%	2017	2017%	2016	2016%	VARIATION 2016-2018
Spain	17,529,175	36%	20,297,453	45%	20,893,381	44%	18,230,407	46%	-4%
Europe (excl. Spain)	7,464,704	15%	5,643,921	12%	5,356,042	11%	5,364,428	14%	39%
Americas	13,328,564	27%	10,208,058	22%	11,387,545	24%	10,459,233	26%	27%
Asia and Rest of the World	10,278,231	22%	9,438,265	21%	9,943,946	21%	5,440,720	14%	89%
TOTAL	**48,600,673**	**100%**	**45,587,697**	**100%**	**47,580,913**	**100%**	**39,494,788**	**100%**	**23%**

MANAGEMENT COSTS EXCLUDED

SDGS (IN EUROS)	2019	2019%	2018	2018%	2017	2017%	2016	2016%	TOTAL 2016 -2019	
1. End of poverty	52,547	0.1%	161,176	0.4%	1,459,180	3.1%	1,373,014	3.5%	3,045,917	
2. *Zero* hunger	399,582	0.8%	163,364	0.4%	221,255	0.5%	498,408	1.3%	1,282,609	
3. Good health and well-being	7,375,925	15.2%	7,260,232	15.9%	6,778,230	14.2%	4,467,632	11.3%	25,882,019	
4. Quality education	5,405,862	11.1%	5,824,809	12.8%	6,228,674	13.1%	4,755,360	12.0%	22,214,705	
5. Gender equality	2,581,715	5.3%	1,687,518	3.7%	1,744,451	3.7%	1,086,758	2.8%	7,100,441	
6. Clean water and sanitation	952,531	2.0%	785,861	1.7%	812,227	1.7%	869,033	2.2%	3,419,652	
7. Affordable, clean energy	20,000	0.0%	20,000	0.0%	135,237	0.3%	70,850	0.2%	246,087	
8. Decent work and economic growth	7,859,961	16.2%	8,334,396	18.3%	9,857,883	20.7%	7,433,487	18.8%	33,485,727	
9. Industry, innovation and infrastructure	1,884,953	3.9%	446,410	1.0%	950,353	2.0%	1,069,291	2.7%	4,351,007	MANAGEMENT COST EXCLUDED
10. Reduced inequality	9,870,828	20.3%	9,294,145	20.4%	8,630,758	18.1%	6,784,429	17.2%	34,580,161	
11. Sustainable cities and communities	1,243,389	2.6%	1,206,475	2.6%	1,225,581	2.6%	1,608,358	4.1%	5,283,803	
12. Responsible production and consumption	8,818,385	18.1%	7,745,279	17.0%	7,453,651	15.7%	6,673,675	16.9%	30,690,990	
13. Climate action	88,294	0.2%	89,427	0.2%	109,290	0.2%	65,514	0.2%	352,525	
14. Underwater life	270,429	0.6%	378,437	0.8%	215,708	0.5%	453,811	1.1%	1,318,385	
15. Life of terrestrial ecosystems	289,465	0.6%	379,806	0.8%	153,172	0.3%	492,714	1.2%	1,315,157	
16. Peace, justice and strong institutions	621,561	1.3%	608,050	1.3%	470,933	1.0%	590,613	1.5%	2,291,157	
17. Partnerships to achieve goals	865,247	1.8%	1,202,312	2.6%	1,134,331	2.4%	1,201,842	3.0%	4,403,731	
TOTAL	**48,600,673**	**100%**	**45,587,697**	**100%**	**47,580,913**	**100%**	**39,494,788**	**100%**	**181,264,071**	

OUTPUT INDICATORS	2019	2018	2017	2016	VARIATION 2016-2018
Number of hours spent by employees on CCI activities during working hours	122,284	118,077	73,457	64,327	90%
Number of CCI projects implemented	670	622	594	519	29%
Number of garments donated to social causes	3,164,804	3,225,462	3,673,993	2,083,980	52%
Number of direct beneficiaries	2,441,300	2,425,639	1,584,446	1,093,401	123%
Number of community organisations supported	421	413	409	367	15%
					TOTAL 2016 -2019
Number of children with access to education	43,443	48,794	30,461	46,406	169,104
Number of people receiving professional training	26,763	32,514	27,311	38,096	124,684
Number of migrants, refugees and displaced people assisted	405,335	952,935	306,702	185,262	1,850,234
Number of people receiving medical care	930,223	1,078,634	867,671	255,078	3,131,606
Number of jobs created through CCI projects	11,288	16,437	12,200	14,290	54,215

LEVERAGE (ADDITONAL RESOURCES FROM OTHER SOURCES) (IN EUROS)	2019	2018	2017	VARIATION 2017-2019
Employees	272,720	68,513	328,256	-17%
Customers	320,360	423,558	258,976	24%
Other sources	78,698,187	49,335,836	12,050,493	553%
TOTAL LEVERAGE	**79,291,268**	**49,827,907**	**12,637,725**	**527%**

IMPACT INDICATORS	2019	2018	2017	2016	VARIATION 2016-2019
Number of direct beneficiaries for which impact has been measured	2,406,380	2,401,097	1,527,237	571,577	321%

DEPTH OF IMPACT (NUMBER OF BENEFICIARIES THAT...):	2019	2019%	2018	2018%	2017	2017%	2016	2016%	VARIATION 2016-2019
Made a connection as a result of the initiative	1,108,752	46%	599,741	25%	89,846	6%	63,692	11%	1641%
Made an improvement as a result of the initiative	890,818	37%	1,450,128	60%	993,661	65%	415,059	73%	115%
Made a transformation as a result of the initiative	406,810	17%	351,262	15%	443,730	29%	92,826	16%	338%

TYPE OF IMPACT (NUMBER OF BENEFICIARIES THAT...):	2019	2019%	2018	2018%	2017	2017%	2016	2016%	VARIATION 2016-2019
Experienced a positive change in their behaviour or attitude as a result of the initiative	374,548	16%	324,788	14%	604,199	40%	227,878	40%	64%
Developed new skills or an increase in their personal effectiveness	71,321	3%	59,921	2%	56,312	4%	77,561	14%	-8%
Experienced a direct positive impact on their quality of life	1,300,898	54%	1,743,085	73%	1,377,413	90%	452,681	79%	187%

SOCIAL CASH FLOW (IN MILLIONS OF EUROS)	2019	2018	2017	2016	2015
Net cash received for the sale of products and services	28,286	26,145	25,336	23,311	20,900
Flow received from financial investments	31	29	26	21	23
Cash received for sales of assets	40	159	381		
TOTAL VALUE ADDED FLOW	**28,357**	**26,333**	**25,743**	**23,332**	**20,924**

DISTRIBUTION OF VALUE ADDED FLOW					
Remuneration to employees for services	4,430	4,136	3,961	3,643	3,335
Tax on profits paid	1,207	1,070	1,029	798	977
Return of financial debt	-49	73	-47	53	-5
Dividends delivered to shareholders	2,741	2,335	2,127	1,871	1,626
Corporate community investment	49	46	48	40	35
Cash retained for future growth	1,284	510	759	833	460
Payments made outside the Group for the purchase of goods, raw materials and services	17,669	16,586	16,088	14,649	12,943
Payments made for investments in new productive assets	1,026	1,577	1,778	1,445	1,552
TOTAL DISTRIBUTION OF VALUE ADDED FLOW	**28,357**	**26,333**	**25,743**	**23,332**	**20,924**

05/ Contribution made by Inditex towards the Sustainable Development Goals. Key indicators

SUSTAINABLE DEVELOPMENT GOAL	TARGETS	SUSTAINABILITY OF THE MODEL	MAIN RELATED DISCLOSURE	PAGES
	1.2	Working for the community	GRI 203-2	230-249
	2.1	Working for the community	GRI 203-2	230-249
	2.4	Working for the community	GRI 203-2	230-249
	3.4	People, at the forefront of our transformation	GRI 403-2	73
	3.8	Working for the community	GRI 203-2	230-249
	3.9	Global and cross-cutting sustainable approach - Social management of the supply chain	Workers benefiting from health and safety programmes	123
	3.9	Global and cross-cutting sustainable approach - Decarbonisation and circularity	GRI 305-1	165, 324
	3.9	Global and cross-cutting sustainable approach - Product Health and Safety	Chemical substances included in the Manufacturing Restricted Substances List (MRSL)	152-153
	4.4 and 4.5	People, at the forefront of our transformation	GRI 404-1	64-65
	4.4 and 4.5	Working for the community	GRI 203-2	230-249
	5.1	People, at the forefront of our transformation	GRI 405-1	68-69
	5.1	Global and cross-cutting sustainable approach - Social management of the supply chain	GRI 406-1	456
	5.1	Robust compliance architecture	GRI 405-1	230-249
	5.1	Working for the community	GRI 203-2	144-147
	5.2	Global and cross-cutting sustainable approach - Social management of the supply chain	GRI 414-2	144-147
	5.5	Robust compliance architecture	GRI 102-22	271-274
	6.3	Global and cross-cutting sustainable approach - Environmental management of the supply chain	GRI 306-1	174
	6.4	Global and cross-cutting sustainable approach - Decarbonisation and circularity	GRI 303-1	230-249
	6.4	Working for the community	GRI 203-2	230-249
	7.2	Global and cross-cutting sustainable approach - Decarbonisation and circularity	GRI 302-1	163-164, 166, 170, 324
	7.2	Working for the community	GRI 203-2	230-249
	7.3	Global and cross-cutting sustainable approach - Decarbonisation and circularity	GRI 302-4	163-164, 166, 170, 324
	8.5	People, at the forefront of our transformation	GRI 102-28	280-282
	8.5	Global and cross-cutting sustainable approach - Social management of the supply chain	Workers involved in the 2019-2022 Workers at the Centre programmes	101
	8.5	Working for the community	GRI 203-2	230-249
	8.5	Robust compliance architecture	Policies formalising Inditex's commitment to decent work	71, 101, 305-306
	8.6	People, at the forefront of our transformation	GRI 401-1	456
	8.6	Working for the community	GRI 203-2	230-249
	8.7	Global and cross-cutting sustainable approach - Social management of the supply chain	GRI 408-1	142-145
	8.7	Global and cross-cutting sustainable approach - Social management of the supply chain	GRI 409-1	142-145
	8.8	Working for the community	GRI 203-2	230-249
	8.8	People, at the forefront of our transformation	GRI 407-1	104-108, 111, 144
	8.8	Global and cross-cutting sustainable approach - Social management of the supply chain	GRI 407-1	104-108, 111, 144
	9.2	Tax transparency	GRI 201-1	327
	9.4	Working for the community	GRI 203-1	15, 228-229, 325-327
	9.4	Global and cross-cutting sustainable approach - Environmental management of the supply chain	Number of facilities involved in the *Ready to Manufacture* programme	150
	9.4	Global and cross-cutting sustainable approach - Decarbonisation and circularity	Number of eco-efficient stores and reduction in consumption associated with them	170
	9.5	Innovation in the costumer experience	Innovation initiatives carried out in the scopes of people, industry, planet and communities	193-211

SUSTAINABLE DEVELOPMENT GOAL	TARGETS	SUSTAINABILITY OF THE MODEL	MAIN RELATED DISCLOSURE	PAGES
10	10.2	Working for the community	GRI 203-2	230-249
	10.3	People, at the forefront of our transformation	GRI 405-2	70
	10.7	Global and cross-cutting sustainable approach - Social management of the supply chain	Workers benefiting from protection of migrants programmes	129
11	11.2	Working for the community	GRI 203-1	15, 228-229, 325-327
12	12.2	People, at the forefront of our transformation	Number of internal people dedicated to sustainability	15
	12.2	Global and cross-cutting sustainable approach - Design	Training designers in the principles of circular economy	80
	12.2	Global and cross-cutting sustainable approach - Selection of materials	GRI 301-1	84
	12.2	Global and cross-cutting sustainable approach - Our supply chain	Identification of suppliers and manufacturers	89, 91-92
	12.2	Global and cross-cutting sustainable approach - Social management of the supply chain	Trained suppliers	146
	12.2	Global and cross-cutting sustainable approach - Environmental management of the supply chain	GRI 302-2	165, 324
	12.2	Global and cross-cutting sustainable approach - Decarbonisation and circularity	GRI 301-2	84-85
	12.2	Working for the community	GRI 203-2	230-249
	12.4	Global and cross-cutting sustainable approach - Product Health and Safety	Chemical substances regulated in *The List,* by Inditex	149, 322
	12.4	Global and cross-cutting sustainable approach - Environmental management of the supply chain	GRI 306-1	174
	12.5	Global and cross-cutting sustainable approach - Decarbonisation and circularity	GRI 301-2	180-182
	12.5	Global and cross-cutting sustainable approach - Decarbonisation and circularity	GRI 306-2	180-182
	12.8	Innovation in the costumer experience	Number of enquiries received through the different customer service channels	188
13	13.1	Global and cross-cutting sustainable approach - Environmental management of the supply chain	GRI 305-5	163, 165, 324
	13.1	Global and cross-cutting sustainable approach - Decarbonisation and circularity	GRI 306-2	180-182
	13.1	Working for the community	GRI 203-2	230-249
14	14.1	Global and cross-cutting sustainable approach - Environmental management of the supply chain	Actions within the framework of the Commitment to Zero Discharge of Hazardous Chemicals by 2020	149-151
	14.3	Global and cross-cutting sustainable approach - Decarbonisation and circularity	GRI 305-1	165, 324
	14.3	Working for the community	GRI 203-2	230-249
15	15.1	Global and cross-cutting sustainable approach - Selection of materials	GRI 304-2	84-87
	15.2	Working for the community	GRI 203-2	230-249
16	16.3	Working for the community	GRI 203-2	230-249
	16.5	Robust compliance architecture	GRI 205-1	305-306
	16.7	Robust compliance architecture	GRI 102-24	277-279, 290-293
	16.7	Thinking about the Shareholders	Requests attended by the shareholder's office	253
17	17.16	Global and cross-cutting sustainable approach - Social management of the supply chain	Cooperation relationship with international entities	104-141, 312-313
	17.16	Working for the community	GRI 203-2	230-249
	17.16	Partnerships and collaborations	Cooperation relationship with international entities	309-314
	17.17	Global and cross-cutting sustainable approach - Social management of the supply chain	Public-private partnerships	140, 310-314
	17.17	Robust compliance architecture	Meetings of the Social Advisory Board	299
	17.17	Working for the community	GRI 203-2	230-249
	17.17	Partnerships and collaborations	Public-private partnerships	140, 310-314

- Indicators selected by Inditex from the guide: *Business Reporting on the SDGs: An Analysis of Goals and Targets.*
- Indicators established by Inditex which correspond to disclosures present in the GRI standards.
- Internal indicators established by Inditex.

06/ Balance of material topics

MATERIAL TOPIC	GRI STANDARD	CONTENT	BOUNDARY(*)	INVOLVEMENT (**)
PEOPLE, AT THE FOREFRONT OF OUR TRANSFORMATION				
Diversity, equality and inclusion	GRI 103: Management approach 2016 GRI 405: Diversity and equal opportunities 2016 GRI 406: Non-discrimination 2016	103-1 to 103-3 405-1 to 405-2 406-1		
Labour practices (own operations)	GRI 103: Management approach 2016 GRI 401: Employment 2016 GRI 402: Labour/management relations 2016 GRI 403: Occupational health and safety 2016 GRI 407: Freedom of association and collective bargaining 2016	103-1 to 103-3 401-1 to 401-3 402-1 403-1 to 403-4 407-1		
Attracting and retaining talent	GRI 103: Management approach 2016 GRI 401: Employment 2016	103-1 to 103-3 401-1 to 401-3		
Development of human capital	GRI 103: Management approach 2016 GRI 404: Training and education 2016	103-1 to 103-3 404-1 to 404-3		
Women empowerment	GRI 103: Management approach 2016	103-1 to 103-3		
GLOBAL AND CROSS-CUTTING SUSTAINABLE APPROACH				
Women empowerment	GRI 103: Management approach 2016	103-1 to 103-3		
Responsible purchasing practices	GRI 103: Management approach 2016	103-1 to 103-3		
Promotion of socially sustainable production environments	GRI 103: Management approach 2016 GRI 412: Human rights assessment 2016 GRI 414: Supplier social assessment 2016	103-1 to 103-3 412-1 to 412-3 414-1 to 414-2		
Respect for human and labour rights in the supply chain	GRI 103: Management approach 2016 GRI 408: Child labour 2016 GRI 409: Forced or compulsory labour 2016 GRI 412: Human rights assessment 2016 GRI 414: Supplier social assessment 2016	103-1 to 103-3 408-1 409-1 412-1 to 412-2 414-1 to 414-2		
Transparency and traceability of the supply chain	GRI 103: Management approach 2016	103-1 to 103-3		
Protection of biodiversity	GRI 103: Management approach 2016 GRI 304: Biodiversity 2016	103-1 to 103-3 304-1 to 304-4		
Sustainable products	GRI 103: Management approach 2016 GRI 301: Materials 2016	103-1 to 103-3 301-1 to 301-3		
Management of chemical substances and sustainable processes in manufacturing	GRI 103: Management approach 2016 GRI 306: Effluents and waste 2016 GRI 308: Supplier environmental assessment 2016	103-1 to 103-3 306-1 to 306-5 308-1 to 308-2		
Product quality, health and safety	GRI 103: Management approach 2016 GRI 416: Customer Health and Safety 2016	103-1 to 103-3 416-1 to 416-2		
Product information and labelling	GRI 103: Management approach 2016 GRI 417: Marketing and labelling 2016	103-1 to 103-3 417-1 to 417-3		
Animal welfare	GRI 103: Management approach 2016 GRI 304: Biodiversity 2016	103-1 to 103-3 304-1 to 304-4		
Circularity	GRI 103: Management approach 2016 GRI 301: Materials 2016 GRI 306: Effluents and waste 2016	103-1 to 103-3 301-1 to 301-3 306-1 to 306-5		
Energy and climate change	GRI 103: Management approach 2016 GRI 302: Energy 2016 GRI 305: Emissions 2016	103-1 to 103-3 302-1 to 302-5 305-1 to 305-7		
Use of water	GRI 103: Management approach 2016 GRI 303: Water 2016 GRI 306: Effluents and waste 2016	103-1 to 103-3 303-1 to 303-3 306-1, 306-3, 306-5		
Packaging	GRI 103: Management approach 2016 GRI 301: Materials 2016	103-1 to 103-3 301-1 to 301-3		

MATERIAL TOPIC	GRI STANDARD	CONTENT	BOUNDARY(*)	INVOLVEMENT (**)
INNOVATION IN THE CUSTOMER EXPERIENCE				
Customer relationship management	GRI 103: Management approach 2016	103-1 to 103-3		
Brand management	GRI 103: Management approach 2016	103-1 to 103-3		
Integrated customer experience	GRI 103: Management approach 2016	103-1 to 103-3		
Cyber-security and data protection	GRI 103: Management approach 2016 GRI 418: Customer privacy 2016	103-1 to 103-3 418-1		
Technological innovation	GRI 103: Management approach 2016	103-1 to 103-3		
TAX TRANSPARENCY				
Transparency and tax contribution	GRI 103: Management approach 2016 GRI 203: Indirect economic impacts 2016	103-2 to 103-3 203-1		
WORKING FOR THE COMMUNITY				
Investment in the community	GRI 103: Management approach 2016 GRI 203: Indirect economic impacts 2016 GRI 413: Local communities 2016	103-1 to 103-3 203-1 to 203-2 413-1 to 413-2		
Socioeconomic impact on society	GRI 103: Management approach 2016 GRI 201: Economic performance 2016 GRI 203: Indirect economic impacts 2016	103-1 to 103-3 201-1 to 201-4 203-1 to 203-2		
THINKING ABOUT THE SHAREHOLDERS				
Regulatory compliance and responsible practices	GRI 103: Management approach 2016 GRI 206: Anti-competitive behaviour GRI 307: Environmental compliance 2016 GRI 419: Socioeconomic compliance 2016	103-1 to 103-3 206-1 307-1 419-1		
ROBUST COMPLIANCE ARCHITECTURE				
Corporate Governance	GRI 103: Management approach 2016 GRI 415: Public Policy 2016	103-1 to 103-3 415-1		
Risk management and control systems	GRI 103: Management approach 2016	103-1 to 103-3		
Corruption and bribery	GRI 103: Management approach 2016 GRI 205: Anti-corruption 2016 GRI 415: Public policy 2016 GRI 419: Socioeconomic compliance 2016	103-1 to 103-3 205-1 to 205-3 415-1 419-1		
PARTNERSHIPS AND COLLABORATIONS				
Relationship with stakeholders	GRI 103: Management approach 2016	103-1 to 103-3		

Within the organisation   Outside the organisation   Within and outside the organisation   Direct   Indirect

(*) Indicates where the impact takes place, within the organisation, outside of it or both.
(**) Indicates the involvement of the organisation concerning the impact.
Direct: The organisation is directly linked to the impact.
Indirect: The organisation is linked to the impact through its business relations.

ANNUAL ACCOUNTS

ECONOMIC AND FINANCIAL REPORT

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Industria de Diseño Textil, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 January 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2019").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 January 2020, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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Impacts of IFRS 16, Leases	
Description	**Procedures applied in the audit**
The reporting period that began on 1 February 2019 was the first in which Inditex applied International Financial Reporting Standard 16 (IFRS 16), which substantially modifies the accounting for leases. Due to the large volume of leases in which the Group acts as lessee, this standard had a significant impact on the consolidated financial statements. The Group designed an implementation plan for the adoption of this standard which, among other actions, analysed and defined the criteria to be applied in the transition process, the lease identification processes, the monitoring and control of the leases in force and the development of the methodology to be applied in the measurement of the leases. The disclosures associated with the application of this standard are detailed in Notes 2.2 and 15 to the accompanying consolidated financial statements. The large volume of leases, the diverse nature thereof and the significance and impact of the estimates made (mainly to assess the term of each lease and the applicable discount rate), lead us to consider this matter to be a key matter in our audit.	In response to this key matter, our audit included, among others, the following procedures: - An evaluation of the design, implementation and operating effectiveness of the relevant controls established by the Group in relation to the methodologies developed and estimates made in order to evaluate the main impacts of the standard. - A review of the analysis performed by Group management of the main aspects of the standard, such as identification of applicable leases, definition of the relevant criteria and assumptions, including specific assumptions in the accounting policy transition process, and evaluation of whether this analysis is consistent with, and adequate for the purpose of, the criteria established in the applicable regulations. - An evaluation of the reasonableness of the main assumptions used by management including, among others, determination of the lease term and the discount rate to be applied in the measurement of each lease, and the appropriateness thereof in relation to the applicable accounting framework. - For a representative sample of leases, verification of the reasonableness of the amounts included in the adjustment recognised at the transition date and at the reporting date. - An evaluation of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework. The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.

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Measurement of inventories	
Description	**Procedures applied in the audit**
The Group's inventories had a carrying amount of EUR 2.269 million at 31 January 2020, representing 8% of its total assets. These inventories relate mainly to finished goods, are distributed among the distribution centres and stores managed by the Group and are measured as described in Note 2-h to the accompanying consolidated financial statements. The Group's business model is based on offering fashion products according to customer demand by means of an integrated and centralised model, to which end new stock-keeping units (SKUs) are continuously designed, purchased and distributed to the points of sale. The fast-moving nature of fashion, the effects that the Covid-19 pandemic is having on the realization of the inventory for the spring-summer 2020 campaign (see Note 32) and the complexity of the goods measurement process, which requires significant estimates to be made in order to determine the acquisition cost and recoverable amount of each SKU, lead us to consider this matter to be a key matter in our audit.	In response to this key matter, our audit included, among others, the following procedures: - An evaluation of the consistency of the accounting policies and practices applied by the Group to measure its inventories at 31 January 2020 with the regulatory financial reporting framework applicable to it and with the accounting policies and practices applied in the previous year. - An evaluation of the design, implementation and operating effectiveness of the key controls in place in the inventory measurement process. - For a representative sample, verification that the finished goods inventories were correctly measured, calculating the measurement of those inventories on the basis of the acquisition cost and considering the costs attributable to such goods, for which we involved our IT experts. - An evaluation of the key estimates used by Group management to determine the net realisable value and the consistency thereof with Group policies and historical and other available information, such as sales and returns after the reporting date, for which we involved our IT experts. - An evaluation of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework. The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.

IT systems	
Description	**Procedures applied in the audit**
The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Group to a high dependency on its IT system and the correct functioning thereof. In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing. Due to their importance and the audit effort required, knowledge, evaluation, analysis of operating effectiveness and validation of the general, and certain automatic, financial reporting system controls, including controls relating to software maintenance and development, physical and logical security and system operations, were considered to constitute a key matter in our audit.	In response to this key matter, our work included, among others, the following procedures in which our audit team IT specialists were involved: - Identification of relevant IT items and software in the financial information preparation process. - Obtainment of the required understanding of the IT systems involved in the financial information preparation process and evaluation of the level of internal control over the systems. Our understanding focused, among others, on the existence of an IT systems security policy and written procedures in relation to IT processes; on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT software. - An evaluation of the design, implementation and operating effectiveness of general IT controls relating to security, management of changes and operations and maintenance of the software we considered relevant. - An evaluation of the design, implementation and operating effectiveness of the key automatic controls operating in certain especially significant business cycles, such as sales, leases, accounting closing and consolidation. - A review of the cybersecurity risk management model for the main IT systems. The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the consolidated financial statements.

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Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was provided in the consolidated directors' report and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Compliance Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and compliance committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

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Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 17 March 2020.

Engagement Period

The Parent's Annual General Meeting held on 16 July 2019 appointed us as auditors for a period of one year from the year ended 31 January 2019.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 January 2013.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Germán de la Fuente
Registered in ROAC under no. 15.976

17 March 2020

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Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

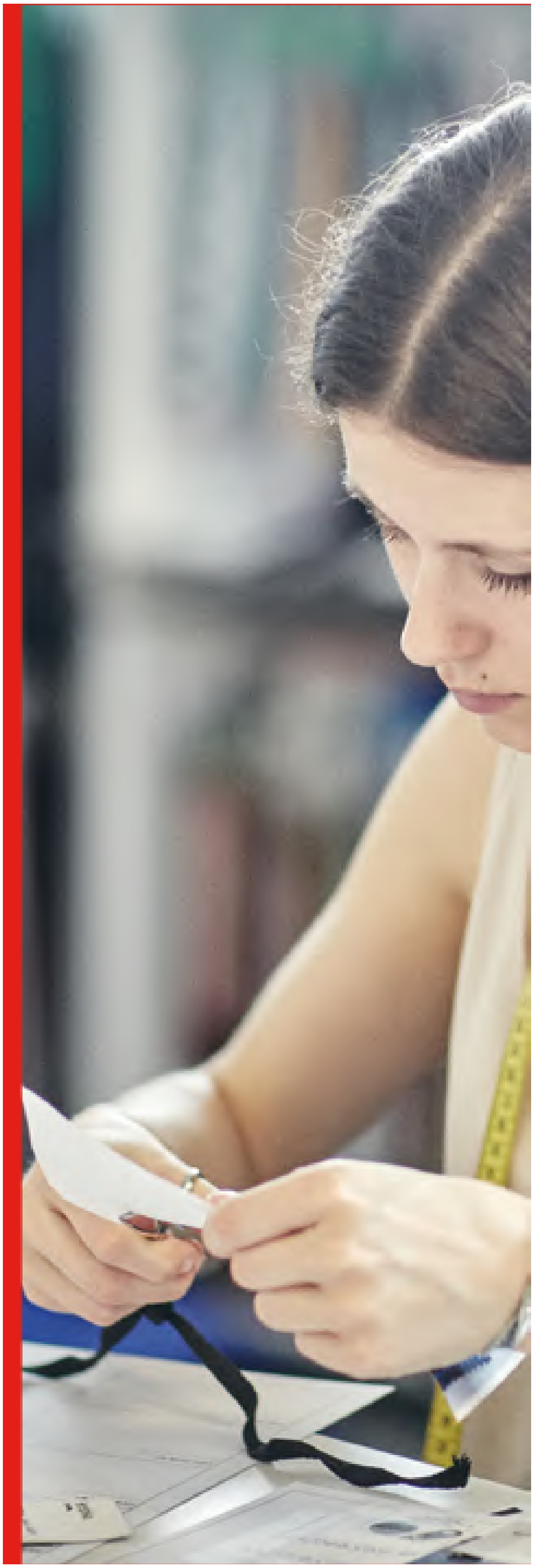
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and compliance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and compliance committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and compliance committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.



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INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

Consolidated income statement

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	2019	2018
Net sales	(3)	28,286	26,145
Cost of sales	(4)	(12,479)	(11,329)
GROSS PROFIT		**15,806**	**14,816**
		55.9%	56.7%
Operating expenses	(5)	(8,176)	(9,329)
Other losses and income, net	(6)	(33)	(30)
GROSS OPERATING PROFIT (EBITDA)		**7,598**	**5,457**
Amortisation and depreciation	(7)	(2,826)	(1,100)
NET OPERATING PROFIT (EBIT)		**4,772**	**4,357**
Financial results	(8)	(152)	17
Results of companies accounted for using the equity method	(17)	61	54
PROFIT BEFORE TAXES		**4,681**	**4,428**
Income tax	(24)	(1,034)	(980)
NET PROFIT		**3,647**	**3,448**
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**8**	**4**
NET PROFIT ATTRIBUTABLE TO THE PARENT		**3,639**	**3,444**
EARNINGS PER SHARE, EUROS	**(9)**	**1.168**	**1.106**

Consolidated statement of comprehensive income

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	2019	2018
Net profit		3,647	3,448
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognised directly in equity:			
Translation differences related to financial statements of foreign operations		35	21
Cash flow hedges			
Profit	(25)	1	3
Loss	(25)	(6)	(11)
Tax effect		1	4
TOTAL		**31**	**17**
Transfers to profit or loss:			
Cash flow hedges			
Profit	(25)	(3)	(6)
Loss	(25)	11	31
Tax effect		(3)	(2)
TOTAL		**5**	**24**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,684**	**3,489**
Total comprehensive income attributable to:			
Equity holders of the Parent		3,676	3,485
Non-controlling interests		8	4
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**3,684**	**3,489**

Consolidated balance sheet

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	31/01/2020	31/01/2019
ASSETS			
NON-CURRENT ASSETS		16,977	11,064
Rights over leased assets	(14)	-	464
Rights of use	(15)	6,043	-
Other intangible assets	(14)	410	346
Goodwill	(16)	207	206
Property, plant and equipment	(13)	8,355	8,339
Investment property		21	20
Financial investments	(17)	249	267
Other non-current assets	(18)	456	564
Deferred tax assets	(24)	1,236	858
CURRENT ASSETS		11,414	10,620
Inventories	(12)	2,269	2,716
Trade and other receivables	(11)	780	820
Income tax receivable	(24)	174	108
Other current assets		78	162
Other financial assets	(25)	14	20
Current financial investments	(20)	3,319	1,929
Cash and cash equivalents	(20)	4,780	4,866
TOTAL ASSETS		**28,391**	**21,684**

EQUITY AND LIABILITIES			
EQUITY		14,949	14,682
Equity attributable to the Parent		14,913	14,653
Equity attributable to non-controlling interests		36	30
NON-CURRENT LIABILITIES		6,136	1,618
Provisions	(21)	217	229
Other non-current liabilities	(22)	380	1,072
Financial debt	(20)	6	5
Lease liability	(15)	5,163	-
Deferred tax liabilities	(24)	370	312
CURRENT LIABILITIES		7,306	5,383
Financial debt	(20)	32	84
Other financial liabilities	(25)	40	47
Lease liability	(15)	1,649	-
Income tax payable	(24)	142	153
Trade and other payables	(19)	5,443	5,099
TOTAL EQUITY AND LIABILITIES		**28,391**	**21,684**

Consolidated statement of cash flows

(AMOUNTS IN MILLIONS OF EUROS)	(NOTES)	2019	2018
PROFIT BEFORE TAXES AND NON-CONTROLLING INTEREST		**4,681**	**4,428**
Adjustments to profit			
Amortisation and depreciation	(7)	2,826	1,100
Foreign exchange translation differences		(19)	(33)
Provisions for impairment		244	20
Results from companies consolidated by equity method	(17)	(61)	(54)
Lease financial expenses	(8)	142	-
Other		90	(14)
Income tax		(1,207)	(1,070)
FUNDS FROM OPERATIONS		**6,695**	**4,378**
Variation in assets and liabilities			
Inventories		201	(70)
Receivables and other current assets		(10)	(142)
Current payables		14	(137)
CHANGES IN WORKING CAPITAL		**205**	**(349)**
CASH FLOWS FROM OPERATING ACTIVITIES		**6,900**	**4,029**
Payments relating to investments in intangible assets		(238)	(230)
Payments relating to investments in property, plant and equipment		(914)	(1,391)
Collections relating to divestments of property, plant and equipment		40	159
Collections relating investment in other financial investments		70	24
Payments relating investment in other assets	(18)	(7)	(23)
Collections relating investment in other assets	(18)	63	43
Changes in current financial investments		(1,390)	(457)
CASH FLOWS FROM INVESTING ACTIVITIES		**(2,377)**	**(1,875)**
Collections relating to non-current financial debt		-	4
Payments relating to non-current financial debt		(3)	(2)
Changes in current financial debt		(49)	73
Payments related to leases (fixed rents)		(1,836)	-
Dividends		(2,741)	(2,335)
CASH FLOWS USED IN FINANCING ACTIVITIES		**(4,629)**	**(2,260)**
Net increase in cash and cash equivalents		(106)	(106)
Cash and cash equivalents at the beginning of the year	(20)	4,866	4,931
Effect of exchange rate fluctuations on cash and cash equivalents		20	41
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**(20)**	**4,780**	**4,866**

Consolidated statement of changes in equity

(AMOUNTS IN MILLIONS OF EUROS)	EQUITY ATTRIBUTABLE TO THE PARENT										
	CAPITAL	SHARE PREMIUM	RETAINED EARNINGS	OTHER RESERVES	RESERVES OF COMPANIES ACCOUNTED FOR USING THE EQUITY METHOD	TREASURY SHARES	TRANSLATION DIFFERENCES	CASH FLOWS	SUBTOTAL	NON-CONTROLLING INTERESTS	TOTAL EQUITY
BALANCE AT 1 FEBRUARY 2018	94	20	13,747	90	183	(77)	(533)	(26)	13,497	25	13,523
Profit for the year	-	-	3,444	-	-	-	-	-	3,444	4	3,448
Distribute results	-	-	(42)	-	42	-	-	-	-	-	-
Distribute dividends	-	-	20	-	(20)	-	-	-	-	-	-
Transfers	-	-	(98)	-	-	-	98	-	-	-	-
Other movements	-	-	(27)	-	-	-	-	-	(26)	-	(26)
Argentina reexpresion	-	-	10	-	-	-	(5)	-	5	-	5
Other comprehensive income for the year	-	-	-	-	-	-	21	20	41	-	41
- Translation differences related to foreign operations	-	-	-	-	-	-	21	-	21	-	21
- Cash flow hedges	-	-	-	-	-	-	-	20	20	-	20
Operations with equity holders or owners	-	-	(2.335)	27	-	-	-	-	(2,308)	-	(2,308)
- Share-based collections	-	-	-	27	-	-	-	-	27	-	27
- Dividends	-	-	(2.335)	-	-	-	-	-	(2,335)	-	(2,335)
BALANCE AT 31 JANUARY 2019	94	20	14,719	117	206	(77)	(420)	(6)	14,653	30	14,683
BALANCE AT 31 JANUARY 2019	**94**	**20**	**14,719**	**117**	**206**	**(77)**	**(420)**	**(6)**	**14,653**	**30**	**14,683**
Adjustment on initial application of new Reporting standards (Note 2)			(670)						(670)		(670)
BALANCE AT 1 FEBRUARY 2019	**94**	**20**	**14,049**	**117**	**206**	**(77)**	**(420)**	**(6)**	**13,982**	**30**	**14,013**
Profit for the year	-	-	3,639	-	-	-	-	-	3,639	8	3,647
Distribute results	-	-	(54)	-	54	-	-	-	-	-	-
Distribute dividends	-	-	45	-	(45)	-	-	-	-	-	-
Transfers	-	-	50	(34)	-	-	(17)	-	-	-	-
Other movements	-	-	(28)	-	(1)	-	-	-	(29)	(2)	(30)
Argentina reexpresion	-	-	9	-	-	-	-	-	9	-	9
Other comprehensive income for the year	-	-	-	-	-	-	35	2	36	-	36
- Translation differences related to foreign operations	-	-	-	-	-	-	35	-	35	-	35
- Cash flow hedges	-	-	-	-	-	-	-	2	2	-	2
Operations with equity holders or owners	-	-	(2.718)	(25)	-	17	-	-	(2,726)	-	(2,726)
- Share-based collections	-	-	-	27	-	-	-	-	27	-	27
- Share-based payments	-	-	23	(53)	-	17	-	-	(13)	-	(13)
- Dividends	-	-	(2,741)	-	-	-	-	-	(2,741)	-	(2,741)
BALANCE AT 31 JANUARY 2020	**94**	**20**	**14,993**	**58**	**214**	**(60)**	**(402)**	**(4)**	**14,913**	**36**	**14,949**

Notes to the consolidated annual accounts of the Inditex Group

As at 31 january 2020

The consolidated annual accounts of the Inditex Group, which Parent is Industria de Diseño Textil, S.A ("the Group", "the Group Inditex", "the Company" or "the Parent") for 2019 were prepared by the Board of Directors on 17 March 2020 and will be submitted for approval at the corresponding Annual General Meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2018 were approved by the shareholders at the Annual General Meeting held on 16 July 2019.

These annual accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations (IFRIC and SIC) adopted by the European Union (EU- IFRS) and with the other provisions of the applicable regulatory financial reporting framework.

Inditex's financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2019 will hereinafter be referred to as "2018", the twelve-month period ended 31 January 2020 as "2019", and so on.

The consolidated annual accounts are presented in euros, since the euro is the Group's functional currency.

Unless otherwise stated, the amounts shown in these consolidated annual accounts are expressed in millions of euros.

The separate annual accounts of the Parent (Inditex) for 2019 were prepared by the Board of Directors in a separate document to these consolidated annual accounts.

These consolidated annual accounts present fairly the equity and financial position of the Inditex Group at 31 January 2020, as well as the results of its operations, the changes in equity and the cash flows for the year then ended.

The consolidated annual accounts of the Inditex Group for 2019 were prepared on the basis of the accounting records of Inditex and of the other Group companies.

The Group uses certain performance measures additional to those defined in IFRS, since these measures include information that is essential to assess the evolution of the Group.

In the consolidated income statement, gross profit, EBITDA, EBIT and PBT are defined as follows:

- Gross profit: the difference between sales and the cost of sales. Note 3 and Note 4 contain detailed information on the items included in these line items in the consolidated income statement. The percentage gross profit is calculated as the gross profit in absolute terms as a percentage of net sales.

- Gross operating profit (EBITDA): earnings before interest, the result of companies accounted for using the equity method, taxes and depreciation and amortisation, calculated as the gross profit less operating expenses and other losses and income, net.

- Operating income (EBIT): earnings before interest, the result of companies accounted for using the equity method and taxes, calculated as EBITDA less depreciation and amortisation.

- Profit before taxes (PBT): calculated as EBIT less Financial results and Result of companies accounted for using the equity method.

Other alternative measures of performance are as follows:

- Return on capital employed (ROCE): defined as PBT divided by average capital employed in the year (average of equity attributable to the Parent plus net financial debt for the year). The average capital employed considered for the ROCE calculation by concept relates to the non- current assets, excluding the deferred tax assets, of the concept.

- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent divided by average shareholders' equity for the year.

- Working capital: defined as Inventories plus Receivables minus Current Payables in the Balance Sheet.

- Net financial position: defined as Cash and Equivalents and Current financial investments less current and non-current financial debt, with explicit interest (without considering lease debt).

- Average net Financial debt: defined as Current and non-Current Financial Debt with explicit interest (without considering lease debt), less Cash and Cash equivalents and Current financial investments (considered zero if the result is negative).

- Store operating profit: income generated by sales as well as all expenses directly attributable and necessary to generate said income.

- Quarterly results: calculated as the difference between the year-to-date profit (loss) statement at the reporting date less the statement of income of the previous quarterly cut-off.

In preparing the consolidated annual accounts as at 31 January 2020 estimates were made in order to measure certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.

- The consideration of the online business in the model of the non-current assets impairment test.

- The determination of inventory costs and its net realizable value.

- The useful life of the property, plant and equipment, intangible assets and investment property.

- The fair value of certain assets, mainly financial instruments.

- The assumptions used in the actuarial calculation of pension and other obligations to employees.

- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.

- The opinions related to determination of the lease term, as well as the estimation of the discount rates applied in the measurement of the liability under IFRS 16.

- The recovery of deferred tax assets.

These estimates were made using the best information available at the time of preparation of this consolidated annual accounts. However, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with IAS 8.

In preparing these consolidated annual accounts the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

The basis of consolidation and accounting policies applied are disclosed in Note 2.

1. Activity and description of the Group

Industria de Diseño Textil, S.A. with registered office in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the Parent of a global group of companies present in 5 continents, in both hemispheres, north and south.

Inditex is listed on all the four Spanish stock exchanges.

Its main activity consists of offering latest fashion trends (apparel, footwear, accessories and home textiles) with high quality and sustainability standards, at attractive prices and inspired in customer requirements.

This activity is carried out through eight commercial brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each format operates through an online and store model that is managed in a direct and integrated way, managed directly by companies over which Inditex exercises control through the ownership of all or the majority of the share capital and of the voting rights, except in certain markets where, for several reasons, the business is carried out through franchises.

Certain franchise agreements entered into by the Group include purchase options which, if exercised, would essentially enable the Group to have access to the lease rights over the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed since the signing of the franchise agreement.

The Group holds joint ownership interests in the entities making up the Tempe Group. Based on an analysis of the contractual arrangements giving it joint control, the Group classified its ownership interest in the Tempe Group as a joint venture. The interest in the Tempe Group was accounted for using the equity method.

The Group does not have any other significant non-controlling interests.

In order to offer the latest fashion trends at the right time, meeting high standards of sustainability and with the required quality, at Inditex we have developed an integrated and flexible business model that is clearly customer-oriented.

This model helps face business environment challenges. The strong competitiveness in the sector, driven by new technologies and an increasingly awareness of environmental challenges, defines a context with a constantly evolving customer profile.

Furthermore, geopolitical, demographic and socioeconomic changes in supplier or distribution countries, or the retraction in consumption in certain markets, are, among others, factors which could affect the optimal achievement of our business targets. Business can also be affected by potential consequences of climate change, which could influence consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others.

The internationalisation policy, the Group's multi-brand format, its sustainable production commitments and the support for total integration of channels and new technologies as alternatives for customer communication and sales, represent a means of risk diversification that mitigates our overall exposure to risks in the market.

The operation of this business model would not be feasible without the integration and flexibility of every stage of our value chain: design, production, logistics, stores and customers (with integrated points of sale, both physical and online).

The sales and design teams are strongly focused on the customer and firmly committed to sustainability in the processes and materials used in our products. The permanent contact with stores and online teams by our team of designers, through the Product Management Department, helps them to learn about customer preferences. In addition, their active promotion and search for more sustainable materials and production processes help to raise standards of quality and to reduce the social and environmental impact of our activity.

Manufacture and supply have been designed with a mixed model which ensures reasonable flexibility to allow production to adapt to market demand. During 2019, 54% of the factories in which the Company has produced its articles are in proximity (in countries such as Spain, Portugal, Morocco and Turkey) with the remaining 46% being medium and long distance (57% and 43% of factories respectively in 2018). This enables us to achieve the capacity to adapt our own production or that of suppliers to the trend changes of each season, thus reducing the amount of leftovers from each campaign.

The logistics and distribution system enables the Company to make continuous shipments to physical and online stores from the logistics centres of every commercial format throughout every season. This system operates mainly with centralised logistics centres for every chain, where stocks are kept and which distribute the products to physical and online stores worldwide.

The people working in our Company make the sustained and sustainable development of this model possible: a diverse human team with 172 nationalities (154 nationalities in 2018), marked by its creative talent, its passion for fashion, teamwork, an enterprising spirit, permanent innovation and responsible effort.

Our goal is to provide fashion products that meet the most demanding sustainability and health and safety criteria, built on respect and promotion of Human Rights, transparency and continuous dialogue with stakeholders.

At 31 January 2020, the various Group concepts had stores in operation with the following geographical distribution:

	NUMBER OF STORES		
	COMPANY MANAGED	FRANCHISES	TOTAL
Spain	1,538	42	1,580
Rest of Europe	3,248	154	3,402
Americas	680	182	862
Rest of the World	891	734	1,625
TOTAL	**6,357**	**1,112**	**7,469**

At 31 January 2019, the geographical distribution of stores was as follows:

	NUMBER OF STORES		
	COMPANY MANAGED	FRANCHISES	TOTAL
Spain	1,593	42	1,635
Rest of Europe	3,233	145	3,378
Americas	660	184	844
Rest of the World	926	707	1,633
TOTAL	**6,412**	**1,078**	**7,490**

The majority of company-managed store premises are held under operating leases. Information on the main terms of the leases is provided in Note 15.

2. Selected accounting policies

2.1. Basis of consolidation

i) Subsidiaries

Subsidiaries are entities over which the Parent has control and, therefore, the power to govern their financial and operating policies (see Note 1). Subsidiaries are consolidated by aggregating the total amount of their assets, liabilities, income, expenses and cash flows, after making the adjustments and eliminations relating to intra-Group transactions. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the effective acquisition date. A detail of the subsidiaries is provided in Annex I.

For business combinations any excess of the consideration transferred plus the value assigned to non-controlling interests over the net amounts of the assets acquired and the liabilities assumed is recognised as goodwill.

Any deficiency of the amount of the consideration transferred plus the value assigned to non-controlling interests below the identifiable net assets acquired is recognised in profit or loss.

Acquisitions of equity interests in businesses subsequent to obtaining control and partial disposals that do not result in a loss of control are recognised as transactions with shareholders in equity.

The non-controlling interests shown in the consolidated statement of changes in equity relate to non-controlling interests in subsidiaries, and they are presented in consolidated equity separately from the equity attributable to shareholders of the Parent.

The profit or loss and each component of other comprehensive income are allocated to the equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their relative interests, even if this results in the non-controlling interests having a deficit balance. Agreements entered into between the Group and non-controlling interests are recognis ed as a separate transaction.

The share of non-controlling interests of the equity and profit or loss of the subsidiaries is presented under “Equity Attributable to Non-Controlling Interests” and “Net Profit Attributable to Non-Controlling Interests”, respectively.

ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual arrangement. As indicated in Note 1, on the basis of the analysis performed of the contractual arrangements, the Group classified these interests as joint ventures. Pursuant to IFRS 11, Joint Arrangements, these entities are accounted for using the equity method in the consolidated annual accounts.

iii) Harmonization of criteria

Each of the companies included in the scope of consolidation prepares its annual accounts and other accounting records in accordance with the corresponding accounting standards, based on the legislation in force in the country of origin. Where these recognition and measurement criteria differ from those adopted by the Inditex Group in preparing its consolidated annual accounts, they are adjusted in order to present the consolidated annual accounts using uniform accounting policies.

iv) Intra-Group eliminations

All intra-Group receivables, payables and transactions, and any intra-Group gains or losses not yet realised vis-à-vis third parties, are eliminated in the consolidation process.

v) Translation of annual accounts denominated in foreign currencies

The annual accounts of companies with a functional currency other than the euro, except in the case of hyperinflationary countries, have been translated as follows:

- Assets and liabilities are translated to euros at the exchange rates prevailing at the balance sheet date.

- Items composing the equity of these companies are translated to euros at the historical exchange rates (or, for retained earnings, at the average exchange rates for the year in which they were generated).

- Income and expenses are translated to euros at the exchange rates prevailing at the dates on which they were recognised, while average exchange rates are used in those cases in which the application of this simplifying criterion does not generate significant differences.

The differences arising from the application of these exchange rates are included in consolidated equity under “Translation Differences”.

However, exchange differences arising from trade balances payable and receivable and financing transactions between Group companies, with foreseeable settlement, are recognised in profit or loss for the year.

vi) Annual accounts in hyperinflationary economies

Since 1 August 2018 Argentina has been considered a hyperinflationary economy. Consequently, the Group's financial statements of Argentine subsidiaries (see Annex I) have been integrated into the consolidated financial statements by making the hyperinflation adjustments provided for in IAS 29 in order to reflect changes in the overall purchasing power of the Argentine currency, that is, the financial statements that were at historical values have been restated to current values, applying the corresponding general price index and converted to the Group's functional currency, considering the closing exchange rate between the euro and the Argentine peso.

General price indexes of general acceptance in Argentina have been used to restate the financial statements at current values. Specifically, the Wholesale Price Index for the balances prior to 2017 (IPM) and the Consumer Price Index (CPI) for the balances from 2017 onwards have been used.

In relation to the conversion to functional currency, a closing exchange rate of 66.96 Argentine pesos per euro was applied.

These adjustments have been made retrospectively since 1 February 2018.

Hyperinflation adjustment has not been significant in the Net Income attributed to the parent.

Following the recommendation of the IFRIC regarding the classification of translation differences prior to the consideration of Argentina as an hyperinflationary economy, these are classified under the heading Translation differences in the Statement of changes in equity.

There are no other companies in the consolidation perimeter of the Group, with the exception of Argentina, which have been considered hyperinflationary economies.

vii) Companies with a reporting date that differs from that of the Group

Companies with a reporting date that differs from that of the consolidated annual accounts were consolidated using the annual accounts at their respective reporting dates (see Annex I).

Temporary adjustments are made to reflect the effect of significant transactions occurring between the reporting date of these subsidiaries and that of the consolidated annual accounts.

viii) Changes in the scope of consolidation

Annex I details all the companies in the consolidation perimeter. During fiscal year 2019, there were no significant changes in the perimeter.

2.2. Accounting policies

Standards effective for application in reporting periods beginning on or after 1 January 2019

During fiscal year 2019, the following standards and/or interpretations became effective for application in the European Union in the years beginning on 1 January 2019:

IFRS 16 – Leases

IFRS 16 "Leases" replaced IAS 17 as well as its associated interpretations. The entry into force of IFRS 16 for the Group is 1 February 2019.

IFRS 16 introduces the principles for recognition, measurement, presentation and reporting of leases. IFRS 16 provides a single lessee accounting model, similar to the accounting of the financial leases of IAS 17. The lessee recognises a liability for the net present value of the lease payments and a right-of-use asset of the underlying asset during the lease term. It also changes the nature of the expenses concerning these leases, given that IFRS 16 replaces the straight-line expenses of the operating lease for an expense derived from depreciation of the recognised asset as an expense for liability-associated interest.

The application of IFRS 16 also has an impact on the figures reported in certain breakdowns such as segment reporting (Note 10), basic and diluted earnings per share (Note 9) and alternative measures of performance.

The leases recognised in which the Group acts as the lessee relate mainly to the premises where the stores are located and agreements guaranteeing access to and control over certain logistics facilities.

The lessee may choose not to apply the general criteria of IFRS 16 to short-term leases and to leases whose underlying asset is considered to be of low value. The Group only applies the exemption to leases whose underlying asset is considered to be of low value.

The Group has adopted the modified retrospective transition method with the cumulative effect of the initial application of the standard, recognised as an adjustment to reserves at 1 February 2019 and the comparative information has not been restated.

In turn, this transition method enables the asset to be valued retroactively as if the standard had applied since the beginning of the lease or, for an amount equal to the liability adjusted by the prepaid or accrued payments.

Likewise, the Group applied some of the simplifications associated to the transition method adopted. The most relevant are:

- the exclusion of the initial direct costs of measuring the right-of-use asset on the transition date;
- the application of a single discount rate for each similar lease portfolio, by market, term and currency;
- the determination of the lease term using the information known at transition date;
- the non-review of the right-of-use value impairment on the transition date.

IAS 17 did not require the recognition of any assets or liabilities for right of use for future payments for operating leases; however, it did require disclosure of lease commitments. The difference between this information on lease commitments (IAS 17) and the lease liability (IFRS 16) lies in the different periods considered, the non-cancellable period versus the lease term determined in accordance with IFRS 16, and the fact that the commitments disclosed in Note 24 of the consolidated financial statements for 2018 correspond to the nominal amounts of expected payments while the lease liability in IFRS 16 is determined by applying a discount rate to the expected payments. Thus, the minimum lease payments amounting to 4,954 million euros at 31 January 2019 are reduced by 325 million euros due to the effect of the financial discount and increased by 2,272 million euros mainly by incorporating the periods which are reasonably estimated to be additional to the mandatory period.

Result of implementation of the standard:

(AMOUNTS IN MILLIONS OF EUROS)	31-01-19	TRANSITION IFRS 16	01-02-19
ASSETS			
NON-CURRENT ASSETS	11,064	5,539	16,603
Rights over leased assets	464	(464)	0
Rights of use	-	5,849	5,849
Other intangible assets	346	(12)	334
Goodwill	206	-	206
Property, plant and equipment	8,339	-	8,339
Investment property	20	-	20
Financial investments	267	-	267
Other non-current assets	564	(58)	505
Deferred tax assets	858	225	1,083
CURRENT ASSETS	10,620	(70)	10,551
Inventories	2,716	-	2,716
Trade and other receivables	820	-	820
Income tax receivable	108	-	108
Other current assets	162	(70)	93
Other financial assets	20	-	20
Current financial investments	1,929	-	1,929
Cash and cash equivalents	4,866	-	4,866
TOTAL ASSETS	**21,684**	**5,470**	**27,154**
EQUITY AND LIABILITIES			
EQUITY	14,682	(670)	14,012
Equity attributable to the Parent	14,653	(670)	13,983
Equity attributable to non-controlling interests	30	-	30
NON-CURRENT LIABILITIES	1,618	4,572	6,190
Provisions	229	-	229
Other non-current liabilities	1,072	(746)	326
Lease liability	-	5,325	5,325
Financial debt	5	-	5
Deferred tax liabilities	312	(7)	304
CURRENT LIABILITIES	5,383	1,568	6,952
Financial debt	84	-	84
Lease liability	-	1,577	1,577
Other financial liabilities	47	-	47
Income tax payable	153	-	153
Trade and other payables	5,099	(9)	5,090
TOTAL EQUITY AND LIABILITIES	**21,684**	**5,470**	**27,154**

The Group's net cash position is not altered by IFRS 16; however, it does involve a change in the classification of the flows generated/consumed included in the consolidated cash flow statement since the flows associated with leases are presented as cash flows from financing activities whereas under IAS 17 they were classified as flows from operating activities.

The impact of implementation of IFRS 16 from 1 February 2019 on the consolidated income statement of 2019 is a higher net profit of 2,5%, compared to IAS 17.

Note 2.2.o details the accounting policy applied by the Group in relation to this standard and the main judgements and estimates made.

Other approved amendments applied from 1 January 2019:

- IFRIC 23 - Uncertainty about tax treatment. This interpretation clarifies how to apply the recording and measurement criteria in IAS 12 when there is uncertainty about the tax authority's acceptability of a particular tax treatment used by the entity. In this regard, the Group had already been evaluating the uncertainty related to each tax treatment individually for each jurisdiction where it operates, in a manner consistent with the requirements of IFRIC 23 - Uncertainty in Tax Treatment, which is why the application of this interpretation has had no impact on the consolidated financial statements.

- Amendments to IFRS 9 - Financial instruments. This amendment permits the measurement at amortised cost of certain financial assets that can be cancelled early for an amount that is less than the amount of the principal outstanding and interest on that principal.

- Amendment to IAS 28 - Non-current investments in associates and joint ventures which clarifies that IFRS 9 should be applied to non-current interests in an associate or joint venture if the equity method is not applied.

- Improvements to IFRSs Cycle 2015-2017, which introduces minor amendments to a series of standards, including amendments to IFRS 3 Business Combinations in relation to the acquisition of joint control over a joint operation that constitutes a business, amendments to IAS 12 Income Taxes in relation to the recognition of the tax impact of remuneration for financial instruments classified as equity and amendments to IAS 23 Borrowing Costs in relation to the capitalisation of interest on outstanding financing specific to an asset that is ready for use and IFRS 11 Joint Ventures in relation to the acquisition of joint control over a joint operation that constitutes a business.

- Amendment to IAS 19 - Amendment, reduction or liquidation of a plan. In accordance with the proposed amendments, when a change occurs in a defined benefit plan (due to a modification, reduction or liquidation), the entity will use updated hypotheses to determine the cost of services and net interest for the period after the change of plan.

The application of these amendments and/or interpretations, except for IFRS 16, did not have a material effect on the Group's consolidated annual accounts for 2019.

Standards and amendments issued and approved for application in the EU in reporting periods beginning on or after 1 January 2020

- Amendment to IAS 1 and IAS 8 Definition of materiality, to align the definition with that contained in the conceptual framework. Mandatory in the years beginning on 1 January 2020.

- Amendments to IFRS 9, IAS 39 and IFRS 7 - Reform of Reference Interest Rates. Mandatory in the years beginning on 1 January 2020.

- Amendment to the references of the Conceptual Framework in the IFRS standards. Mandatory in the years beginning on 1 January 2020.

The Group is analysing the impact of the standards and amendments to the existing ones, although they are not expected to have a significant effect on the consolidated annual accounts on the date on which their application becomes mandatory in the European Union.

Standards issued and pending approval for use in the European Union

At the date of preparation of these consolidated annual accounts, the following standards and/or amendments to the standards with potential impact for the Group had been issued by the IASB but were pending approval for their use in the European Union.

- IFRS 17 - Insurance contracts. Replaces IFRS 4, incorporating the principles of registration, measurement, presentation and disclosure of insurance contracts with the objective that the entity provides relevant and reliable information that allows users of the information to determine the effect that the contracts have on the financial statements. Mandatory in the years beginning on 1 January 2021.

- Amendment to IFRS 3 - Business definition, which includes clarifications to the business definition. Mandatory in the years beginning on 1 January 2020.

The Group is analysing the impact of the new standards and amendments to existing ones, although they are not expected to have a significant effect on the consolidated annual accounts on the date when their application is mandatory in the European Union.

a) Translation of foreign currency balances and transactions

Foreign currency transactions are translated to euros by applying the exchange rates prevailing at the date of the transaction (except in the case of hyperinflationary countries). Monetary assets and liabilities denominated in foreign currencies are translated to euros at the end of the reporting period using the closing rate. Exchange differences arising on translating these items at those exchange rates are recognised in the income statement for the year as financial result.

In presenting the consolidated statement of cash flows, cash flows arising from transactions in a foreign currency are translated to euros by applying the exchange rates at the date of the cash flow. The effect of exchange rate changes on cash and cash equivalents denominated in foreign currency is presented separately in the consolidated statement of cash flows under "Effect of Exchange Rate Changes on Cash and Cash Equivalents".

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost, including any additional costs incurred until the assets are ready for their intended use, less accumulated depreciation and any impairment losses or write-downs that have to be recognised (see Note 2.2.f).

Depreciation is taken on a straight-line basis over the estimated useful lives of the assets.

The estimated average useful lives are as follows:

ASSET DESCRIPTION	USEFUL LIFE (YEARS)
Buildings	25 TO 50
Fixtures, furniture and machinery	8 TO 20
Other property, plant and equipment	4 TO 13

The Group reviews the residual values and useful lives of its property, plant and equipment at each financial year-end. Any change in the initially established estimates is accounted for as a change in an accounting estimate.

After initial recognition of an asset, only those costs that it is probable will give rise to future economic benefits and that can be measured reliably are capitalized.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss as they are incurred.

c) Other intangible assets

- Intellectual property: intellectual property is charged for the amounts paid for the acquisition of title to or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Group. It is amortised on a straight-line basis over a maximum period of ten years.

- Computer software: software is stated at cost and is amortised on a straight-line basis over a five-year period.

- Industrial designs: these items are reflected at their production cost, which includes the cost of samples, staff costs and other directly or indirectly attributable costs, and are amortised on a straight-line basis over an estimated useful life of two years.

The Group reviews the residual values and useful lives of its intangible assets at each reporting date. Any change in the initially established estimates would be accounted for as a change in an accounting estimate.

d) Financial investments

Investments in companies over which the Group does not exercise significant influence are stated at cost net of any impairment losses that have to be recognised.

e) Investment property

Investment property consists of assets held to generate rental income or for capital appreciation or both, and is stated at cost of acquisition less accumulated depreciation and any impairment losses that have to be recognised. Depreciation is calculated on a straight-line basis over the useful lives of the corresponding assets (see Note 2.2.f).

f) Impairment of non-current assets

The Group periodically assesses whether there are any indications that its non-current assets, including goodwill and intangible assets with indefinite useful live, might have become impaired, in order to determine whether their recoverable amount is lower than their carrying amount (impairment loss). In the case of goodwill and intangible assets with indefinite useful lives the impairment tests are performed at least once a year or more frequently if there are indications of impairment.

Impairment of non-current assets (property, plant and equipment and intangible assets) other than goodwill

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances, principally an analysis of commercial premises that have passed the initial period of consolidation determined by the Group for the generation of profits and which are incurring operating losses, as well as operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full. This methodology is applied to all the stores, except for those which, because of their importance, are considered to generate flows at a higher aggregation level (retail concept-country). The operating profit is defined as total sales revenue less all the directly attributable expenses required to generate that revenue.

For those cash-generating units (CGUs) that are scheduled to be closed, an impairment loss is recognised using the same methodology.

The determination of the assets associated with each CGU includes the right of use associated with the lease contracts (in the case of leased premises), net of the associated liability.

The recoverable amount of assets is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the expected future cash flows for the period in which these assets are expected to generate revenue, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset, and other factors that market participants would consider in pricing the future cash flows to be derived from the asset.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Based on the actual management of operations, the Group has defined each of the commercial premises in which it carries out its activities (stores) as basic cash-generating units, although these basic units can be aggregated at retail concept-country level, or even at the level of all the companies located in a given country or all the companies corresponding to a given concept (concept level). Group assets which are not clearly assignable under this structure (for example industrial or logistics assets) are treated separately in a manner consistent with this general policy but considering their specific nature. In this case, the aforementioned indicator of impairment is applied at a higher aggregation level (retail concept-country, country or concept) and if it is necessary to calculate the impairment, all the cash flows generated at that aggregation level must be capable of ensuring the recovery of all the assets associated therewith.

The Group uses the budgets and business plans, which generally cover a period of three years, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are based are estimated sales growth in comparable stores and the evolution of the operating expenses and gross profit of each of the cash-generating units, based on experience and knowledge of the trends in each of the markets in which the Group operates and on the macroeconomic indicators that reflect the current and foreseeable economic situation for each market.

The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases for the commercial premises or without any time limit in the case of company-managed premises (perpetual income). Where the growth rates exceed the industry or country rates, the latter reflect Group's best estimates regarding the business performance, based on its understanding of each market.

The discount rate applied is usually a pre-tax measure based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets (or similar instruments, if no 10-year bonds have been issued), adjusted by a risk premium to reflect the increase in the risk of the investment per country and the systematic risk of the Group.

The average discount rate, resulting from those applied by the Group in the various markets, used for the purpose of calculating the present value of the estimated cash flows was as follows::

	2019 AVERAGE	2018 AVERAGE
Spain	5.10%	5.31%
Rest of Europe	6.06%	6.40%
Americas	9.95%	10.20%
Asia and rest of the world	6.93%	6.76%

The results obtained from the 2019 impairment test performed on non-current assets (property, plant and equipment and intangible assets) are shown in the tables of changes included in Note 13, Note 14 and Note 15 to the consolidated annual accounts relating to property, plant and equipment, other intangible assets and right of use assets.

The related charge for the period amounting to EUR 34 million (see Notes 7, 13, 14 and 15) is due primarily to the impairment corresponding to the closures scheduled and the impairment calculated based on the methods described previously.

Impairment losses reversed in the period amounting to EUR 26 million (see Notes 7,13,14 and 15)correspond to those CGUs for which impairment had been recognised in prior years and for which, due to their earnings performance, the calculation for the year shows that the estimated flows make it possible to recover the value of the assets associated with the CGUs and, consequently, the impairment losses recognised in prior years are fully or partially reversed.

Also, the Group analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.

- 5% reduction in future cash flows.

These sensitivity analyses, performed separately for each of the aforementioned assumptions, disclosed the potential existence of additional asset impairment amounting to EUR 1 million and EUR 1 million, respectively (EUR 1 million and EUR 2 million, respectively, in 2018).

Impairment of goodwill

Goodwill acquired through a business combination is allocated to the group of basic cash- generating units aggregated at concept-country level, for the purpose of performing the related impairment tests. This aggregation is made on the basis of:

- The degree of independence of the cash flows in each case.

- How the Group monitors the economic performance of its operations, and the model with which its operations are conducted.

- The degree to which the CGUs are subject to the same macroeconomic circumstances.

- The level with which the goodwill would be naturally associated on the basis of the business model.

In any case, this aggregation is never larger than an operating segment, as defined in IFRS 8.

Each year, or more often if there are indications of impairment, an impairment test is performed, using the methodology described in the preceding point, unless, if the CGU in question is an acquired company, the cash flow analysis is performed considering a period of five years, after which perpetual income is projected using a perpetuity growth rate of 2% with respect to the growth of the preceding period. The impairment tests for 2019 and 2018 did not give rise to the recognition of any impairment loss on goodwill.

Also, the Group analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.

- Use of a perpetuity growth rate of 0%.

- 5% reduction in future cash flows.

These sensitivity analyses performed for each of the above hypotheses independently, would not imply any additional impairment in 2019 neither 2018.

Reversals of impairment losses

Reversals of impairment losses on non-current assets are recognised with a credit to “Depreciation and Amortisation Charge” in the consolidated income statement, up to the limit of the carrying amount that the asset would have had, net of depreciation or amortisation, had the impairment loss never been recognised, solely in those cases in which, once the internal and external factors have been assessed, it can be concluded that the indications of impairment that led to the recognition of the impairment losses have ceased to exist or have been partially reduced.

The reversal of an impairment loss for a CGU is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets and taking into account the limit for the reversal referred to in the preceding paragraph.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

g) Trade and other receivables

Receivables are initially recognised at fair value and subsequently at their amortized cost in accordance with the effective interest rate method, less the provision for losses through impairment.

A provision for impairment losses of trade receivables is established when the requirements set out in section l) Financial instruments are complied with. The amount of the provision is recognised in the income statement.

h) Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value.

The cost of inventories comprises all costs of purchase and costs of conversion, as well as design, logistics and transport costs and any directly allocable costs incurred in bringing the inventories to their present location and condition.

The costs of conversion comprise the costs directly related to the units of production and a systematically calculated portion of indirect, variable and fixed costs incurred during the conversion process.

Cost is calculated on a FIFO basis and includes the cost of materials consumed, labour and manufacturing expenses.

The cost of inventories is adjusted through "Cost of Sales" in the consolidated income statement when cost exceeds net realisable value. Net realisable value is understood to be:

- Raw materials and other supplies: replacement cost. However, raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be disposed of at or above production cost.

- Finished goods for sale: estimated selling price in the normal course of business.

- Goods in progress: the estimated selling price for the corresponding finished goods, less estimated costs of completion.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, on initial investment. Investments which mature in less than three months from the acquisition date are also included.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the consolidated balance sheet as financial liabilities relating to bank borrowings.

j) Employee benefits

Obligations to Group personnel to be settled in the long term are estimated based on the dates on which they vest through the application, where appropriate, of actuarial assumptions. The Group has created a provision to cover the actuarial liability of the estimated portion vested at 31 January 2020.

The staff costs incurred in the year are determined based on the best estimate of the degree to which the conditions giving entitlement to payment have been met and the period that has elapsed since the commencement of the vesting period for each of the obligations.

The staff costs incurred in relation to the beneficiaries of the plans referred to in Note 26 to the consolidated annual accounts are recognised with a credit to liability and equity accounts in the period in which the costs are incurred.

k) Provisions and contingent liabilities

Provisions are recognised in the balance sheet when:

- the Group has a present obligation (legal or constructive) as result of a past event;

- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and

- a reliable estimate can be made of the amount of the obligation.

Provisions are quantified on the basis of the best information available at the date of preparation of the annual accounts and are reviewed at the end of each reporting period.

If it is no longer probable that an outflow of resources will no longer be required to settle the obligation, the provision is reversed. The provision is reversed against the consolidated income statement item where the corresponding expense was recognised.

There are no risks that might give rise to significant future contingencies affecting the Group that have not already been taken into account in these consolidated annual accounts.

On the other hand, contingent liabilities are possible obligations that arise as a result of past events, whose future materialization is conditioned by whether or not one or more future events beyond the control of the Group occur. Unlike provisions, contingent liabilities are not recognised in the consolidated balance sheet, but are disclosed in the accompanying Notes to the annual accounts, unless the possibility of an outflow in settlement is considered to be remote.

The Group guarantees the debts of certain companies in the Netherlands, pursuant to the provisions of Article 403.1, Book 2, Part 9 of the Civil Code of the Netherlands.

l) Financial instruments

Financial assets

The Group's financial assets are maintained within a business model that aims to collect the contractual cash flows of financial assets, which are exclusively the principal and interest. For this reason, all of the Group's financial assets are valued after the initial recording at amortized cost, with the exception of bonds and derivative financial instruments, which are valued at their fair value.

Financial assets recognised at amortized cost: The amortized cost is determined using the effective interest rate method, which is the discount rate that equals the value of all future expected cash flows of a financial asset during its remaining life, excluding losses for impairment, to the value of said financial asset at the time of initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is initially recognised, less the repaid principal amounts, plus interest recognised by the effective interest rate method, less any impairment loss. The interest income derived from the application of the effective interest rate method is recognised as a financial result in the profit and loss account. However, given that most of the Group's financial assets valued at amortized cost correspond to accounts receivable from customers and temporary financial investments, with maturities in the short term, the impact on the consolidated profit and loss account for the year 2019 of the effective interest rate method is not relevant.

Financial assets measured at fair value: Derivative financial instruments, which are maintained within the exchange rate risk hedging policy, are valued at their fair value. On the other hand, securities (which for the most part correspond to the guarantees of compliance with lease contracts for premises) are valued at their fair value, which does not differ significantly from the value of the consideration given.

Impairment of financial assets

The Group recognizes a provision for impairment for financial assets recognised at amortized cost. This provision is updated at each closing date to reflect changes in the credit risk of each financial instrument since its initial recognition.

The Group's policy is to recognize the credit losses expected at 12 months, provided that:

- The credit risk is low at the time of initial recognition of the financial asset.

- The credit risk has not increased significantly since recognition date.

Otherwise, the Group would recognize the expected loss during the life of the financial asset. In such case, interest is calculated on the gross value of the financial asset. Additionally, if after the significant increase in credit risk, objective evidence of impairment of the financial asset is shown, interest is calculated considering the value of the financial asset, net of the recognised impairment. On the other hand, it is considered that a financial asset is unpaid when its expiration date has not been reimbursed.

For the assessment of the credit risk of financial instruments other than accounts receivable of commercial origin (see Note 25), the Group has defined its own methodology based on the determination of credit risk indexes for each counterparty based on the use of market information on the credit quality of the counterparties (information such as the ratings assigned by credit agencies) and that allows the assessment of the credit risk of the counterparty at the time of the initial recognition of the financial assets and determine whether, on each closing date, there has been a significant increase in the credit risk on said financial assets or if the counterparty has incurred default. This information is subject to periodic review by the Group's Management, which determines when there has been a significant increase in the credit risk of the counterparties. Likewise, this methodology includes the determination of indices for each counterparty to determine the expected loss at 12 months or during the life of the asset based on the exposure to credit risk of each counterparty. The amount of estimated impairment loss is not significant, since almost all financial assets have a low credit risk.

In turn, for accounts receivable of commercial origin (see Note 11), the Group has a methodology analogous to the one described above (Note 25), although in this case the measurement of credit risk of the counterparties is based on factors that affect the ability of debtors to meet payment obligations, such as factors of the economic environment where they operate or the history of defaults of the counterparty with the Group.

Likewise, a commercial debtor is considered to have incurred non-payment when it has not met its obligations at maturity, in which case a provision is established based on seniority for the past due balances held with said debtor.

Derecognition of financial assets

Financial assets are derecognised from the consolidated balance sheet when the contractual rights to receive cash flows from the asset expire or when substantially all the risks and benefits associated with their property are transferred to another entity.

m) Derivatives and hedging operations

Financial instruments acquired by the Group to hedge forecast transactions in foreign currencies are initially recognised at fair value.

Foreign currency hedges relating to forecast transactions are treated as cash flow hedges, and therefore any gains or losses derived from measuring the hedging instrument at fair value which correspond to the effective portion of the hedge are recognised in equity. The ineffective portion is charged to finance costs or credited to finance income, as appropriate.

Amounts recognised in equity are taken to income when the forecast transaction takes place with a charge or credit to the statement of profit or loss account in which it was recognised. Also, gains or losses recognised in equity are reclassified to finance income or costs when the forecast transaction is no longer expected to occur. The fair value of the hedges is recognised, depending on whether it is positive or negative, under "Other Financial Assets" or "Other Financial Liabilities" in the accompanying consolidated balance sheet.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as hedging instruments and the hedging relationship is documented. Also, the Group verifies, both at inception and periodically over the term of the hedge, using "effectiveness tests", that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument. Also, the ineffective portion of the hedging instrument is recognised immediately in the consolidated income statement.

The fair value of the hedging instruments was calculated using valuation techniques based on the spot exchange rate and yield curves, according to the fair value hierarchy shown below:

Level 1

Fair value is calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Fair value is calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Unobservable inputs for the asset or liability.

The measurement methodology, based on the aforementioned hierarchy, is as follows:

Level 2 instruments

The Group assigns the assets and liabilities associated with its OTC derivative positions to this level and measures them using observable market inputs.

The Group does not have financial instruments included in the Level 1 or 3.

Accordingly, the fair value of the hedging instruments arranged by the Group is calculated as follows:

Foreign currency forwards

Fair value measurement:

Foreign currency forwards are basically measured by comparing the contract strike price (agreed delivery price) with the market forward rate for the maturity of the contract. Once the estimated future settlement of the contract has been obtained based on the aforementioned comparison (in euros), the settlement is discounted using the risk free zero coupon yield curve (or the interbank yield curve). This risk free valuation is subsequently adjusted to include each party's credit risk, both the risk corresponding to the counterparty (Credit Value Adjustment ("CVA") or counterparty default risk) and own risk (Debit Value Adjustment ("DVA") or own default risk).

The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs. The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

Cross-Currency Swap

Fair value measurement:

- Cross currency swaps are basically measured by discounting the future cash flows of each leg of the derivative (swap) with the corresponding risk free yield curve (in the applicable currency). Subsequently, the present value of the leg that is not denominated in euros is translated to euros (using the current spot exchange rate) and the risk free value is calculated as the difference between the present value of the receiving leg and the present value of the paying leg. The discount curves are adjusted for the cross currency (basis) swap corresponding to the currency pair.

- The risk free portion is then adjusted to include the credit risk adjustment: both the CVA (Credit Value Adjustment - counterparty default risk) and the DVA (Debit Value Adjustment - own default risk).

- The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs.

- The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

Options purchased

Fair value measurement:

The determination of the fair value of the (plain vanilla) options is based on a modified version of the Black-Scholes formula (Garman-Kohlhagen). Fair value is a function of the price of the underlying, the strike price, the time to maturity and the volatility of the underlying. The credit adjustment is carried out by direct discounting with credit spread method curves.

n) Revenue recognition

Sales of goods are recognised when obligations of commitment to customers are fulfilled, which, in general, occur at the moment in which the merchandise is delivered to the customer and, simultaneously, the customer receives the consideration. Revenue is recognised by the value of the consideration received. Sales returns, actual and anticipated, are considered part of the total price of each sale transaction. The amount of the provision for expected refunds at the closing of the 2019 fiscal year is not relevant in the accompanying consolidated income statement.

Sales of goods to franchises are recognised following the same criteria mentioned above. On the other hand, income from royalties received from franchisees is recognised as the franchisee makes use of the rights obtained through the franchise agreement.

Rental income is recognised on a straight-line basis, over the term of the leases.

In the accompanying consolidated balance sheet no assets have been recorded by contract.

There are no significant contracts with financing components.

o) Leases

At the start date of each contract, the Group assesses whether a contract is or contains a lease. For those contracts that qualify as such, the Group recognises a liability for the present value of the lease payments known at the inception of the lease to be made over the term of the lease and an asset for the right to use the underlying asset over the lease term. Assets for rights of use are measured at cost (which includes initial direct costs incurred, any lease payments made before or at the inception of the lease less incentives received) less accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The rights of use are amortised on a straight-line basis over the term of the lease.

The right to use the asset is presented under the "Rights of use" heading in the consolidated balance sheet.

The lease liability is initially measured at the present value of the known lease payments, except for those made before or at the commencement date of the contract. The present value of the lease liability is determined using an incremental interest rate by country, term and currency, based on the type of assets leased.

The lease payments included in the liabilities comprise:

- Fixed payments (including fixed payments in essence), less any incentive to lease receivables;

- Variable lease payments, which depend on an index or rate;

- Amounts the lessee expects to pay as residual value guarantees;

- The exercise price of a call option if the lessee is reasonably sure of exercising that option;

- Payments for penalties resulting from lease termination, if the term of the lease reflects that the lessee will exercise an option to terminate the lease.

Variable lease payments, which do not depend on an index or rate, are not included in the measurement of the lease liability and the right to use the asset, are recorded as an operating expense as they accrue.

The contingent rents, common expenses and other expenses related to the lease do not form part of the determination of the lease liability and of the right of use, and the same accounting criteria are used as under IAS 17. Fixed-rent payments are replaced by the depreciation of the right of use and the interest recognised over the lease liability.

The lease liability is presented in two separate lines on the consolidated Balance sheet, "Long-term lease liability" for the liability to be settled over a period exceeding 12 months and "Short-term lease liability" for the portion to be settled in the next 12 months.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes the corresponding adjustment to the right of use) when:

- There is a change in the term of the lease or a significant change in facts and circumstances that results in a change in the assessment of the exercise of a purchase option, in which case the lease liability is measured by discounting the revised payments at the revised discount rate.

- A change in future lease payments results from a change in an index or a change in the expected payables related to a residual value guarantee, in which case the lease liability is measured by discounting the changed payments at the discount rate before the change.

- A lease is amended and the amendment is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments at a revised discount rate.

The Group applies the exemption relating to leases whose underlying asset is considered to be of low value. For these contracts, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the contract.

The Group applies IAS 36 to determine whether the right to use the asset is impaired, following the procedures described in section f) "Impairment of non-current assets" of this note on accounting principles. In particular, the right of use arising under a lease agreement is deemed to be an asset of the cash-generating unit with which it is associated and the associated lease liability is deemed to be an asset of the cash-generating unit.

Application of IFRS 16 requires significant judgements regarding certain key estimates, such as determination of the lease term and the discount rate.

To determine the lease term there is an assessment of whether the lessee has reasonable certainty that he will exercise the lease extension option, or that he will not exercise the option to terminate the lease. The Group determines the lease term as the non-revocable period of the lease plus those unilateral options for extensions over which there is reasonable certainty of execution, and for which the following aspects are considered:

- The costs related to contract termination;

- The importance of the leased asset for the Group's operations;

- The conditions to be complied with in order to exercise or not exercise the options;

- The historical experience and the business plans approved by the Group's management, which generally cover a 3-year period.

The present value of the lease liability is determined using the implicit interest rate in the lease, and if this cannot be easily determined the lessee will use its incremental debt interest rate. Given the difficulty of determining the implicit interest rate of each lease, the Group uses its incremental borrowing rate by market, term and currency, based on the type of assets leased. The average weighted rate according to the lease of each contract by geographical area is as follows:

Spain	0.45%
Rest of Europe	1.00%
Americas	4.16%
Asia and Rest of the World	3.10%

The Group performs very active management of its lease agreements, which leads to a high volume of additions, removals and contractual amendments. These amendments will add an additional variability factor to the Group's trading figures.

p) Finance income and costs

Interest income and interest expenses are recognised on an accrual basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

q) Income tax

The income tax expense for the year comprises current tax and deferred tax. Current and deferred tax is recognised as income or as an expense and included in net profit or loss for the period, except to the extent that the tax arises from a transaction which is charged or credited, in the same or a different period, directly to equity, or from a business combination.

Current tax is the tax expected to be paid or recovered in the year, using tax rates in force at the consolidated balance sheet date, in respect of the current period, and any adjustment to tax payable or recoverable in respect of prior periods.

Deferred tax is calculated using the balance sheet liability method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities are the amounts of income taxes payable in the future in respect of taxable temporary differences, while deferred tax assets are the amounts of income taxes recoverable in the future due to the existence of deductible temporary differences, tax loss carryforwards or tax credit carryforwards.

The Group recognizes deferred tax assets and liabilities for temporary differences, except where they relate to the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affected neither gross accounting profit nor taxable profit (tax loss), or in the case of deferred tax liabilities, where the temporary differences relate to the initial recognition of goodwill. Deferred tax liabilities are also recognised for temporary differences associated with investments in subsidiaries, except to the extent that the Parent is able to control the timing of their reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that are in force at the balance sheet date, and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the corresponding unused tax losses or tax credits can be utilised. Deferred tax assets, whether recognised or not, are reviewed at each balance sheet date.

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognised in the consolidated balance sheet under non-current assets and liabilities, irrespective of the expected date of realisation or settlement.

r) Current and non-current assets and liabilities

The Group classifies assets and liabilities as current and non-current items in the consolidated balance sheet. Assets and liabilities are classified as current when they are expected to be realized or settled within twelve months of the balance sheet date, and are otherwise classified as non-current.

Assets and liabilities are not offset, unless required or permitted by a standard or interpretation.

s) Treasury shares

Treasury shares acquired by the Group are presented separately at cost as a reduction of equity in the consolidated balance sheet, and no gains or losses are recorded as a result of transactions carried out with treasury shares.

Costs incurred in treasury share transactions are recorded as a reduction of equity, after consideration of any tax effect.

3. Net Sales

Sales in the consolidated income statement include amounts received from the sale of goods and income from rentals, royalties and other services rendered in the ordinary course of the Group's business, net of VAT and other sales taxes.

The detail of this line item in 2019 and 2018 is as follows:

	2019	2018
Net sales in company-managed stores and online	25,933	24,025
Net sales to franchises	2,088	1,887
Other sales and services rendered	264	233
TOTAL	**28,286**	**26,145**

The Group's Management considers that there are no differentiated income categories with respect to the way in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors. This consideration is consistent with the breakdown of revenues by operating segments (Note 10).

In FY2019, online sales grew 23% to €3.9 billion, 14% of net sales.

4. Cost of sales

The detail of this line item in 2019 and 2018 is as follows:

	2019	2018
Raw materials and consumables	12,033	11,360
Change in inventories	202	(52)
Change in provisions	245	21
TOTAL	**12,479**	**11,329**

Raw materials and consumables include mainly amounts relating to the acquisition from or production by third parties of products held for sale or conversion, and other direct expenses related to the acquisition of goods (see Note 2.2.h).

Based on current information, in accordance with IAS 2 and IAS 10, Inditex has booked an inventory provision of € 287m to account for the impact that the covid-19 pandemic might have on the net realisable value of the Spring/Summer inventory position at 31 January 2020.

5. Operating expenses

The detail of "Operating expenses" and of the changes therein is as follows:

	2019	2018
Personnel expenses	4,430	4,136
Operating leases (Note 15)	695	2,392
Other operating expenses	3,051	2,801
TOTAL	**8,176**	**9,329**

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2020 is as follows:

	GENDER		
CATEGORIES	W	M	TOTAL
Manufacturing and logistics	4,783	5,894	10,678
Central services	7,034	4,423	11,457
Stores	121,648	32,828	154,476
TOTAL	**133,465**	**43,146**	**176,611**

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2019 is as follows:

	GENDER		
CATEGORIES	W	M	TOTAL
Manufacturing and logistics	4,713	5,903	10,616
Central services	7,165	4,486	11,651
Stores	119,507	32,612	152,119
TOTAL	**131,385**	**43,001**	**174,386**

The detail of "Other Operating Expenses" is as follows:

OTHER OPERATING EXPENSES	2019	2018
Indirect Selling Expenses	1,553	1,408
Administrative Expenses	632	578
Maintenance, Repairs and Utilities	498	463
Other	368	352
TOTAL	**3,051**	**2,801**

"Indirect Selling Expenses" includes mainly expenses relating to store operations, commissions on credit, debit card payments and logistics. "Administrative Expenses" includes all kinds of professional services, "Maintenance, Repairs and Utilities" includes maintenance and utilities expenses and "Other" includes mainly travel, communications and other operating expenses.

6. Other losses and income, net

This heading includes extraordinary staff costs incurred in the year and the changes in the prices of the debts recognized as a result of the existence of cross call and put options between the Group and the owners of some of the shares of certain of the subsidiaries, since these cross options are considered to be a deferred acquisition of the shares constituting the underlying. The estimated option strike price is recognised as a liability and changes are recognised in profit or loss.

Following there is a description of the main cross put and call options on those investments:

a) Subsidiary domiciled in Mexico

The Company holds a call option on 5% of the share capital of Zara México, S.A. de C.V. owned by a non-controlling shareholder. The strike price is set on the basis of the non-controlling shareholders' share of the equity of the investee when the call option is exercised.

b) Subsidiary domiciled in South Korea

The Group holds a call option on 20% of the share capital of Zara Retail Korea, Ltd. This ownership interest is held by Lotte Shopping Co., Ltd., which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

c) Subsidiary domiciled in South Africa

The Group holds a call option on 10% of the share capital of ITX Fashion Retail South Africa (Proprietary), LTD. This ownership interest is held by Peter Vundla Retail (Propietary), LTD, which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

7. Amortisation and depreciation

The detail of "Amortisation and depreciation Charge" is as follows:

	2019	2018
Amortisation and depreciation charge (Note 13, 14 and 15)	2,824	1,206
Variation in impairment losses (Note 13, 14 and 15)	8	(1)
Profit/(loss) on assets	5	(109)
Other	(11)	4
TOTAL	**2,826**	**1,100**

8. Financial results

The detail of "Financial Results" in the consolidated income statement for 2019 and 2018 is as follows:

	2019	2018
Finance income	31	29
Foreign exchange gains	16	64
Lease foreign exchange gains	1	-
TOTAL INCOME	48	92
Finance costs	(14)	(15)
Lease finance costs (Note 15)	(142)	-
Foreign exchange losses	(39)	(61)
Lease foreign exchange losses	(5)	-
TOTAL EXPENSES	(200)	(76)
TOTAL	**(152)**	**17**

Finance income and costs comprise mainly (excluding Lease finance costs) the interest accrued on the Group's financial assets and liabilities during the year (see Note 20). Net foreign exchange differences are due principally to fluctuations in the currencies with which the Group operates (see Note 25) between the time when income, expenses and asset acquisitions or disposals are recognized and when the corresponding assets or liabilities are realized or settled or translated in accordance with the applicable accounting principles.

9. Earnings per share

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group (see

Note 23), which totalled 3,114,384,195 in 2019 and 3,113,701,857 in 2018.

Diluted earnings per share are calculated based on the profit for the year attributable to the holders of equity instruments of the Company and the weighted average of the ordinary shares outstanding for the dilutive effects of the potential ordinary shares.

As of 31 January 2020, taking into consideration treasury shares that are subject to the long-term incentive plans (Note 23), the calculation of diluted earnings per share would result in an amount of EUR 1.168 per share (1.105 as of 31 January 2019).

10. Segment reporting

The principal activity of the Inditex Group comprises the retail and on-line distribution of clothing, footwear, accessories and household textile products through various commercial concepts targeted at different sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units are influenced mainly by the particular commercial concept to which the units belong. The internal structure of the Inditex Group, the business decision-making process and the system for communicating information to the Board of Directors and Group management are organised by commercial concept and geographical area.

The key business indicators, understood to be those which form part of the segment information reported periodically to the Board of Directors and management of the Group and which are used in the decision-making process, are sales and operating profit by segment.

The segment liabilities, financial results and taxes are not disclosed as they do not form part of the key business indicators defined above or of the segment information reported periodically to the Board of Directors and management of the Group.

Group Management believes there are no differentiated income categories with respect to the manner in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors.

The Inditex Group segment information is as follows:

2019

	ZARA / ZARA HOME	BERSHKA	OTHER	INTER-SEGMENT	TOTAL
Sales to third parties	19,685	2,385	6,340	(124)	28,286
Profit before taxes	3,370	349	962	-	4,681
Amortisation and depreciation	1,873	258	688	7	2,826
Segment total assets	22,707	1,440	4,244	-	28,391
ROCE	30%	39%	36%	-	32%
Number of stores	2,866	1,107	3,496	-	7,469

2018

	ZARA / ZARA HOME	BERSHKA	OTHER	INTER-SEGMENT	TOTAL
Sales to third parties	18,127	2,240	5,886	(109)	26,145
Profit before taxes	3,181	329	918	(1)	4,428
Amortisation and depreciation	710	111	279	1	1,100
Segment total assets	17,345	1,057	3,282	-	21,684
ROCE	28%	50%	43%	-	31%
Number of stores	2,862	1,107	3,521	-	7,490

For presentation purposes Inditex has integrated the reporting of Zara Home into Zara due to the existing synergies between both concepts. The goal is to leverage the operational and brand management of the combined store and online platform.

In addition, the commercial concepts other than Zara, Zara Home and Bershka have been grouped into a single reporting segment due to the similarities in the nature of the products sold and their management and monitoring model.

For the purpose of reconciliation with the condensed consolidated financial statements, the sales to third parties relate to "Net sales" in the consolidated income statement and the depreciation and amortisation charge corresponds to "Amortisation and depreciation" in the consolidated income statement.

The segment's Profit before taxes refers to "Profit before taxes" in the consolidated income statement. Income and expenses which might be considered to be corporate in nature or as belonging to all segments were allocated to each of the segments based on distribution criteria considered reasonable by Group Management. Inter-segment transactions are carried out on an arm´s length basis.

Total segment assets relate to "Total Assets" in the consolidated balance sheet.

The ROCE and ROE are calculated as defined in the initial Note to these consolidated annual accounts.

Zara was the first concept created by the Inditex Group and its positioning is based on a fashion offering featuring a wide range of products. Zara Home sells fashionable household products.

Bershka targets the younger consumers and its aim is to offer the latest fashion at affordable prices.

Geographical reporting

In the presentation of information by geographical segment, revenue is based on the geographical location of customers and segment non-current assets are based on the geographical location of assets. Segment non-current assets do not include deferred tax assets neither Other Non-Current Assets.

	NET SALES		NON-CURRENT ASSETS	
	2019	2018	31/01/2020	31/01/2019
Spain	4,766	4,557	4,613	3,486
Rest of Europe	13,682	12,388	6,474	3,725
Americas	4,434	4,033	2,538	1,567
Asia and rest of the world	5,403	5,167	1,661	864
TOTAL	**28,286**	**26,145**	**15,285**	**9,642**

11. Trade and other receivables

The detail of this line item at 31 January 2020 and 2019 is as follows:

	31/01/2020	31/01/2019
Trade receivables	226	229
Receivables due to sales to franchises	272	229
Public entities	179	218
Other current receivables	103	144
TOTAL	**780**	**820**

Trade receivables are mainly customer debit/credit card payments pending collection.

Part of the Group's activity is carried on through franchised stores (see Note 1). Sales to franchisees are made under agreed collection terms, which are partially guaranteed as described in Note 25.

Balances receivable from public authorities comprise VAT and other taxes and duties incurred by Group companies in the countries in which they operate.

Other current receivables include items such as rental incentives due from shopping centre developers (see Note 15) and outstanding balances from sundry operations.

12. Inventories

The detail of this line item at 31 January 2020 and 2019 is as follows:

	31/01/2020	31/01/2019
Raw materials and consumables	104	111
Goods in process	36	35
Finished goods for sale	2,129	2,570
TOTAL	**2,269**	**2,716**

The Group takes out insurance policies to cover the possible risks of material damage to its inventories.

Based on current information, in accordance with IAS 2 and IAS 10, Inditex has booked an inventory provision of € 287m to account for the impact that the covid-19 pandemic might have on the net realisable value of the Spring/Summer inventory position at 31 January 2020.

13. Property, plant and equipment

The detail of the items composing "Property, Plant and Equipment" in the accompanying consolidated balance sheet and of the changes therein is as follows:

	LAND AND BUILDINGS	FIXTURES, FURNITURE AND MACHINERY	OTHER PROPERTY, PLANT AND EQUIPMENT	WORK IN PROGRESS	TOTAL
Cost					
Balance at 01/02/2018	2,080	10,425	677	387	13,568
Acquisitions	26	1,114	274	319	1,733
Hyperinflation adjustments	5	19	2	-	26
Disposals	(43)	(606)	(164)	(1)	(814)
Transfers	24	231	16	(271)	-
Foreign exchange translation differences	43	40	(2)	2	82
BALANCE AT 31/01/2019	**2,134**	**11,222**	**802**	**436**	**14,595**
Balance at 01/02/2019	2,134	11,222	802	436	14,595
Acquisitions	22	781	258	113	1,174
Hyperinflation adjustments	2	10	1	-	12
Disposals (Note 7)	(18)	(494)	(194)	(1)	(706)
Transfers	148	176	8	(331)	1
Foreign exchange translation differences	21	78	4	1	104
BALANCE AT 31/01/2020	**2,308**	**11,773**	**879**	**219**	**15,179**
Depreciation					
Balance at 01/02/2018	354	5,101	334	-	5,789
Depreciation charge for the year	35	812	201	-	1,048
Hyperinflation adjustments	1	15	2	-	18
Disposals	(17)	(530)	(157)	-	(705)
Transfers	41	(41)	-	-	-
Foreign exchange translation differences	4	15	-	-	18
BALANCE AT 31/01/2019	**418**	**5,371**	**379**	**-**	**6,168**
Balance at 01/02/2019	418	5,371	379	-	6,168
Depreciation charge for the year (Note 7)	41	857	246	-	1,144
Hyperinflation adjustments	1	6	1	-	7
Disposals (Note 7)	(6)	(414)	(186)	-	(607)
Transfers	-	(1)	-	-	(1)
Foreign exchange translation differences	2	32	2	-	36
BALANCE AT 31/01/2020	**456**	**5,851**	**442**	**-**	**6,749**
Impairment losses (Note 2.2-f)					
Balance at 01/02/2018	1	129	6	-	136
Charge for the year	-	48	2	-	51
Amounts charged to profit or loss	-	(51)	(1)	-	(52)
Disposals	-	(44)	(4)	-	(48)
BALANCE AT 31/01/2019	**1**	**83**	**3**	**-**	**87**
Balance at 01/02/2019	1	83	3	-	87
Charge for the year (Note 7)	-	33	1	-	34
Amounts charged to profit or loss (Note 7)	-	(26)	(1)	-	(26)
Disposals (Note 7)	(1)	(15)	(5)	-	(21)
Foreign exchange translation differences	-	1	-	-	1
BALANCE AT 31/01/2020	**-**	**76**	**(1)**	**-**	**75**
Carrying amount					
BALANCE AT 31/01/2019	**1,715**	**5,768**	**419**	**436**	**8,339**
BALANCE AT 31/01/2020	**1,852**	**5,845**	**438**	**219**	**8,355**

"Fixtures, Furniture and Machinery" includes mainly assets related to stores.

"Other Items of Property, Plant and Equipment" includes, inter alia, information technology equipment and motor vehicles.

Disposals comprise mainly assets related to the commercial premises at which the Group carries out its commercial activities.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of EUR 1,911 million and EUR 1,930 million at 31 January 2020 and 31 January 2019, respectively.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2.f).

Through its corporate risk management policy, the Group identifies, assesses and controls damage and liability-related risks to which the Group companies are exposed. It does this by compiling and measuring the main risks of damage, loss of profits and liability affecting the Group and implements prevention and protection policies aimed at reducing, to the extent possible, the frequency and intensity of these risks.

Likewise, standard measurement criteria are established at corporate level which enables the different risks to which the Group is exposed to be quantified, measured and insured.

Lastly, the Group takes out insurance policies through corporate insurance programs to protect its assets from the various risks, and establishes suitable limits, excesses and conditions in view of the nature of the assets and the financial dimension of the Group.

14. Rights over leased assets and other intangible assets

Under the heading "Rights over leased assets" were the amounts paid for access to commercial premises under a lease as a transfer right, access premium, waiver of rental rights or compensation. The disposals in 2019 correspond to the implementation of IFRS 16.

"Other Intangible Assets" includes basically amounts paid for the registration and use of Group brand names, industrial designs of items of clothing, footwear, accessories and household goods created during the year, and the cost of software applications.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2.f).

The detail of the items comprised under this paragraph in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	RIGHTS OVER LEASED ASSETS	PATENTS AND SIMILAR INTANGIBLES	SOFTWARE	OTHER INTANGIBLE ASSETS	TOTAL
Cost					
Balance at 01/02/2018	981	33	240	183	1,437
Acquisitions	64	2	111	101	278
Hyperinflation adjustments	1	-	-	-	1
Disposals	(99)	(3)	(2)	(76)	(180)
Transfers	(17)	-	-	-	(17)
Foreign exchange translation differences	9	-	-	-	9
BALANCE AT 31/01/2019	**938**	**32**	**349**	**208**	**1,528**
Balance at 01/02/2019	938	32	349	208	1.528
Adjustment on initial application of IFRS 16 (Note 2)	(938)	-	-	(12)	(950)
Acquisitions	-	2	140	93	235
Disposals (Note 7)	-	-	(12)	(82)	(94)
Transfers	-	-	(15)	-	(15)
Foreign exchange translation differences	-	(1)	-	-	(1)
BALANCE AT 31/01/2020	**-**	**33**	**463**	**207**	**702**
Amortisation					
Balance at 01/02/2018	502	22	96	82	703
Amortisation charge for the year	36	2	40	80	158
Hyperinflation adjustments	1	-	-	-	1
Disposals	(79)	(3)	(1)	(75)	(159)
Foreign exchange translation differences	2	-	-	-	2
BALANCE AT 31/01/2019	**462**	**21**	**135**	**87**	**705**
Balance at 01/02/2019	462	21	135	87	705
Adjustment on initial application of IFRS 16 (Note 2)	(462)	-	-	-	(462)
Amortisation charge for the year (Note 7)	-	2	67	90	159
Disposals (Note 7)	-	-	(12)	(83)	(95)
Transfers	-	-	(15)	-	(15)
Foreign exchange translation differences	-	(1)	-	-	(1)
BALANCE AT 31/01/2020	**-**	**22**	**175**	**95**	**292**
Impairment losses (note 2.2.f)					
Balance at 01/02/2018	22	-	-	-	23
Impairment charge for the year	2	-	-	-	2
Amounts charge to profit or loss	(2)	-	-	-	(2)
Disposals	(10)	-	-	-	(10)
BALANCE AT 31/01/2019	**12**	**-**	**-**	**-**	**12**
Balance at 01/02/2019	12	-	-	-	12
Adjustment on initial application of IFRS 16 (Note 2)	(12)				(12)
BALANCE AT 31/01/2020	**-**	**-**	**-**	**-**	**-**
Carrying amount					
BALANCE AT 31/01/2019	**464**	**11**	**214**	**121**	**810**
BALANCE AT 31/01/2020	**-**	**10**	**288**	**112**	**410**

The Group capitalized EUR 140 million in 2019 (EUR 111 million in 2018) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized EUR 93 million (EUR 101 million in 2018) in respect of the development of industrial designs and other intangibles associated with the Group's activity that meet the requirements for capitalization under IAS 38.

15. Leases

This heading records the measurement of the right to use the asset underlying the lease contracts during the term of the contract, for those contracts in which the Group is the lessee.

15.1. Right of Use Assets

COST	
Balance at 01/02/2019	-
Adjustment on initial application of IFRS 16 (Note 2.2)	5,849
Acquisitions	1,643
Disposals (Note 7)	(69)
Transfers	92
Foreign exchange translation differences	56
BALANCE AT 31/01/2020	**7,571**

AMORTISATION	
Balance at 01/02/2019	-
Amortisation charge for the year	1,521
Disposals	(26)
Transfers	25
Foreign exchange translation differences	8
BALANCE AT 31/01/2020	**1,528**
BALANCE AT 31/01/2020	**6,043**

The Group leases commercial premises in which it carries out its business activity. The changes for the year relate mainly to new leases and to the impacts associated with the revaluation of extension or exit options that have been exercised and with the renegotiation of agreements that modify the term and/or future rent.

The amount of income from leasing and subleasing is not significant.

15.2. Lease liabilities

The breakdown of lease liabilities is as follows:

Non-current	5,163
Current	1,649
TOTAL	**6,812**

The breakdown of maturity is as follows:

2019	LESS THAN ONE YEAR	ONE TO FIVE YEARS	OVER FIVE YEARS
Lease payments	1,649	3,661	1,502

15.3. Other information

Amounts recognized in the consolidated income statement:

	2019
Amortisation Right of Use (Note 7)	1,521
Lease finance cost (Note 8)	142
Variable rent payments (Note 5)	495
Others * (Note 5)	200

* Mainly includes Common Expenses and other lease services.

Some of the Group's commercial premises leases contain conditions for the payment of variable rent that are linked to the sales generated in such stores, such that the payment for the lease is linked to the development of the store. Variable rent in these stores amounted to 479 million euros.

The amount of income from leasing and subleasing is not significant.

16. Goodwill

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	2019	2018
Opening balance	206	207
Acquisitions	-	-
Foreign exchange translation differences	1	(1)
CLOSING BALANCE	**207**	**206**

INVESTEE	2019	2018
Stradivarius España, S.A.	53	53
Italco Moda Italiana, LDA.	51	51
Zara Polska, S.p. Zo.o.	34	34
Massimo Dutti Benelux, N.V.	20	20
BCN Diseños, S.A. de C.V.	11	10
Zara Eslovenia	9	9
Zao Zara CIS	10	9
Others	19	18
CLOSING BALANCE	**207**	**206**

The goodwill arising from the acquisition or termination of franchise contracts corresponds to the amount of the intangible assets that did not meet the requirements established in IFRS 3 for separate recognition. These requirements related essentially to the capacity of the assets to generate future cash flows.

The recovery of the goodwill is adequately guaranteed through the profitability of the acquired companies, whose future cash flows support the carrying amount of goodwill at year-end (see Note 2.2.f).

Also, sensitivity analyses were performed based on reasonably possible changes in the main variables used in asset measurement, and the recoverable amount is higher than the related carrying amount (see Note 2.2.f).

17. Financial investments

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	LOANS AND OTHER CREDIT FACILITIES	INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD	OTHERS	TOTAL
Balance at 01/02/2018	21	214	2	237
Acquisitions	-	54	-	54
Disposals	(4)	(20)	-	(24)
Foreign exchange traslation differences	(2)	2	-	-
BALANCE AT 31/01/2019	**15**	**249**	**2**	**267**
Balance at 01/02/2019	15	249	2	267
Acquisitions	-	61	-	61
Disposals	(9)	(60)	-	(70)
Transfers	(6)	-	-	(6)
Foreign exchange translation differences	-	(4)	-	(4)
BALANCE AT 31/01/2020	**1**	**246**	**2**	**249**

The carrying amount of the ownership interest in the Tempe Group in the accompanying consolidated balance sheet does not differ significantly from the value of the Group's share of the net assets of the Tempe Group (see Note 27).

There are no significant restrictions of any kind on the Tempe Group's ability to transfer funds to the Group in the form of cash dividends or the repayment of loans or advances granted by the Group.

18. Other non-current assets

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	GUARANTEES	OTHER	TOTAL
Balance at 01/02/2018	457	62	520
Acquisitions	9	14	23
Disposals	(40)	(2)	(43)
Profit/(Loss) for the year	-	44	44
Transfers	(1)	13	12
Foreign exchange translation differences	7	1	8
BALANCE AT 31/01/2019	**432**	**132**	**564**
Balance at 01/02/2019	432	132	564
Adjustment on initial application of IFRS 16 (Note 2.2)	-	(58)	(58)
Acquisitions	7	-	7
Disposals	(63)	-	(63)
Transfers	-	4	4
Foreign exchange translation differences	2	-	2
BALANCE AT 31/01/2020	**378**	**78**	**456**

The guarantees and deposits relate mainly to security deposits paid to owners of leased commercial premises to ensure compliance with the conditions stipulated in the leases (see Note 15), and to amounts paid to secure compliance with contracts in force.

19. Trade and other payables

The detail of this line item in the consolidated balance sheets at 31 January 2020 and 2019 is as follows:

	31/01/2020	31/01/2019
Trade payables	3,985	3,744
Personnel	491	426
Public entities	516	465
Other current payables	451	463
TOTAL	**5,443**	**5,099**

The following table shows the information on the average period of payment to suppliers required by Law 15/2010, of 5 July:

	2019	2018
	DAYS	
Average period of payment to suppliers	36.31	35.51
Ratio of transactions settled	36.44	35.45
Ratio of transactions not yet settled	34.71	36.38
	AMOUNT	
Total payments made	3,421	3,267
Total payments outstanding	265	218

This information relates to suppliers and creditors of Group companies domiciled in Spain.

20. Net financial position

The detail of the Group's net financial position is as follows:

	31/01/2020	31/01/2019
Cash in hand and at banks	1,792	1,511
Short-term deposits	2,788	3,244
Fixed-income securities	200	110
TOTAL CASH AND CASH EQUIVALENTS	**4,780**	**4,866**
Current financial investments	3,319	1,929
Current financial debt	(32)	(84)
Non-current financial debt	(6)	(5)
NET FINANCIAL POSITION	**8,060**	**6,705**

"Cash on Hand and at Banks" includes cash on hand and in demand deposits at banks. "Short-Term Deposit" and "Fixed-Income Securities" include term deposits and units in money market investment funds that use unitholders' contributions to acquire fixed-income securities with maturities of less than three months that have a high credit rating, are highly liquid and convertible to known amounts of cash, and are subject to an insignificant risk of changes in value. All the balances under this line item are unrestricted as to their use and there are no guarantees or pledges attached to them.

"Current Financial Investments" on the asset side of the consolidated balance sheet relates mainly to investments in money market investment funds and fixed-income securities, with maturities ranging from three to twelve months, all of which have high credit ratings and are highly liquid.

The detail of the Group's bank borrowings and obligations under other financial operations is as follows:

			31/01/2020
	CURRENT	NON-CURRENT	TOTAL
Loans	26	-	26
Other Financial operations	6	6	13
TOTAL	**32**	**6**	**39**

			31/01/2019
	CURRENT	NON-CURRENT	TOTAL
Loans	82	-	82
Other Financial operations	2	5	8
TOTAL	**84**	**5**	**90**

At 31 January 2020, the Group had a limit of EUR 6,464 million on its drawable financing facilities (EUR 6,248 million at 31 January 2019). These include supply chain finance support programs, credit and overdraft facilities.

Interest on all the financial debt is negotiated by the Group on the respective financial markets and usually consists of a monetary market index plus a spread in line with the solvency of the Parent or the subsidiary that has arranged the debt.

Financial debt is denominated in the following currencies:

	31/01/2020	31/01/2019
Euro	16	9
Turkish lira	2	2
British pound	19	75
Indian rupee	2	3
	39	**90**

The maturity schedule of the Group's bank borrowings at 31 January 2020 and 2019 was as follows:

	31/01/2020	31/01/2019
Less than one year	32	85
Between one and five years	6	5
	39	**90**

21. Provisions

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	PENSIONS AND SIMILAR OBLIGATIONS WITH PERSONNEL	LIABILITY	OTHER PROVISIONS	TOTAL
Balance at 01/02/2018	92	93	74	259
Provisions recorded during the year	23	7	3	33
Disposals	(2)	(19)	(3)	(24)
Transfers	(44)	5	(4)	(43)
Foreign exchange translation differences	-	-	5	5
BALANCE AT 31/01/2019	**69**	**85**	**74**	**229**
Balance at 01/02/2019	69	85	74	229
Provisions recorded during the year	10	15	-	26
Disposals	(2)	(12)	-	(14)
Transfers	(24)	1	-	(24)
Foreign exchange translation differences	-	(2)	2	-
BALANCE AT 31/01/2020	**53**	**87**	**76**	**217**

Provision for pensions and similar obligations to personnel

Certain Group companies have undertaken to settle specific obligations to personnel. The Group has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2020. The estimated average period of disbursement of the provisioned amounts is around 3 years.

Provision for liabilities

The amounts shown here correspond to present obligations due to legal claims or constructive obligations arising from past events which will probably result in an outflow of resources and can be reliably estimated. At the date of preparation of these consolidated annual accounts there were no legal proceedings the final outcome of which could significantly affect the Group's equity position.

In estimating the amounts provisioned at year-end, the Group used the following hypotheses and assumptions:

- Maximum amount of the contingency

- Foreseeable evolution and factors on which the contingency depends

The estimated average payment period for the amounts provisioned depends largely on the local legislation of each of the markets in which the Group operates. An analysis is performed each year of the portion that will foreseeably have to be paid the following year and the related amount is transferred to current payables.

The Directors of Inditex consider that the provisions recorded in the consolidated balance sheet adequately cover the risks relating to litigation, arbitration and other contingencies and do not expect any liabilities additional to those recognized to arise therefrom.

22. Other non-current liabilities

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	LEASE INCENTIVES	OTHER	TOTAL
Balance at 01/02/2018	917	89	1,005
Acquisitions	136	-	136
Changes through profit or loss	25	14	39
Transfers	(99)	(14)	(112)
Foreign exchange translation differences	4	-	4
BALANCE AT 31/01/2019	**983**	**89**	**1,072**
Balance at 01/02/2019	983	89	1,072
Adjustment on initial application of IFRS 16 (Note 2.2)	(746)	-	(746)
Acquisitions	103	-	103
Changes through profit or loss	-	25	25
Transfers	(52)	(25)	(78)
Foreign exchange translation differences	4	-	4
BALANCE AT 31/01/2020	**291**	**89**	**380**

The derecognition of the item Lease incentives is due to the implementation of IFRS 16.

23. Capital and reserves

Share capital

At 31 January 2020 and 2019, the Parent's share capital amounted to EUR 94 million, and was divided into 3,116,652,000 fully subscribed and paid shares of EUR 0.03 par value each. All the shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2020 and 2019 amounted to EUR 20 million, while retained earnings amounted to EUR 19,850 million and EUR 12,130 million, respectively. The Parent's legal reserve, amounting to EUR 19 million, was recognized in compliance with Article 274 of the Spanish Companies Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that sufficient other reserves are not available for this purpose, the reserve must be replenished with future profits. At 31 January 2020 and 2019, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2020 include restricted reserves amounting to EUR 618 million (EUR 529 million at 31 January 2019) whose distribution is limited due to domestic legal requirements (basically bylaw reserves).

INDITEX shares are listed on the four Spanish stock exchanges. The shares are represented by book entries. Notwithstanding the above, pursuant to Article 497 of the Spanish Companies Act, in 2019 Inditex has contracted Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) to provide the daily share ownership notification service. As per the Parent's shareholder register, as well as the information provided by the shareholder Rosp Corunna Participaciones Empresariales, S.L. to Inditex, and also per the public information registered at the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly owned, at 31 January 2020 and 2019, 59.371% and 59.364% respectively of the Parent's share capital (see Note 29). At 31 January 2020 and 2019, Pontegadea Inversiones, S.L. held 50.010% of the shares of INDITEX.

Dividends

The dividends paid by the Parent in 2019 and 2018 amounted to EUR 2,741 million and EUR 2,335 million, respectively. These amounts correspond to payments of EUR 0.88 per share in 2019 and EUR 0.75 per share in 2018.

The distribution proposed by the Board of Directors is shown in Note 28.

Treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 26 of the 2018 consolidated annual accounts) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan. Likewise, the Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for these plans, rendering the previous authorization invalid.

At 31 January 2019, the Company owned a total of 2,950,143 treasury shares, representing 0.095% of the share capital.

Subsequently, in 2019, the first cycle (2016-2019) of the 2016-2020 Long Term Incentive Plan was settled and the corresponding shares were delivered to the beneficiaries of the first cycle of the Plan. Consequently, at 31 January 2020, the Company owned a total of 2,125,384 treasury shares, representing 0.068% of the share capital.

24. Income taxes

Companies included in the Consolidated Financial Statements pay the Corporate Income Tax individually, except for certain countries (like Spain, Portugal or Netherlands) where they pay taxes under the consolidated tax group regime.

In the case of Spain, the consolidated tax group includes Industria de Diseño Textil, S.A., as the Parent company, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated tax groups. The subsidiaries composing the aforementioned Spanish tax group are as follows:

Bershka BSK España, S.A.	Hampton, S.A.	Oysho España, S.A.	Tordera Logística, S.L.
Bershka Diseño, S.L.	Indipunt, S.L.	Oysho Logística, S.A.	Trisko, S.A.
Bershka Logística, S.A.	Inditex, S.A.	Plataforma Cabanillas, S.A.	Uterque Diseño, S.L.
Born, S.A.	Inditex Logística, S.A.	Plataforma Europa, S.A.	Uterqüe España, S.A.
Choolet, S.A.	Invercarpro, S.A.	Plataforma Logística León, S.A.	Uterqüe Logística, S.A.
Comditel, S.A.	Kiddy's Class España, S.A.	Plataforma Logística Meco, S.A.	Uterqüe, S.A.
Confecciones Fíos, S.A.	Lefties España, S.A.	Pull & Bear Diseño, S.L.	Zara Diseño, S.L.
Confecciones Goa, S.A.	Lefties Logística, S.A.	Pull & Bear España, S.A.	Zara España, S.A.
Denllo, S.A.	Massimo Dutti Diseño, S.L.	Pull & Bear Logística, S.A.	Zara Home Diseño, S.L.
Fashion Logistics Forwarders, S.A.	Massimo Dutti Logística, S.A.	Samlor, S.A.	Zara Home España, S.A.
Fashion Retail, S.A.	Massimo Dutti, S.A.	Stear, S.A.	Zara Home Logística, S.A.
Fibracolor, S.A.	Nikole, S.A.	Stradivarius Diseño, S.L.	Zara Logística, S.A.
Glencare, S.A.	Nikole Diseño, S.L.	Stradivarius España, S.A.	Zara, S.A.
Goa-Invest, S.A.	Oysho Diseño, S.L.	Stradivarius Logística, S.A.	Zintura, S.A.
Grupo Massimo Dutti, S.A.			

The balance of the "Current Liability for Income Tax" heading in the consolidated balance sheet corresponds to the provision for Income Tax relating to the profits for the year 2019, net of withholdings and prepayments made in the period. The heading "Creditors" includes the liability corresponding to other applicable taxes.

The balance of "Current Asset for Income Tax" in the consolidated balance sheet corresponds, mainly, to amounts to be recovered from tax authorities for such concept. The balance of the "Accounts Receivable" heading in the accompanying consolidated balance sheet mainly includes the amount by which the input VAT exceeded output VAT for the period.

The income tax expense includes both the part concerning expense for current tax and the corresponding expense for deferred tax. The current tax is the amount to be paid for the income tax related to the fiscal gain of the period and for other fiscal charges derived from compliance with the regulations that regulate the income tax. The deferred tax reflects the amounts of tax on the profits to be paid or recovered in future periods and arises from the recognition of deferred tax assets and liabilities.

The income tax expense comprises the following:

	2019	2018
Current taxes	1,123	1,045
Deferred taxes	(89)	(65)

The reconciliation of the income tax expense that would result from applying the standard tax rate in force in Spain to the profit before tax and the income tax expense recognized in the consolidated income statement for 2019 and 2018 is as follows:

	2019	2018
Consolidated accounting profit for the year before taxes	4,681	4,428
Tax expense at tax rate in force in the country of the Parent	1,170	1,107
Net permanent differences	(141)	(140)
Effect of application of different tax rates	(94)	(74)
Adjustments to prior years' taxes	7	6
Tax withholdings and other adjustments	105	85
Adjustments to deferrred tax assets and liabilities	4	2
Tax withholdings and tax benefits	(17)	(7)
INCOME TAX EXPENSE	**1,034**	**980**

The permanent differences correspond, mainly, to expenses not tax deductible and to tax revenues for the contribution of rights to use certain assets to a subsidiary.

The companies that make up the consolidated Group have benefited from the tax benefits provided for in the tax regulations in force in each country amounting to 17 million euros (7 million euros as of 31 January 2019). These deductions and bonuses derive, fundamentally, from investments, the correction of double taxation and, to a lesser extent, bonuses.

Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The consolidated balance sheet closed as of 31 January 2020 includes the assets and liabilities for deferred taxes existing at that date.

The detail of "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying consolidated balance sheet is as follows:

DEFERRED TAX ASSETS ARISING FROM:	2019	2018
Provisions	134	134
Non-current assets	167	142
Lease incentives	-	57
IFRS 16	350	-
Valuation adjustments	102	50
Tax losses	56	73
Intra-Group transactions	229	239
Other	197	163
TOTAL	**1,236**	**858**

DEFERRED TAX LIABILITIES ARISING FROM:	2019	2018
Leases	-	-
Intra-Group transactions	135	140
IFRS 16	46	-
Non-current assets	93	75
Valuation adjustments	5	15
Other	90	82
TOTAL	**370**	**312**

These balances were determined using the tax rates that, based on enacted tax laws, will be in force in the period when they are expected to reverse, and in some cases these tax rates may differ from the tax rates in force in the present year.

The expense for deferred income tax was adjusted for the difference between the balances calculated at the tax rate in force at the end of the present year and those calculated at the new tax rates at which they will reverse.

The changes in deferred tax assets and liabilities in 2019 and 2018 were as follows:

DEFERRED TAX ASSETS ARISING FROM:	2019	2018
Opening balance	858	744
Charge/Credit to profit or loss	93	117
Charge/Credit to equity	227	(5)
Transfers	58	2
CLOSING BALANCE	**1,236**	**858**

DEFERRED TAX LIABILITIES ARISING FROM:	2019	2018
Opening balance	312	268
Charge/Credit to profit or loss	5	52
Charge/Credit to equity	(5)	(10)
Transfers	58	2
CLOSING BALANCE	**370**	**312**

The changes in deferred tax assets and liabilities booked against equity mainly relate to the transition adjustment to the new IFRS accounting rule on leases (IFRS 16) as detailed in the Note 2.2, Accounting policies of these consolidated financial statements.

As of 31 January 2020, the Group has tax losses subject to compensation with future benefits amounting to EUR 354 million (EUR 398 million at 31 January 2019). Within the breakdown of assets for deferred taxes previously indicated, those corresponding to tax losses pending to be offset are included, with a balance of EUR 56 million at 31 January 2020 (EUR 73 million at 31 January 2019). The Group, based on the methodology established to verify the existence of signs of impairment in its non-current assets (see Note 2.2.f), constructs the hypotheses to analyse the existence of sufficient fiscal gains in the future that allow offset such tax losses before they prescribe. Additionally, the reversal in the same entity of deferred tax liabilities related to the same tax authority that may give rise to taxable amounts in sufficient quantity to apply the unused tax losses against them is taken into account. Thus, the balance of deferred tax assets recorded in the balance sheet is the result of the aforementioned analysis of the total amount of tax losses that the Group has declared at year end that, for the most part, are not subject to a period of effective compensation.

In addition, some companies that make up the consolidated group have reserves that could be subject to taxation should they be distributed. These consolidated financial statements include the tax effect associated with such distribution insofar as it is likely to occur in the foreseeable future. Temporary differences, associated with investments in subsidiaries, associates and permanent establishments, which have not been registered for the exception provided for in IAS 12, amount to EUR 107 million.

On the other hand, in accordance with the tax legislation applicable to the parent company of the Group, the dividends proposed or declared to the shareholders of said company, before the financial statements have been formulated and that have not been recognized as liabilities, do not generate Consequences in the Income Tax of the parent company.

The years open to inspection in relation to the main taxes vary according to the tax legislation of each country in which the Group operates. At present, verification actions are being carried out on different Group companies, among which we highlight those domiciled in Spain, Korea and the United States. In any case, it is not expected that, as a consequence of the ongoing verification actions, as well as those that could be carried out in the future in relation to non-prescribed periods, liabilities will be revealed that significantly affect the equity situation or the Group's results.

Lastly, these financial statements include the effect of the entry into force in Spain of Royal Decree- Law 3/2016, of December 2, which has adopted tax measures aimed at consolidating public finances consisting of modification of the limits for the compensation of negative tax bases, the reversal of impairment of shareholdings and non-deductibility of losses as a result of the transfer of shares in certain entities, not being significant for the equity situation or the Group's results.

25. Financial risk management policy and financial instruments

Financial risk management policy

The Group's activities are exposed to various financial risks: market risk (foreign currency risk and interest rate risk) and other risks (credit risk, liquidity risk and country risk). The Group's financial risk management focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the profitability of its business.

This note provides information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for managing risk, the methods used to measure these risks, any changes from the previous year and the financial instruments used to mitigate the risks.

Foreign currency risk

The Group operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar (the Euro is the Group's reference currency and the functional currency of the Parent) and, to a lesser extent, the Mexican peso, the Russian rouble, the Chinese yuan, the Japanese yen and the pound sterling. Foreign currency risk arises on future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed in line with the corporate risk management model guidelines, which establish the ongoing monitoring of exchange rate fluctuations and other measures designed to mitigate this risk, mainly through the optimization of the Group's operations in order to minimize the impact, using natural hedges, the benefits of diversification and the arrangement of financial hedges.

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers, mostly in US dollars. In accordance with prevailing foreign currency risk management policies, Group management arranges derivatives, mainly foreign currency forwards, to hedge fluctuations in cash flows relating to the EUR-USD exchange rate. The Group also uses non-derivative financial instruments as hedges (e.g. deposits held in currencies other than the euro), and these instruments are recognized under "Current Financial Investments".

The Group's head companies supply their subsidiaries with finished goods for sale to the end customers. With a view to reducing the fluctuations in value of the expected foreign currency cash flows arising from these intra-Group transactions (denominated in currencies other than the euro), the Group uses financial derivatives such as purchased options, zero-premium option combinations and, occasionally, foreign currency forwards.

Certain Group subsidiaries are granted internal financing denominated in currencies other than the euro. In accordance with prevailing foreign currency risk management policies, derivatives are arranged, mainly forwards and cross currency swaps, to hedge the changes in fair value related to exchange rates.

As described in Note 2.2.m, the Group applies hedge accounting to mitigate the volatility that would arise in the consolidated income statement as a result of the existence of significant foreign currency transactions. Hedge accounting has been used because the Group meets the requirements described in Note 2.2.m on accounting policies in order to be able to classify financial instruments as hedges for accounting purposes.

The Group applies the hedge accounting rules established in the applicable accounting standards. As a result, certain financial instruments were formally designated as hedging instruments and the Group verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In 2019, using hedge accounting, no significantamounts were recognized in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges.

Approximately 70% of the cash flows associated with hedges in US dollars are expected to occur in the six months subsequent to year-end, while the remaining 30% are expected to fall due between six months and one year. Also, the impact on the consolidated income statement will foreseeably occur in those periods. The derivatives hedging the cash flows from intra-Group transactions to supply finished goods for sale to end customers have short-term time horizons aligned with the expected cash flows.

The fair value of the hedging instruments was calculated as described in Note 2.2.m.

The Group uses the Cash-Flow-at-Risk (CFaR) methodology in order to estimate the potential impact of exchange rate changes on consolidated profit before tax and, if applicable, determine the relevant mitigation strategies. CFaR is methodology widely used in risk management. It is an evolution of the Value- at-Risk (VaR) method focused on the possible loss related to future cash flows. Given a portfolio, exposed to one or more risks, the CFaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The CFaR measures risk in aggregate terms, considering the potential diversification benefit resulting from the correlations between the components of the portfolio of exposures.

The underlying portfolio used in the CFaR calculation is composed of future flows denominated in currencies other than the euro up to a period of one year. It is estimated that this portfolio represents substantially all of the Group's exposure to foreign currency risk and that the possible adverse changes in exchange rates would affect the consolidated profit of the following year. The main parameters and assumptions used in the CFaR calculation relate to the horizon of the estimated flows, the scenario simulation technique and the selected confidence interval. The cash flows considered have a duration of up to one year, taking as a time horizon the maturity date of each cash flow. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous three years. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous three years. It may also be the case that the estimated flows, i.e. the portfolio used for the calculation, differ from the actual flows. In addition, the Group uses the Value-at-Risk (VaR) method to manage foreign exchange risk in relation to the most relevant accounting items.

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate resulting from the CFaR calculation, could be EUR 274 million at 31 January 2020 (31 January 2019 EUR 256 million).

Credit risk

The Group is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises and retail sales represent the vast majority of revenue. Collections are made primarily in cash or through credit card payments.

The Financial Risk Management Policy ensures the measurement, evaluation and mitigation of the credit risk of investment products and the counterparty risk of financial institutions by establishing very detailed analysis criteria.

The rating of investment vehicles is carried out by considering the credit scores issued by the main rating agencies with regard to solvency, liquidity, asset quality and prudence in the management of financial institutions. In addition, the Group uses value-at-risk methodologies to assess the credit risk of its investment portfolio.

A rigorous analysis of the counterparty does not completely eliminate credit risk and, therefore, these limits seek to guarantee a broad diversification of the banks used by the Group. This principle of diversification is also applied to the jurisdiction in which assets are held and the range of financial products used for investing purposes. In the specific case of short-term money market funds, the credit analysis and diversification principles are satisfied by the requisite fulfilment by the investment vehicle of domestic and regulatory requirements.

The credit risk resulting from the arrangement of financial derivatives is mitigated by the requirement that such instruments be subject to an ISDA master agreement. Occasionally, where deemed necessary, the Group requests that additional security be provided in the form of pledged collateral.

The Group estimates that at the closing date there has not been a significant increase in the credit risk of the financial assets that had a low credit risk at the beginning, which is why the expected loss at 12 months has been estimated, and it is not significant.

In relation to accounts receivable of commercial origin, the Group estimates that at closing date there has not been a significant increase in credit risk since its recognition, which is why the expected loss at 12 months has been estimated, not being significant, and it has not been considered necessary to make valuation corrections with accounts receivable not due.

The main financial assets of the Group are shown in the "Financial instruments: other information" section below.

Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Group has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments (see Note 20).

Note 20 contain a detail of the financial liabilities, along with their scheduled maturities.

Interest rate risk

The Group's exposure to interest rate risk, which in no case is significant, arises principally in relation to the following items:

- Cash and cash equivalents: given the Group's investment policy (see Note 20), any changes in interest rates at year-end would not significantly affect consolidated profits.

- Financial debt: given the amount of the Group's external financing (see Note 20), any change in interest rates at year-end would not significantly affect consolidated profits.

- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets), goodwill and intangible assets with an indefinite useful life (see Note 2.2.f).

- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

The Group does not have any material financial assets or liabilities designated as at fair value through profit or loss. A potential change in fair value would not imply significant impact.

Country risk

The international presence of the Group's business activities exposes it to the country risk of multiple geographical regions, in both its supply and its sales and distribution activities. The Group adapts its administrative and business processes in order to minimise country risk and take advantage of the benefits of geographical diversification.

One of the most significant manifestations of country risk is foreign currency risk and the possibility of exposure to limits or controls on the free circulation of cash flows due to a lack of currency convertibility, in current or capital account terms, or to unexpected restrictions on the movement of capital. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum.

At 31 January 2020, there was no significant risk in relation to the repatriation of funds or any material cash surpluses not available for use by the Group or its subsidiaries. Similarly, there are no significant restrictions on the Group's ability to access the assets and settle the liabilities of its subsidiaries.

At 31 January 2020, the Group was not operating in markets in which there was more than one exchange rate.

Brexit-related risk

Although the result of the elections of 12 December 2019 has provided certainty about the United Kingdom's departure from the European Union on 31 January 2020, uncertainty remains about the future relationship of the two parties resulting from the negotiation process that should end on 31 December 2020. During this transitional period, which could possibly extend beyond the time frame, no significant changes are expected in the UK-EU regulatory and commercial environment that could affect the Group's current operations. However, it cannot be ruled out that the course of the negotiations will produce episodes of volatility during 2020.

The group has an action plan that is ready to be executed in the event of a no-deal Brexit. This plan was developed during 2018 and is the result of a comprehensive process of analysis, evaluation and design of the mitigation measures required to minimise the potential impact on the Group's business in general and on the UK market in particular. On the other hand, the business processes have been updated, as far as possible, in anticipation of the expected disruptions in the supply of services and goods, as well as in the country's labour market, which are necessary for the maintenance of the Group's multi-concept commercial proposal in the British market. The degree of divergence between EU and UK regulations following the conclusion of the negotiations will determine the level of disruption to the Group's business in that market. As described in the previous year's economic and financial report, the contingency plan is based on the extreme scenario of a no-deal Brexit, so in principle it should be able to mitigate the potential impacts of different scenarios resulting from the future status between the EU and the UK. As was already evident last year, the residual risk after the implementation of the action plan, even in the most extreme case of a no-deal Brexit, would not be significant for the Group.

Capital management

The Group's capital management objectives are to safeguard its ability to continue operating as a going concern, so that it can continue to generate returns for shareholders and benefit other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations. The shareholder remuneration policy is detailed in Note 29.

There were no significant changes to capital management in the year.

Financial instruments

At 31 January 2020 and 2019, the Group had arranged hedging derivatives consisting basically of forwards on its future purchases in US dollars, forwards to hedge intra-Group financing, and options. The fair value of these derivatives is recognized under "Other Financial Assets" or "Other Financial Liabilities" depending on the related balance.

The detail of "Other Financial Assets" and "Other Financial Liabilities" in the consolidated balance sheet is as follows:

OTHER FINANCIAL ASSETS	2019	2018
Fair value of the hedging instruments	14	20
TOTAL	**14**	**20**

OTHER FINANCIAL LIABILITIES	2019	2018
Fair value of the hedging instruments	15	24
Reciprocal call and put options (Note 6)	26	23
TOTAL	**40**	**47**

The detail of the fair value (measured as indicated in Note 2.2.m) of the hedging instruments for 2019 and 2018 is as follows:

2019

DESCRIPTION	LEVEL	FAIR VALUE 2019	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2018
OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	14	(4)	(3)	1	20
TOTAL DERIVATES		**14**	**(4)**	**(3)**	**1**	**20**
OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	5	(4)	(11)	-	19
Options	2	6	-	-	6	-
Cross Currency Swap	2	4	(1)	-	-	5
TOTAL DERIVATES		**15**	**(5)**	**(11)**	**6**	**24**

2018

DESCRIPTION	LEVEL	FAIR VALUE 2018	TRANSFER TO INCOME	TRANSFER TO INCOME FROM EQUITY	INCOME RECOGNISE DIRECTLY IN EQUITY	FAIR VALUE 2017
OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	20	10	(6)	3	12
TOTAL DERIVATES		**20**	**10**	**(6)**	**3**	**12**
OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
OTC Derivatives						
Foreign currency forwards	2	19	(39)	(31)	11	78
Cross Currency Swap	2	5	2	-	-	3
TOTAL DERIVATES		**24**	**(36)**	**(31)**	**11**	**81**

There were no transfers among the various levels of the fair value hierarchy (see Note 2.2.m).

Financial instruments: other information

The main financial assets held by the Group, other than cash and cash equivalents and derivative financial instruments, are the loans and receivables related to the Group's principal activity and the guarantees given in relation to the lease of commercial premises, which are shown under "Other Non-Current Assets". The main financial assets of the Group are as follows:

	2019	2018
Cash and cash equivalents (Note 20)	4,780	4,866
Current financial investments (Note 20)	3,319	1,929
Trade receivables (Note 11)	226	229
Receivable due to sales to franchises (Note 11)	272	229
Other current receivables (Note 11)	103	144
Guarantees (Note 18)	378	432
TOTAL	**9,078**	**7,828**

The main financial liabilities of the Group relate to accounts payable on commercial transactions.

In 2019 no significant impairment losses were recognized on financial assets.

26. Employee benefits

Obligations for benefit plans or defined contributions

The Group does not maintain obligations with its employees as a general rule for defined benefit plans or contributions. However, in certain countries, due to the legislation or regulation in force or local labour practice, the Group assumes certain commitments related to the payment of certain amounts for accidents, illness or retirement, among others, sometimes partially paid by the worker and risk is partially or totally externalized through hiring the corresponding insurance policies.

Likewise, in certain countries, the worker participates in a percentage of the profits generated by the Group companies. The liabilities related to these items are recorded in the "Provisions" and "Other long-term liabilities" heading in the consolidated balance sheet. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

Long-term Incentive Compensation Plans

Long-term Incentive Plan 2016-2020

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the "2016-2020 Plan"). Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The 2016-2020 Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time and verified compliance with the specific objectives, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

The 2016-2020 Plan has a total duration of four years and is structured into two mutually independent time cycles. Both cycles have ended. The first cycle of the 2016-2020 Plan ran from 1 February 2016 to 31 January 2019. The second cycle ran from 1 February 2017 to 31 January 2020, although the liquidation of this second cycle will take place during the first half of the year 2020.

The 2016-2020 Plan is linked to critical business targets and the creation of shareholder value.

The 2016-2020 Plan does not expose the Company to any material risks.

The liability related to the Plan 2016-2020 in cash is shown under "Creditors" and "Trade and other payables" in the consolidated balance sheet, and its annual allocation is recorded as an operating expense in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

The amount relating to the equity-settled component of the 2016-2020 Plan is recognised under "Net Equity" in the balance sheet and the related period charge is reflected under "Personnel Costs" in the income statement. The impact of these obligations on the income statement and the balance sheet is not significant.

To cater for this 2016-2020 Plan, the Company has, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 23).

The incentive to be received (see Note 29) will be calculated as provided for in the resolution seventh of the Annual General Shareholders' Meeting held on 19 July 2016.

2019-2023 Long-Term Incentive Plan

The Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the "2019-2023 Plan"). Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The 2019-2023 Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time and verified compliance with the specific objectives, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

The 2019-2023 Plan has a total duration of four years and is structured into two mutually independent time cycles. The first cycle of the 2019-2023 Plan runs from February 1, 2019 to January 31, 2022. The second cycle spans the period from 1 February 2020 to 31 January 2023.

The 2019-2023 Plan is linked to critical business targets and the creation of shareholder value. As a more significant innovation, the 2019-2023 Plan also links long-term variable remuneration to objectives related to sustainability and the environment, with this index having a maximum weight of 10% over the whole.

The 2019-2023 Plan does not expose the Company to any material risks.

The liability related to the 2019-2023 Plan in cash is shown registered in the "Provisions" item of the balance sheet, and its annual allocation is included in the "Personnel expenses" item in the profit and loss account. The impact of these obligations on the income statement and the balance sheet is not significant.

The amount relating to the equity-settled component of the 2019-2023 Plan is recognised under "Net Equity" in the balance sheet and the related period charge is reflected under "Personnel Costs" in the income statement. The impact of these obligations on the income statement and the balance sheet is not significant.

To cater for this 2019-2023 Plan, the Company has, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 23). And this, without prejudice to the possibility that the Company may proceed at a later time, and by virtue of the authorisation granted by the General Shareholders' Meeting of 16 July 2019, to derivatively acquire a greater volume of treasury shares to cover said 2019-2023 Plan.

The incentive to be received will be calculated as provided for in the resolution nineth of the Annual General Shareholders´ Meeting held on 16 July 2019.

Annual bonus

Inditex approved in 2017 a new plan for employee participation in the growth of the Company's profits for the 2017 and 2018 financial years, with characteristics similar to the previous one, that remained in force in 2015 and 2016 financial years.

In fiscal year 2019, the part corresponding to fiscal year 2018 was executed, following the criteria described in Note 26 of the annual report corresponding to fiscal year 2018.

The liabilities related to this item are recorded under the heading "Creditors" in the consolidated balance sheet, and their annual allocation is included in the heading "Operating expenses" in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

Following the completion of the aforementioned plan for the financial years 2017 and 2018, the Board of Directors of the Company approved, on 12 March 2019, a new plan for the participation of employees in the growth of the company's profits, with a unique and exclusive application for the year 2019, and also with features similar to the above. This plan is aimed at all Group employees, chains and subsidiaries worldwide, with more than two years of seniority as of 31 January 2020.

The plan is linked to the fulfilment of specific objectives and establishes a maximum incentive to pay for the Group, which corresponds to the average received in each country during the last four years under the previous plan for employee participation in the growth of the Inditex Group profit.

To determine the specific incentive to pay the beneficiaries of the plan, after the established time period, two types of groups are distinguished, store and non-store (offices, factories and logistics), and some metrics and achievement scales defined for each one of the above groups.

During fiscal year 2020, the incentive corresponding to fiscal year 2019 will be settled.

The liability related to this is shown recorded in the "Creditors" item in the balance sheet, and its annual allocation is included in the "Other operative expenses" item in the profit and loss account. The impact of these obligations on the income statement and the balance sheet is not significant.

27. Jointly controlled entities

Inditex has a 50% stake in the group formed by the parent, Tempe, S.A., and its subsidiaries, the detail of which is shown in the following table. These companies engage mainly in the design, supply and distribution of footwear to Inditex Group companies, their main customer.

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CHAIN	LINE OF BUSINESS
Tempe, S.A.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Sale of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico City México	Equity method	31-dec	Multi-concept	Sale of footwear
Tempe Logística, S.A.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo Brazil	Equity method	31-dec	Multi-concept	Dormant
Tempe Diseño, S.L.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Design
Tempe Trading	50.00%	Fribourg Switzerland	Equity method	31-oct	Multi-concept	Dormant
Tempe Trading Asia Limited	50.00%	Hong Kong China	Equity method	31-jan	Multi-concept	Sale of footwear
TMP Trading (Shanghai) Co. Ltd	50.00%	Shanghai China	Equity method	31-dec	Multi-concept	Sale of footwear
Tempe Giyim, Ltd.	50.00%	Istanbul - Turkey	Equity method	31-dec	Multi-concept	Sale of footwear

Set forth below is the financial information of the Tempe Group, obtained from its consolidated annual accounts prepared in accordance with IFRS, together with other relevant financial information:

	2019	2018
Fixed assets	249	192
Others	29	38
Non-current assets	**278**	**231**
Inventories	230	284
Trade and other receivables	319	370
Cash and cash equivalents	30	10
Current assets	**579**	**663**
Non-current liabilities	**(21)**	**(26)**
Trade and other payables	(305)	(310)
Others	(9)	(29)
Current liabilities	**(314)**	**(339)**
NET ASSETS	**522**	**529**
Revenues	1,399	1,317
Gross profit	**369**	**354**
Operating expenses	(201)	(191)
Amortisation and depreciation	(23)	(23)
Net operating profit (EBIT)	**145**	**140**
Net profit	**117**	**113**

In 2019 the Group received dividends totalling EUR 60 million (EUR 20 million in 2018) from Tempe (see Note 17).

28. Proposed distribution of the profit of the Parent

The Directors will propose as distribution EUR 10,418 million of the 2019 net profit of the Parent, which is the maximum amount distributable.

The Board of Directors of Inditex, following the proposal of the Audit and Compliance Committee, in view of the current uncertain situation due to the covid-19 pandemic, considers that it is not the right moment to take a decision on the dividend to be proposed relating to FY2019. They have decided to to submit a final proposal on dividends at a later Board Meeting prior to the Annual General Shareholders' Meeting which will take place in July.

Consequently, the net income generated will be allocated to voluntary reserves amounting to EUR 10,228 million and to the capitalisation reserve amounting to EUR 190 million.

29. Remuneration of the Board of Directors and related party transactions

Remuneration of the Board of Directors

The remuneration earned by the Board of Directors and Senior Management of the Parent in 2019 is shown in the section on related party transactions.

Other information concerning the Board of Directors

At 31 January 2020, per the Parent's shareholder register, and also per the public registers of the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly held the following ownership interests in the share capital of Inditex:

NAME OR COMPANY NAME OF DIRECTOR	% VOTING RIGHTS ATTRIBUTED TO THE SHARES		% VOTING RIGHTS THROUGH FINANCIAL INSTRUMENTS		% TOTAL VOTING RIGHTS	% VOTING RIGHTS THAT CAN BE SELL THROUGH FINANCIAL INSTRUMENTS	
	DIRECT	INDIRECT	DIRECT	INDIRECT		DIRECT	INDIRECT
Mr Pablo Isla Álvarez de Tejera[1]	0.063%	-	0.008%	-	0.071%	-	-
Mr Amancio Ortega Gaona[2]	-	59.294%	-	-	59.294%	-	-
Mr Carlos Crespo González[3]	0.001%		0.004%		0.005%	-	-
Mr José Arnau Sierra	0.001%	-	-	-	0.001%	-	-
Pontegadea Inversiones, S.L.[4]	50.01%	-	-	-	50.01%	-	-
Bns Denise Patricia Kingsmill	-	-	-	-	-	-	-
Ms Anne Lange	-	-	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%	-	-
Mr Rodrigo Echenique Gordillo	-	-	-	-	-	-	-
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-	-	-
TOTAL					**59.371%**		

1. In accordance with the 2016-2020 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 95,651 shares, i.e 0.003%. In accordance with the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 161,361 shares, i.e 0.005%.
2. Through Pontegadea Inversiones, SL and Partler 2006, S.L.
3. In accordance with the 2016-2020 Long-Term Incentive Plan, the CEO may receive up to a maximum of 20,666 shares, i.e 0.001%. In accordance with the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 106,752 shares, i.e 0.003%.
4. Represented by Ms Flora Pérez Marcote.

Pursuant to the provisions of article 229 of the Spanish Companies Act, as amended by Law 31/2014, of December 3, no director has communicated any situation that, directly and/or indirectly, through persons related to they could place them in a potential conflict of interest with the Parent Company.

Notwithstanding the foregoing, Mr. Rodrigo Echenique Gordillo, Mr. Emilio Saracho Rodriguez de Torres and Ms. Pilar López Álvarez, hold positions on the Boards of Directors of Banco Santander, International Consolidated Airlines Group and Microsoft Ibérica, respectively, and perform their duties as Inditex directors as independent parties, without prejudice to the commercial relationships that Inditex has with these companies for years. In any case, the Board of Directors ensures, through the Audit and Compliance Committee that the transactions with directors and/or significant shareholders, or with respective related persons, are carried out under market conditions and respecting the principle of equal treatment to shareholders.

When the Board of Directors deliberated on the appointment, re-election, acknowledgment of resignation, making available a position, compensation or any other agreement referred to a director or to a person or company related to a director, the affected party was absent from the Company meeting during the deliberation and voting of the corresponding agreement.

Related party transactions

Related parties are the subsidiaries, jointly controlled entities (Note 27) and associates detailed in Appendix I to the notes to the consolidated annual accounts, the significant or controlling shareholders, the members of the Board of Directors of Inditex and Senior Management of the Inditex Group, as well as their close family members, as defined in Article 2.3 of Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, on information on related party transactions that issuers of securities listed on official secondary markets must disclose.

The transactions with related parties were performed on an arm's length basis.

Inditex Group companies

The transactions between Inditex and its subsidiaries, which form part of the normal course of business in terms of their purpose and terms and conditions, were eliminated in full on consolidation and, therefore, they are not disclosed in this Note.

The following tables detail the transactions and the outstanding balances between Inditex and its jointly controlled entities in the consolidated balance sheet:

Transactions:

TYPE OF COMPANY	2019	2018
Jointly controlled entities	(1,082)	(1,009)

Balances:

	31/01/2020	31/01/2019
Current financial investments	-	1
Trade and other receivables	14	11
Non-current financial investments	246	258
Trade and other payables	284	308
Current financial debt	1	1

The detail of the transactions with significant shareholders, the members of the Board of Directors and Senior Management is as follows:

Significant shareholders

In 2019 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

COMPANY NAME OF SIGNIFICANT SHAREHOLDER	NATURE OF RELATIONSHIP	TYPE OF OPERATION	AMOUNT
Pontegadea Inversiones, S.L., S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(42)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other income	7
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

In 2018 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

COMPANY NAME OF SIGNIFICANT SHAREHOLDER	NATURE OF RELATIONSHIP	TYPE OF OPERATION	AMOUNT
Pontegadea Inversiones, S.L., S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(44)
Pontegadea Inversiones, S.L.., Partler 2006, S.L. or related entities or persons	Contractual	Sale of assets(land)	1
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	2
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

Several Group companies have leased commercial premises belonging to companies related to the controlling shareholder or to significant shareholders.

Members of the Board of Directors and management

The amounts indicated in the following tables and paragraphs referring to remuneration and termination benefits are expressed in thousands of euros in both years

The following tables show the remuneration and termination benefits earned by the directors and management of Inditex in 2019:

NAME OR SOCIAL NAME OF THE DIRECTOR	TYPE	REMUNERATION OF BOARD MEMBERS	REMUNERATION OF DEPUTY CHAIRMAN OF BOARD OF DIRECTORS	REMUNERATION FOR SERVING ON COMITTEES AND OTHER BOARD OF DIRECTORS	REMUNERATION FOR CHAIRING COMMITTEES	FIXED REMUNERATION	VARIABLE REMUNERATION 2019	MULTIANNUAL VARIABLE REMUNERATION (IN SHARES AND IN CASH) 2019	TOTAL 2019
Mr Pablo Isla Álvarez de Tejera	EXECUTIVE	100	-	-	-	3,250	1,447	1,412	6,209
Mr José Arnau Sierra	PROPIETARY	100	80	150	-	-	-	-	330
Mr Carlos Crespo González[1]	EXECUTIVE	54	-	-		800	365	71	1,290
Mr Amancio Ortega Gaona	PROPIETARY	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L.[2]	PROPIETARY	100	-	-	-	-	-	-	100
Bns. Denise Patricia Kingsmill	INDEPENDENT	100	-	150	-	-	-	-	250
Ms Anne Lange[3]	INDEPENDENT	15	-	14	-	-	-	-	29
Ms Pilar López Álvarez	INDEPENDENT	100	-	150	-	-	-	-	250
Mr José Luis Durán Schulz	INDEPENDENT	100	-	150	50	-	-	-	300
Mr Rodrigo Echenique Gordillo	INDEPENDENT	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	INDEPENDENT	100	-	150	50	-	-	-	300
TOTAL		**969**	**80**	**914**	**150**	**4,050**	**1,812**	**1,483**	**9,458**

NOTAS:
(1) From 16 July 2019.
(2) Represented by Ms Flora Pérez Marcote.
(3) From 10 December 2019.

An itemised breakdown of the remuneration of the members of the Board of Directors in 2018 is as follows:

NAME OR SOCIAL NAME OF THE DIRECTOR	TYPE	REMUNERATION OF BOARD MEMBERS	REMUNERATION OF DEPUTY CHAIRMAN OF BOARD OF DIRECTORS	REMUNERATION FOR SERVING ON COMITTEES AND OTHER BOARD OF DIRECTORS	REMUNERATION FOR CHAIRING COMMITTEES	FIXED REMUNERATION	VARIABLE REMUNERATION 2018	MULTIANNUAL VARIABLE REMUNERATION (IN SHARES AND IN CASH) 2018	TOTAL 2018
Mr Pablo Isla Álvarez de Tejera	EXECUTIVE	100	-	-	-	3,250	3,087	3,052	9,489
Mr José Arnau Sierra	PROPIETARY	100	80	150	-	-	-	-	330
Mr Amancio Ortega Gaona	PROPIETARY	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L.[1]	PROPIETARY	100	-	-	-	-	-	-	100
Bns. Denise Patricia Kingsmill	INDEPENDENT	100	-	150	-	-	-	-	250
Ms Pilar López Álvarez[2]	INDEPENDENT	54	-	80	-	-	-	-	134
Mr José Luis Durán Schulz	INDEPENDENT	100	-	150	50	-	-	-	300
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós[3]	OTHER EXTERNAL	46	-	70	-	-	-	-	116
Mr Rodrigo Echenique Gordillo	INDEPENDENT	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	INDEPENDENT	100	-	150	50	-	-	-	300
TOTAL		**900**	**80**	**900**	**150**	**3,250**	**3,087**	**3,052**	**11,419**

NOTAS:
(1) Represented by Ms Flora Pérez Marcote.
(2) From 17 July 2018.
(3) Cessation of employment at 17 July 2018.

The total remuneration and termination benefits earned by Senior Management of the Inditex Group in 2019 were as follows:

2019	
	SENIOR MANAGEMENT
Remuneration	30,834
Termination benefits	-
TOTAL	**30,834**

The aforementioned remuneration for 2019 includes fixed remuneration, short-term variable remuneration and long-term variable remuneration accrued by Senior Management (as defined in section C.1.14. "Identify the members of senior management who are not, in turn, executive directors, and indicate the total remuneration accrued in their favor during the year" of the Annual Corporate Governance Report for the 2019) as well as fixed salary regarding 2019. Remuneration of Directors for 2019 includes fixed items of remuneration of Directors in their status as such, as well as fixed salary, short-term variable remuneration and long-term variable remuneration of Executive Directors.

With regard to the annual variable remuneration, taking into account the exceptional situation due to the global covid-19 pandemic, the Board of Directors has resolved, following the proposal of the Remuneration Committee, that the annual variable remunerations of the Executive Chairman, the CEO and the Senior Management be halved.

As refers to the long-term variable remuneration includes the amount accrued for the second cycle (2017- 2020) of the 2016-2020 Long-term Plan. The amount accrued in 2019 by the Executive Directors in terms of this incentive is EUR 1,483 thousand (EUR 1,412 thousand by the Executive Chairman and EUR 71 thousand by the CEO). In turn, the sum of EUR 7,262 thousand was accrued by Senior Management. This incentive materialised as follows:

- Executive Directors: (i) an incentive in cash in the gross amount of EUR 769 thousand for the Executive Chairman and EUR 46 thousand for the CEO; and, (ii) an incentive in shares materialised in 31,888 shares for the Executive Chairman, equivalent to the gross amount of EUR 643 thousand, and 1,259 shares for the CEO, equivalent to the gross amount of EUR 25 thousand.

- Senior Management (i) an incentive in cash in the gross amount of EUR 4,702 thousand and, (ii) an incentive in shares materialised in 126,919 shares, equivalent to the gross amount of EUR 2,560 thousand.

For such purposes, it should be noted that in order to quantify the part of the incentive that will materialise in shares, Inditex's closing share price as of the date of the meeting of the Remuneration Committee where the level of achievement of the objectives of the second cycle of the 2016-2020 Plan was evaluated (i.e. 16 March 2020) has been taken into account.

The liquidation of the incentive in cash and in shares will take place during the month following the publication of the annual accounts corresponding to fiscal year 2019.

The total remuneration and termination benefits earned by senior management of Inditex Group in 2018 were as follows:

2018	
	SENIOR MANAGEMENT
Remuneration	42,768
Termination benefits	2,168
TOTAL	**44,936**

The aforementioned remuneration for 2018 includes fixed remuneration, short-term variable remuneration, long-term variable remuneration and the corresponding compensation, accrued by Senior Management as defined in section C.1.14. "Identify the members of senior management who are not, in turn, executive directors, and indicate the total remuneration accrued in their favor during the year" of the Annual Corporate Governance Report for the 2018). Remuneration of Directors for 2018 includes fixed items of remuneration of Directors in their status as such, as well as fixed salary, short-term variable remuneration and long-term variable remuneration of the Executive Chairman.

Long-term variable remuneration includes the amount accrued in 2018 for the first cycle (2016-2019) of the 2016-2020 Long-term Plan, which was paid within the first half of 2019. The amount accrued in 2018 by the Executive Chairman in terms of this incentive was EURO 3,052 thousand and by Senior Management EUR 15,302 thousand. This incentive materialized as follows: (i) an incentive in cash in the gross amount of eur 1,348 thousand for the Executive Chairman and EUR 8,384 thousand for the Senior Management; and, (ii) an incentive in shares materialised in 69,985 shares, equivalent to the gross amount of EUR 1,704 thousand for the Executive Chairman, and 284,100 shares, equivalent to the gross amount of EUR 6,918 thousand for the Senior Management.

The incentive in shares accrued by the Executive Chairman and the Senior Management regarding the first cycle (2016-2019) of the 2016-2020 Plan for 2018, shown in Note 26 of 2018 consolidated annual accounts, has been adjusted in accordance with the share price as at the date of delivery of the above referred shares.

During 2019 and in 2018 no contributions were made to the Pension Scheme Plan.

30. External auditors

In 2019 and 2018 the fees for financial audit and other services provided by the auditor of the Group's annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, were as follows:

	2019	2018
Audit services	7.5	6.5
Other assurance services	0.6	0.5
TOTAL AUDIT AND SIMILAR SERVICES	**8.1**	**7.0**
Other services	0.1	0.1
TOTAL PROFESSIONAL SERVICES	**8.2**	**7.1**

According to information received from the auditors, the fees received from the Inditex Group by the principal auditor and the other firms belonging to the international network (and their associated firms) did not exceed 0.0200% of their total revenue.

31. Environment

Inditex has developed a flexible and integrated business model, with a strong customer focus and a clear sustainable approach. In this respect, Inditex's environmental strategy is reflected in its Environmental Sustainability Policy. This policy sets out the environmental commitments, which are applied transversally in all its business areas and throughout its entire supply chain.

At the year-end, Inditex has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and profits (losses).

Section 5 of the Group's Non-Financial Statement includes information on Inditex's commitment to the environment through its Environmental Sustainability Policy.

32. Events after the reporting period

Coronavirus (covid-19) was first reported in China in January 2020 and has since then largely spread around the world. As a result of this, the World Health Organization declared the coronavirus outbreak a pandemic on 11 March 2020.

Taking into account the potential impact of the above described situation on the financial information of the Inditex Group as of 31 January 2020, Directors and Management have assessed the situation based upon the best information available to date, and pursuant to the provisions of IAS 2 "Inventories" and IAS 10 "Events after the reporting period".

Based upon such evaluation, the Group has booked a provision in the amount of 287 million euros, in the gross profit line of the consolidated income statement, to adjust the estimated net realizable value of inventories for the Spring/Sumer campaign as of 31 January 2020 further to the covid-19 pandemic impact.

33. Explanation added for translation to English

These consolidated annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see first page of the Notes). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Annex I – Composition of the Inditex Group

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Industria de Diseño Textil, S.A.	Parent	A Coruña - Spain	Full Consol.	31-jan	-	Parent
Comditel, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Zara	Buyer
Zara Asia, Ltd.	100%	Hong Kong SAR	Full Consol.	31-jan	Zara	Retail sales
Choolet, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Confecciones Fíos, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Confecciones Goa, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Denllo, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Hampton, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Nikole, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Buyer
Samlor, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Stear, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Trisko, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Zintura, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Glencare, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Indipunt, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Zara España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Zara Argentina, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Retail sales
Zara Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Zara	Retail sales
Zara Chile, S.A.	100%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara	Retail sales
Zara USA, Inc.	100%	New York - USA	Full Consol.	31-jan	Zara	Retail sales
Zara France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Zara	Retail sales
Zara UK, Ltd.	100%	London - UK	Full Consol.	31-jan	Zara	Retail sales
Zara Mexico, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Zara	Retail sales
Zara México, S.A. de C.V.	95%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Zara Portugal- Confecçoes, S.A.	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
G.Zara Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-jan	Zara	Retail sales
Zara Financiën B.V. Ireland	100%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Dormant
Zara Brasil, LTDA.	100%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara	Retail sales
Zara Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Retail sales
Zara Österreich Clothing, GmbH	100%	Vienna - Austria	Full Consol.	31-jan	Zara	Retail sales
Zara Danmark, AS.	100%	Copenhaguen - Denmark	Full Consol.	31-jan	Zara	Retail sales
Zara Sverige, AB.	100%	Stockholm - Sweden	Full Consol.	31-jan	Zara	Retail sales
Zara Norge, AS.	100%	Oslo - Norway	Full Consol.	31-jan	Zara	Retail sales
Zara Canada, Inc.	100%	Montreal - Canada	Full Consol.	31-jan	Zara	Retail sales
Zara Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Zara	Retail sales
Zara Luxembourg, S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-jan	Zara	Retail sales
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Zara	Retail sales
Zara Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Retail sales
Zara Japan Corp.	100%	Tokyo - Japan	Full Consol.	31-jan	Zara	Retail sales
Zara Ceská Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Zara	Retail sales
Zara Puerto Rico, Inc.	100%	San Juan - Puerto Rico	Full Consol.	31-jan	Zara	Retail sales
Za Clothing Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Zara	Retail sales
Zara Magyarorszag, KFT.	100%	Budapest - Hungary	Full Consol.	31-jan	Zara	Retail sales
Zara Holding, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara Monaco, SAM	100%	Monte Carlo - Monaco	Full Consol.	31-jan	Zara	Retail sales
Zara Commercial (Shanghai), Co Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Zara Commercial (Beijing), Co Ltd.	100%	Beijing - China	Full Consol.	31-dec	Zara	Retail sales
Zara Macau, Ltd.	100%	Macao SAR	Full Consol.	31-dec	Zara	Retail sales
Zara Polska, Sp. Zo.o.	100%	Warsaw - Poland	Full Consol.	31-jan	Zara	Retail sales
JSC "Zara CIS"	100%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Zara Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-jan	Zara	Holding company

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Zara Bucuresti, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Zara	Retail sales
Zara Ukraine LLC	100%	Kiev - Ukraine	Full Consol.	31-dec	Zara	Retail sales
Zara Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Zara	Retail sales
ITX Taiwan B.V. Zara - Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Zara	Retail sales
Zara Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Zara	Retail sales
Zara Retail Korea, Co Ltd.	80%	Seoul - South Korea	Full Consol.	31-jan	Zara	Retail sales
Zara Bulgaria Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Zara	Retail sales
Zara Immobiliare Italia SRL	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
Zara Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Zara Management, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Retail NZ Limited	100%	Auckland - New Zealand	Full Consol.	31-jan	Zara	Retail sales
KG ZARA Deutschland B.V. & Co.	100%	Hamburg - Germany	Full Consol.	31-jan	Zara	Retail sales
Zara Retail South Africa (Propietary), LTD.	90%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
Group Zara Australia Pty. Ltd.	100%	Sydney - Australia	Full Consol.	31-jan	Zara	Retail sales
Limited Liability Company "ZARA BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Zara	Retail sales
Zara S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Zara	Retail sales
ITX Financien, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Taiwan, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Vittorio 11 Italia S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
Zara BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Zara	Retail sales
Zara Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Zara	Retail sales
Nikole Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100%	Podgoricaa - Montenegro	Full Consol.	31-dec	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100%	Seoul - South Korea	Full Consol.	31-jan	Zara	Real estate
Inditex Trent Retail India Private Ltd	51%	Gurgaon - India	Full Consol.	31-mar	Zara	Retail sales
Kiddy´s Class España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Fibracolor, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Zara	Dormant
Zara Finland, OY	100%	Helsinki - Finland	Full Consol.	31-jan	Zara	Retail sales
Retail Group Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara	Retail sales
ITX Financien III, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Albania SHPK	100%	Tirana - Albania	Full Consol.	31-dec	Multi-concept	Retail sales
Zara Fashion (Shanghai) CO., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Oysho España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Retail sales
Oysho Portugal - Confecçoes, S.A.	100%	Lisbon - Portugal	Full Consol.	31-jan	Oysho	Retail sales
Oysho Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Oysho	Retail sales
Oysho Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Oysho	Retail sales
Oysho Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Oysho	Retail sales
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Oysho	Retail sales
Oysho Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Oysho	Retail sales
Oysho CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Oysho	Retail sales
Oysho France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Oysho	Retail sales
Oysho MAGYARORSZAG, KFT	100%	Budapest - Hungary	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Oysho	Retail sales
Oysho Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Oysho	Retail sales
Oysho Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Design
Oysho Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Oysho	Retail sales
Oysho Commercial & Trading (Shangai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Oysho	Retail sales
Oysho Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Oysho	Retail sales
Oysho Croacia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Oysho	Retail sales
Oysho Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Oysho	Retail sales
Oysho Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Oysho	Retail sales
Oysho Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Oysho	Retail sales
Limited Liability Company "OYSHO BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Oysho	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Oysho Suisse SÀRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-jan	Oysho	Retail sales
Grupo Massimo Dutti, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Giyim Ithalat Ih.Ve.Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti UK, Ltd.	100%	London - UK	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Norge, AS.	100%	Oslo - Norway	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti USA, INC.	100%	New York - USA	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Danmark AS	100%	Copenhagen - Denmark	Full Consol.	31-jan	Massimo Dutti	Retail sales
LLC Massimo Dutti	100%	Moscow - Russia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Holding company
Massimo Dutti Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100%	Hong Kong SAR	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp z.o.o.	100%	Warsaw - Poland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Macau Ltd.	100%	Macao SAR	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ceská Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Design
Massimo Dutti Commercial Shangai CO, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Österreich Clothing, GMBH	100%	Vienna - Austria	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Canada, INC.	100%	Montreal - Canada	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Finland OY	100%	Helsinki - Finland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Limited Liability Company "MASSIMO DUTTI BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Massimo Dutti	Retail sales
ITX Taiwan B.V. Massimo Dutti Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Massimo Dutti	Retail sales
MD Benelux, SA	100%	Bruges - Belgium	Full Consol.	31-jan	Massimo Dutti	Retail sales
Italco Moda Italiana, SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Massimo Dutti	Retail sales
KG Massimo Dutti Deutschland, B.V. & CO.	100%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Magyarorxzág KFT	100%	Budapest - Hungary	Full Consol.	31-jan	Massimo Dutti	Retail sales
Master Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti BH, D.O.O	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Duttil India Private Ltd	51%	Gurgaon - India	Full Consol.	31-mar	Massimo Dutti	Retail sales
Pull & Bear España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ceska Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Pull & Bear	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Pull & Bear Magyarország Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Uk Limited	100%	London - UK	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Design
Pull & Bear Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Österreich Clothing, Gmbh	100%	Vienna - Austria	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Pull & Bear	Retail sales
Limited Liability Company "PULL AND BEAR BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Pull & Bear	Retail sales
ITX Taiwan B.V. Pull & Bear Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Pull & Bear	Retail sales
Plataforma Cabanillas, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
P&B Gmbh	100%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Holding company
Pull & Bear Deutschland BV& CO	100%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Retail sales
Pro Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Suisse, SÁRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Pull & Bear	Retail sales
Uterqüe, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Buyer
Uterqüe España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Hellas	100%	Athens - Greece	Full Consol.	31-jan	Uterqüe	Retail sales
Gruputerqüe Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Giyim Limited	100%	Istanbul - Turkey	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe México S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Design
"ITX KOSOVO" L.L.C.	100%	Pristina	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Italia, Srl.	100%	Milan - Italy	Full Consol.	31-jan	Uterqüe	Retail sales
ITX Finance Asia, LTD	100%	Hong Kong SAR	Full Consol.	31-jan	Zara	Financial services
Inditex USA, LLC	100%	New York - USA	Full Consol.	31-jan	Multi-concept	Holding company
Uterqüe Commercial & Trading (Shangai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Polska SP. Z O.O.	100%	Warsaw - Poland	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Kazakhstan LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Ukraine, LLC	100%	Kiev - Ukraine	Full Consol.	31-jan	Uterqüe	Retail sales
Bershka BSK España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Retail sales
Bershka Portugal Conf. Soc. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Bershka	Retail sales
Bershka Mexico, S.A. de CV	100%	Mexico City - Mexico	Full Consol.	31-dec	Bershka	Retail sales
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Bershka	Retail sales
Bershka Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Bershka	Retail sales
Bershka France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Bershka	Retail sales
Bershka Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Bershka	Retail sales
Bershka Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Bershka	Retail sales
Bershka U.K., Ltd.	100%	London - UK	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Bershka	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Bershka Ceska Republica, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Bershka	Retail sales
Bershka Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Polska Sp Z O.O.	100%	Warsaw - Poland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Carpati, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Bershka	Retail sales
Bershka Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Bershka	Retail sales
Bershka Magyaroszag Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Bershka	Retail sales
Bershka Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Osterreich Clothing GmbH	100%	Vienna - Austria	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hong Kong Limited	100%	Hong Kong SAR	Full Consol.	31-jan	Bershka	Retail sales
Bershka Commercial Beijing Co, Ltd	100%	Beijing - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Bershka	Retail sales
Bershka Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Bershka	Retail sales
Bershka Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Design
Bershka Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Bershka	Retail sales
Bershka Japan, Co	100%	Tokyo - Japan	Full Consol.	31-jan	Bershka	Retail sales
BSKE, GMBH	100%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Holding company
Bershka BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Deutschland B.V. & CO. KG	100%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Retail sales
Bershka Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Bershka	Retail sales
Best Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Bershka	Retail sales
Bershka Commercial (Shanghai) Co, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka USA INC	100%	New York - USA	Full Consol.	31-jan	Bershka	Retail sales
Limited Liability Company "BK GARMENTS BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Bershka	Retail sales
Bershka S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Bershka	Retail sales
ITX Taiwan B.V. Bershka Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Bershka	Retail sales
Stradivarius España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Stradivarius	Retail sales
ITX RE DAC	100%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Insurance
Stradivarius Portugal, Conf. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ireland Limited	100%	Dublin - Ireland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Italia SRL	100%	Milan - Italy	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Magyaroszag Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ceská Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Commercial Shangai CO, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Design
Stradivarius Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hong Kong, Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius México, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius UK LIMITED	100%	London - UK	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Stradivarius	Retail sales
Limited Liability Company "STRADIVARIUS BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Stradivarius	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Stradivarius S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Stradivarius	Retail sales
Spanish Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Japan Corporation	100%	Tokyo - Japan	Full Consol.	31-jan	Stradivarius	Retail sales
ITX Trading, S.A.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Multi-concept	Buyer
Zara Home España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Portugal, Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home U.K., Ltd.	100%	London - UK	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Francia, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Retail sales
ZHE, Gmbh	100%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Commercial & Trading (Shangai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Japan Corp.	100%	Tokyo - Japan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Canada, Inc	100%	Montreal - Canada	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Macao SUL	100%	Macao SAR	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Sverige AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Zara Home	Retail sales
G. Zara Home Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Suisse SÀRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Chile SPA	100%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Australia Pty Ltd	100%	Sydney - Australia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Magyarorszag KFT.	100%	Budapest - Hungary	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Danmark A/S	100%	Copenhagen - Denmark	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home SRB DOO Beograd	100%	Belgrade - Serbia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Bulgaria EOOD	100%	Sofia - Bulgaria	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ireland Limited	100%	Dublin - Ireland	Full Consol.	31-jan	Zara Home	Dormant
Limited Liability Company "ZARA HOME BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-jan	Zara Home	Retail sales
ITX Taiwan B.V. Zara Home Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Europa, S.A.	100%	Zaragoza - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística León, S.A.	100%	León - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística Meco, S.A.	100%	Madrid - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Pull & Bear Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Logistics
Bershka Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Logistics
Oysho Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Logistics
Stradivarius Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Logistics
Zara Home Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Logistics
Uterqüe Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Logistics
Uterque Fashion RO S.R.L.	100%	Bucharest - Romania	Full Consol.	31-dec	Uterqüe	Retail sales

COMPANY	EFFECTIVE % OF OWNERSHIP	LOCATION	CONSOLIDATION METHOD	REPORTING DATE	CONCEPT	LINE OF BUSINESS
Lefties Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Inditex Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Tordera Logística, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Nueva comercializadora global XXI, S.A. DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Services
Goa-Invest, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Construction
Goa-Invest Deutschland GMBH	100%	Hamburg - Germany	Full Consol.	31-jan	Multi-concept	Construction
Zara Vastgoed, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Real estate
ITX Global Solutions LIMITED	100%	Hong Kong SAR	Full Consol.	31-jan	Multi-concept	Services
SNC Zara France Immobiliere	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Ferreol P03302	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed France P03301	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Nancy P03304	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
Invercarpro, S.A.	100%	Madrid - Spain	Full Consol.	31-jan	Zara	Real estate
Robustae Confeçciones, S.A	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
Lefties España, S,A,	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Real estate
Born, S.A.	100%	Palma de Mallorca - Spain	Full Consol.	31-jan	Zara	Real estate
LFT RUS Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Lelystad Platform, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Logistics
Robustae Mexico, S.A DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Inditex Cogeneración, A.I.E.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Combined heat and
Inditex, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara Holding II, B.V	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
ITX Asia Pacific Enterprise Management, Co., Ltd	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
FSF New York, LLC	100%	New York - USA	Full Consol.	31-jan	Zara	Real estate
FSF Soho, LLC	100%	New York - USA	Full Consol.	31-jan	Zara	Real estate
ITX USA, LLC	100%	New York - USA	Full Consol.	31-jan	Multi-concept	Retail sales
Fashion Retail , S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Retail sales
ITXR Macedonaia Dooel Skopje	100%	Skopje - North Macedonia	Full Consol.	31-dec	Multi-concept	Retail sales
ITX E-commerce (Shanghai) Co. Ltd	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Financien II, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX TRYFIN B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX RUBFIN, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Services India Private Ltd	100%	Gurgaon - India	Full Consol.	31-mar	Multi-concept	Buyer
Inditex France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Multi-concept	Dormant
ITX Merken, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Services
Zara Home Österreich Clothing GMBH	100%	Vienna - Austria	Full Consol.	31-jan	Zara Home	Retail sales
Massimo Dutti Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Massimo Dutti	Retail sales
ITX LUXEMBOURG S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Vittorio 13 Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
CDC Trading (Shangai) Co. LTD.	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
Oysho Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Oysho	Retail sales
Oysho Slovakia S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Oysho	Retail sales
Zara Home Retail South Africa (PTY) LTD.	100%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
FGI Gestión Mex, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Construction

CONSOLIDATED DIRECTORS' REPORT

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Available at this Annual Report website: (https://www.inditex.com/documents/10279/645708/Annex+IV+2019+Annual+Report.pdf/e8198ed7-5860-71bc-6bc1-6fc69a6a9e5c); and at the CNMV website: https://www.cnmv.es/AUDITA/2020/18378_en.pdf.

CONSOLIDATED DIRECTORS' REPORT

AT 31 JANUARY 2020

(Amounts expressed in millions of euros)

Situation of the entity

The information relating to the "Situation of the entity" is detailed in section "3. Inditex: Integrated and Sustainable Business Model" in the accompanying Annex IV that contains the "Non-financial information and information on diversity" of Inditex Group.

Organizational structure

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- General Shareholders´ Meeting.
- Board of Directors.
- Executive Committee.
- Audit and Compliance Committee.
- Nomination Committee.
- Remuneration Committee.
- Sustainability Committee.
- Supervisory Board and Office of the Chief Compliance Officer.
- Ethics Committee.

Business performance and results

Key financial and non-financial indicators

Inditex continues to roll out its global, fully integrated store and online platform.

Inditex remains very active in the differentiation of its store base. Global online sales launches are on track. In 2019, Zara launched online in Brazil, Egypt, Indonesia, Israel, Lebanon, Morocco, Serbia, South Africa, Kuwait, UAE, Qatar, Saudi Arabia, Bahrein, Jordan, Oman, Colombia, Philippines and Ukraine.

During FY2019, Inditex adopted the new lease accounting standard, IFRS 16, using the modified retrospective transition method. The implementation of IFRS 16 does not affect the cash flow or business, but some lines of the income statement become non-comparable with 2018 reported figures.

In FY2019, Inditex achieved a strong operating performance. Net sales reached €28.3 billion, with growth of 8%. Sales in local currencies grew 8%.

Like-for-like sales increased 6.5% in FY2019 (5% in the first half and 7.5% in the second half), on 4% in FY2018. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of fiscal years 2019 and 2018) and online. This represents 86% of total sales.

Initial collections for the Spring/Summer season have been very well received by our customers. The covid-19 pandemic is having a very significant impact. The online business continues to develop as normal in all markets. Our supply chain continues to operate normally due to the flexibility of our business model.

While it is too early to quantify the future impact of the covid-19 pandemic on our operations in 2020, we are following events closely. We remain fully confident in the strength and flexibility of our business model and long-term competitive position.

In 2019, online sales grew 23% to €3.9 billion, 14% of net sales.

In FY2019 gross new space in prime locations increased 5% (2.5% net). Total selling area at FYE reached 5,086,732 square metres:

	2019	2018	2019/2018
Zara (Zara and Zara Home)	3,345,519	3,256,381	3%
Pull&Bear	428,969	419,387	2%
Massimo Dutti	278,052	274,563	1%
Bershka	553,853	541,310	2%
Stradivarius	337,893	332,279	2%
Oysho	127,294	122,841	4%
Uterqüe	15,152	15,320	(1%)
TOTAL	**5,086,732**	**4,962,081**	**3%**

Inditex has been very active in store optimisation activities in 2019 (307 openings, 328 absorptions, and 182 refurbishments which include 87 enlargements).

At the end of FY2019 Inditex operated 7,469 stores. In FY2019 Inditex opened stores in 43 markets.

A list of the number of stores is included in the table below:

CONCEPT	31 JANUARY 2020	31 JANUARY 2019
Zara	2,142	2,131
Zara Kids	128	128
Zara Home	596	603
Pull&Bear	970	974
Massimo Dutti	754	766
Bershka	1,107	1,107
Stradivarius	1,006	1,011
Oysho	677	678
Uterqüe	89	92
TOTAL	**7,469**	**7,490**

Company-managed stores and franchised stores at the end 2019:

CONCEPT	COMPANY MANAGED	FRANCHISED	TOTAL
Zara	1,879	263	2,142
Zara Kids	128	-	128
Zara Home	512	84	596
Pull&Bear	810	160	970
Massimo Dutti	638	116	754
Bershka	930	177	1,107
Stradivarius	801	205	1,006
Oysho	586	91	677
Uterqüe	73	16	89
TOTAL	**6,357**	**1,112**	**7,469**

Sales in company-managed and franchised stores:

CONCEPT	COMPANY MANAGED	FRANCHISED
Zara (Zara and Zara Home)	87%	13%
Pull&Bear	82%	18%
Massimo Dutti	85%	15%
Bershka	83%	17%
Stradivarius	79%	21%
Oysho	88%	12%
Uterqüe	86%	14%
TOTAL	**86%**	**14%**

A list of the stores' locations by concepts and by market at FYE is included in Annex III. Net sales by concept are shown in the table below:

	2019	2018
Zara (Zara and Zara Home)	19,564	18,021
Pull&Bear	1,970	1,862
Massimo Dutti	1,900	1,802
Bershka	2,384	2,240
Stradivarius	1,750	1,534
Oysho	604	585
Uterqüe	115	101
TOTAL	**28,286**	**26,145**

The Group operates a global store and online platform. Store & Online sales by geographical area are shown in the table below:

AREA	2019	2018
Europe ex-Spain	46.0%	45.1%
Asia & RoW	22.5%	23.2%
Spain	15.7%	16.2%
Americas	15.8%	15.5%
TOTAL	**100.0%**	**100.0%**

Inditex sees strong growth opportunities and continues to expand its global, fully integrated store and online sales platform.

Gross profit reached €15.8 billion, 7% higher than in FY2018. The gross margin reached 55.9% (-79 bps). Based on current information, in accordance with IAS 2 and IAS 10, Inditex has booked an inventory provision of €287m to account for the impact that the covid-19 pandemic might have on the net realisable value of the Spring/Summer inventory position at 31 January 2020. Excluding this provision, gross profit would have reached €16.1 billion, 9% higher than in FY2018 and a gross margin of 56.9% (+22 bps).

The implementation of efficiencies has resulted in operating expenses being tightly managed over FY2019. Inditex reports under the new IFRS 16 rules, which mainly changes the accounting treatment of leases. The fixed rental expenses charge is replaced in the income statement with depreciation and financial charges, while variable rental expenses remain in the operating expenses line. Operating expenses growth was 7.5% excluding IFRS 16 new rules effects in FY2019.

	2019	2018	19/18
Personnel expenses	4,430	4,136	7%
Rental expenses	695	2,392	(71%)
Other operating expenses	3,051	2,801	9%
TOTAL	**8,176**	**9,329**	**(12)%**

At FYE 2019 the number of employees was 176,611 (174,386 at FYE 2018).

EBITDA in FY2019 came to €7.6 billion vs. €5.5 billion in FY2018. Excluding the inventory provision, EBITDA would have increased 44.5% in FY2019.

EBIT came to €4.8 billion vs. €4.4 billion in FY2018. Excluding the inventory provision, EBIT would have increased 16.1% in FY2019.

The breakdown of profit before tax by concept is shown below:

CONCEPT	2019	2018	19/18	19/18 EX COVID-19
Zara (Zara and Zara Home)	3,370	3,181	6%	12%
Pull&Bear	301	300	0%	9%
Massimo Dutti	282	269	5%	16%
Bershka	349	330	6%	13%
Stradivarius	300	256	17%	25%
Oysho	70	86	(18)%	(9)%
Uterqüe	9	5	60%	84%
TOTAL PBT	**4,681**	**4,428**	**6%**	**12%**

The following chart shows the breakdown of financial results:

	2019	2018
Net financial income (losses)	17	14
Lease finance costs	(142)	-
Foreign exchange gains (losses)	(26)	3
TOTAL	**(152)**	**17**

Results from companies consolidated by the equity method came to €61 million.

Net income in FY2019 grew 6% to €3.6 billion vs. €3.4 billion in FY2018. Excluding the inventory provision, net income would have increased 12% in FY2019.

The IFRS 16 new rules effects in net income amounted to +88 million FY2019.

Return on Equity, defined as net income on average shareholder's equity:

	2019	2018
Net income	3,639	3,444
Shareholders equity - previous year	14,653	13,497
Shareholders equity - current year	14,913	14,653
Average equity	14,783	14,075
RETURN ON EQUITY	**25%**	**24%**

Return on Capital Employed (ROCE), defined as PBT on average capital employed (shareholder's equity plus net financial debt):

	2019	2018
PBT	4,681	4,428
Average capital employed		
Average shareholders' equity:	14,783	14,075
Average net financial debt (*)	-	-
Total average capital employed	14,783	14,075
RETURN ON CAPITAL EMPLOYED	**32%**	**31%**

(*) Zero when net cash

Return on Capital Employed by concept:

CONCEPT	2019	2018
Zara (Zara and Zara Home)	30%	28%
Pull&Bear	39%	48%
Massimo Dutti	31%	38%
Bershka	39%	50%
Stradivarius	47%	49%
Oysho	26%	40%
Uterqüe	16%	12%
TOTAL	**32%**	**31%**

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached there is Annex II showing the 2019 results by quarter.

Issues relating to sustainability and employees

See Annex IV "Non-financial information and information on diversity".

Liquidity and capital resources

Inditex continued to show a strong financial position in 2019. Due to the strong operating performance, the full store and online integration, and the store optimisation programme we are seeing a lower inventory on sales and an increased cash generation.

The cash position increased 20% to €8.1 billion.

	31 JANUARY 2020	31 JANUARY 2019
Cash & cash equivalents	4,780	4,866
Short term investments	3,319	1,929
Current financial debt	(32)	(84)
Non current financial debt	(6)	(5)
NET FINANCIAL CASH (DEBT)	**8,060**	**6,705**

The operating working capital position remains negative as a result of the business model. Inventory decreased 16% in 2019. Inventory excluding the €287 million provision fell 6%.

	31 JANUARY 2020	31 JANUARY 2019
Inventories	2,269	2,716
Receivables	780	820
Payables	(5,585)	(5,251)
OPERATING WORKING CAPITAL	**(2,536)**	**(1,715)**

Cash from operations excluding the IFRS 16 impacts would have increased 26%.

Ordinary capital expenditure for FY2019 amounted to €1.1 billion, 26% lower than the prior year. Extraordinary capex came to €30 million.

The Group's capital structure is characterised by the low debt/equity ratio as a result of the practically non-existent financing and the strength of its equity.

The Group's organic growth and its CAPEX needs have been financed substantially in full with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

The Group considers that no changes will arise with regard to the generation and management of liquidity in FY2020.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see Note 20 to the consolidated annual accounts), that guarantee access to such additional funds as might be required.

Analysis of contractual obligations and off balance sheet transactions

Also, commitments exist in relation to investments envisaged in the opening of new stores in FY2020, detailed under "Information on the outlook for the group".

Main risks and uncertainties

To facilitate unified and comprehensive risk management, the Group has established a common definition of risk for the Organization as a whole. Accordingly, the Group defines a risk as "any potential event that may have a negative impact on the fulfilment of the business objectives".

The risks reviewed are classified and grouped in the following categories:

1. Business environment

Risks arising from external factors relating to the Group's business activities.

This category includes risks relating to difficulties in adapting to the environment or market in which the Group operates, as regards both the procurement processes and the product retailing and sale activities. These risks are inherent to the fashion retailing business and consist of the Group's potential inability to continue operating and react to changes in its target market or to adapt to new situations in the countries from which it obtains its supplies or in which it performs retail activities.

In this regard, geo-political, demographic and socio-economic changes, public health crises in countries, in which procurements or retail sales are made or a downturn in demand in certain markets, and which trigger country risk, constitute inter alia, factors that might have an adverse effect on the optimum achievement of the Group's business objectives. The potential consequences of climate change could also have an impact, such as sharp changes to climate cycles that could affect consumers' demand patterns, supply and demand of textiles materials used in manufacturing of garments, among others.

Furthermore, the strong competitiveness of the industry, driven by new technologies and disruptive innovations, could condition the Group's ability to compete in an environment where the consumer profile is constantly evolving.

2. Legislative and regulatory

These are the risks to which the Group is exposed as a result of the legislation in force in the countries in which it carries out its business activities.

The risks included in this category include risks relating to tax, customs, labour law, commercial and consumption-related regulations, intellectual and industrial property regulations, data protection and privacy regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk (including, without limitation, potential risks of criminal offences relating to corruption, fraud or bribery, the regulations on cybersecurity and the environment), regardless of whether or not they determine the criminal liability of legal entities, and other risks of non-compliance with legislation.

General Counsel's Office - Compliance Office supervises and manages the Inditex Group's regulatory compliance system to prevent legal (including criminal) and reputational risks arising from possible regulatory breaches, and to achieve the best ethical standards and monitor corporate best practices.

Although the election result of 12 December 2019 has confirmed the UK's exit from the EU on 31 January 2020, there is currently some uncertainty surrounding the conditions of the deal on the future relationship between the two parties as a consequence of a negotiation process that should finalise on 31 December 2020. During this transitional period, which could possibly extend beyond the time frame, no significant changes are expected in the UK-EU regulatory and commercial environment that could affect the Group's current operations.

The degree of divergence between EU and UK regulations following the conclusion of the negotiations will determine the level of adaptation for the Group's business in that market.

Among the main risks arising from the so-called Brexit for the Group are potential delays in the transit of goods, economic impacts arising from the imposition of tariffs, and currency fluctuations, possible restrictions on the free movement of persons, as well as those arising from the contractual or management risks of key third parties.

3. Reputation

These are risks which have a direct influence on the perception of the Group held by its stakeholders (customers, employees, shareholders and suppliers) and society in general.

They arise from the possibility of the inappropriate management of issues relating to social and environmental sustainability, responsibility on account of health and safety of the products, the corporate image of the Group, as well as its image on social networks, and any other potential regulatory breach that might have an impact on the Organization's reputation.

4. Human resources

The main risks relating to human resources are those arising from potential dependence on key employees and maintaining an adequate working environment in all the work centres

5. Operational

The principal operational risks to which the Group is exposed arise from the possible difficulties involved in recognizing and taking on board the ongoing changes in fashion trends, and in manufacturing, buying and putting on the market new items that meet customer expectations. Also the risks arising from the growing importance of technological innovations and evolutions in the broadest sense, both in the interaction with customers and the improvement of operating processes, to ensure commercial success.

The risk arising from the interruption of operations is associated with the possible occurrence of extraordinary events beyond the Group's control (natural disasters, fires, transport or key supplier strikes, interruptions in energy and fuel supplies, withholding of goods in freight, etc.), which could have a significant effect on the normal functioning of the Group's operations.

In view of the Group's operating structure, the main operational risks are concentrated at logistics centres and at third-party operators transporting goods. The clothing, footwear, accessories and household products of all the concepts are distributed from 14 logistics centres located throughout Spain. Distribution logistics is also complemented through a logistics connection point in Lelystad (the Netherlands), and by means of other smaller logistics centres located in other countries and with third-party logistics operators that carry out small-scale distribution operations.

Other risks included under this category would be those associated with property management, particularly in relation to the search for and selection of commercial premises and the profitability thereon. Furthermore, the relationship with certain supplies of goods and providers of services is subject to certain risks that are not directly under our control and which could have an impact on the normal performance of some of the Group's operations.

6. Financial

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes, inter alia, foreign currency exchange risk and counterparty credit risk. In addition, the increasingly international nature of the Group's businesses exposes it to country risk in its various markets.

The Euro is the Group's functional currency. Its international transactions require the use of numerous non-euro currencies giving rise to foreign currency exchange risk. The Group has investments overseas whose assets are exposed to the foreign currency exchange risk. Given that the Group consolidates the annual accounts of all its companies in its functional currency, i.e. in the Euro, it is exposed to foreign currency exchange risk in the translation of the results of all its entities located outside the Economic and Monetary Union. The Company is also exposed to the risk arising from the payment and collection flows in currencies other than the euro in relation to the acquisition and provision of goods and services in both Group and non-Group transactions.

The negative interest rate environment in the Economic and Monetary Union brings with it a risk of negative profitability in the Group's financial position

The Group is not exposed to significant concentrations of counterparty credit risk. The majority of its revenue relates to retail sales which are collected on demand, either in cash or through credit or debit card. In any event, the Group is exposed to the risk that the counterparties (mainly financial ones) fail to comply with the obligations resulting from the invest the company's cash, under the credit facilities or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks.

7. Information for decision-making

The risks in this category relate to the availability of adequate information at all levels: transactional and operating information, financial and accounting information, management information and budgeting and control information.

The Group's various departments and particularly the Planning Management and Control and the Administration Departments, which report to the Corporate Finance Department, are directly responsible for producing and supervising the quality of this information.

8. Technology and information systems

These include the risks associated with the technological infrastructure, the effective management of information, IT and robotic networks and communications. They also include those relating to the physical and technological security of systems, in particular, the risk of cyberattacks on information systems, which could potentially affect the confidentiality, integrity and availability of critical data.

9. Corporate governance

This category includes the risk relating to the possibility of inadequate Group management arising from possible breach by the management team or members of the Board of Directors of the standards, recommendations or best practices that exist in issues of Corporate Governance, of the transparency regulations of the supervisory authorities, or even the lack of professional ethics in management.

Risk management at the Group is a process driven by the Board of Directors and Senior Management and is the responsibility of each and every member of the Group, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved, as an answer to social and environmental challenges, furnishing shareholders, other stakeholders and the market in general with sufficient guarantees to ensure that the value generated will be protected.

In this context, the Group's Risk Management and Control Policy establishes the basic principles, key risk factors and the general action guidelines for managing and controlling the risks that affect the Group. This Policy is enforced on the entire Group and forms the basis for an Integral Risk Management System.

The Risk Management and Control Policy is implemented and complemented by specific policies and internal regulations relating to certain units or areas of the Group. The policies and internal regulations developed and implemented by these areas for the management of the different types of risk include most notably:

- The Investment Policy.
- The External Financing Policy.
- The Payment Management Policy.
- The Financial Risk Management Policy.
- The Policy on Management of Insurable Risks.
- The Code of Conduct and of Responsible Practices.
- The Policy on Criminal Risk Prevention.
- The Internal Regulations of Conduct regarding Transactions in Securities.
- The Corporate Social Responsibility Policy.
- The Code of Conduct of Manufacturer and Supplier.

- The Occupational Health and Safety Policy.
- The Environmental Sustainability Policy.
- The Information Security Policy.
- The Standard for Procurement Management.
- The Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisers.
- The Policy and Procedure for Representatives and Attorneys.
- The Policy on Human Rights.
- The Diversity and Inclusion Policy
- The Compliance Policy.
- The Tax Strategy and Tax Policy.
- The Anti-Money Laundering and Terrorism Financing Policy.
- The Due Diligence Policy.
- The Conflicts of Interest Policy.
- The Donations and Sponsorship Policy.
- The Policy on Gifts and Business Courtesies.
- The Policy on Relations with Civil Servants.

For further details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2019.

Significant events after the reporting period

Coronavirus (covid-19) was first reported in China in January 2020 and has since then largely spread around the world. As a result of this, the World Health Organization declared the coronavirus outbreak a pandemic on 11 March 2020.

Taking into account the potential impact of the above described situation on the financial information of the Inditex Group as of 31 January 2020, Directors and Management have assessed the situation based upon the best information available to date, and pursuant to the provisions of IAS 2 “Inventories” and IAS 10 “Events after the reporting period”.

Based upon such evaluation, the Group has booked a provision in the amount of 287 million euros, in the gross profit line of the consolidated income statement, to adjust the estimated net realizable value of inventories for the Spring/Sumer campaign as of 31 January 2020 further to the covid-19 pandemic impact.

Information on the outlook for the Group

Inditex would like to express solidarity with the people affected by the covid-19 pandemic.

Our main priority is the health and safety of local communities and our employees. We have put in place appropriate procedures to deal with the situation and we will continue cooperating in full with the authorities. We would like to express our gratitude to our dedicated teams who have been an inspiration during this period.

The covid-19 pandemic is having a very significant impact. The online business continues to develop as normal in all markets. Our supply chain continues to operate normally due to the flexibility of the business model. Initial collections for the Spring/Summer season have been very well received by our customers.

Store and Online sales in local currencies decreased 4.9% from 1 February to 16 March 2020. Store and Online sales in local currencies decreased 24.1% from 1 March to 16 March 2020. As of today 3,785 stores are temporarily closed in 39 markets. All stores in China are open with the exception of 11 stores.

While it is too early to quantify the future impact of the pandemic on our operations in 2020, we are following events closely. We remain fully confident in the strength and flexibility of our business model and long-term competitive position. The underlying growth rate in LFL sales of Inditex continues to be 4%-6%.

Inditex is actively managing operating expenses in order to minimise the overall impact of the situation.

Inditex enjoys a strong financial condition. Net Cash and Cash Equivalents at FYE 2019 reached €8.1 billion.

While it is too early to quantify the future impact of the pandemic on our operations in 2020, we are following events closely. We remain fully confident in the strength and flexibility of our business model and long-term competitive position. In the current situation, generated by temporary external factors, we reaffirm our vision over the long term potential and the fundamentals of the business model.

R,D&I activities

The Inditex Group carries out research, development and innovation activities in all areas of its activity to improve manufacturing and distribution processes and to develop, using its own resources or with the help of third parties, technologies that facilitate business management. In particular, we highlight the activity of designing clothing, accessories and household items, logistics and those related to technology linked to point-of-sale terminals, to administration and inventory management systems, to delivery systems at distribution centres, to communication with stores, to garment labelling and, finally, to the activity linked to the digital transformation of the business.

Acquisition and sale of treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 26 of the 2018 consolidated annual accounts) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan. Likewise, the Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for these plans, rendering the previous authorization invalid.

At 31 January 2019, the Company owned a total of 2,950,143 treasury shares, representing 0.095% of the share capital.

Subsequently, in 2019, the first cycle (2016-2019) of the 2016-2020 Long Term Incentive Plan was settled and the corresponding shares were delivered to the beneficiaries of the first cycle of the Plan. Consequently, at 31 January 2020, the Company owned a total of 2,125,384 treasury shares, representing 0.068% of the share capital.

Other salient information

Stock market information

The Inditex share price closed 2019 at EUR 30.37 per share on 31 January 2020. The average daily trading volume was approximately 6.1 million shares. In the same period, the Dow Jones Stoxx 600 Retail rose by 17% while the Ibex 35 was up by 3%.

Inditex's market capitalization stood at EUR 94,653 million at the end of the period, up 933% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 3% decrease in the Ibex 35 index in the same period.

The dividend for 2018 totalling EUR 0.88 per issued share was paid in May and November 2019.

Dividend policy

The Board of Directors of Inditex, following the proposal of the Audit & Compliance committee, in view of the current uncertain situation due to the covid-19 pandemic, considers that it is not the right moment to take a decision on the dividend to be proposed relating to FY2019.

Consequently, the net income generated will be allocated to reserves (to voluntary reserves amounting to EUR 10,228 million and to the capitalisation reserve amounting to EUR 190 million) with a view to submitting a final proposal on dividends at a later board meeting prior to the AGM which will take place in July.

Other disclosures

Related party transactions

Transactions with related parties are described in Notes 27 and 29 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in 2019 that substantially affected its financial position or results.

Information on average payment periods required by Law 15/2010, of 5 July, amending Law 3/2004, of 29 December

The Group's supplier payment policy complies with the periods for payment to suppliers set in the late payment legislation in force. The Group is developing measures to try to reduce the payment period in those rare cases in which the established maximum payment period is exceeded. The aforementioned measures will focus on reducing the length of the processes involved in the receipt, verification, acceptance and accounting of invoices (enhancing use of electronic and technological methods) and improving the procedure for incident resolution in this connection.

Annual Corporate Governance Report

The Annual Corporate Governance Report for 2019 is available at www.inditex.com and was published in the section on Other Relevant Event Communications of the CNMV (Spanish National Securities Market Commission) website (www.cnmv.es) on 18 March 2020.

Non-financial information and information on diversity

The non-financial information and information on diversity of the Inditex group is attached as Annex IV to this document. Available at the corporate website of the Inditex Group: https://www.inditex.com/documents/10279/645708/Memoria+Anual+Inditex+2019.pdf/533b2eb6-c963-85b2-a079-b63caf28b6fb; and at the CNMV website: https://www.cnmv.es/AUDITA/2020/18378_en.pdf.

Alternative performance measures

The Gross Margin, EBITDA, EBIT, PBT, ROE, ROCE, working capital, net financial position, Average net financial debt and Quarterly results are defined in the introduction to the Consolidated Annual Accounts 2019.

The information disclosed in this document may contain statements in relation to future intentions, expectations and projections. All such statements, except for those based on historical data, are forward-looking statements, including, inter alia, those that address our financial position, business strategy, management plans and objective for future transactions. The aforementioned intentions, expectations or projections are subject per se to risks and uncertainties which could cause actual results to differ from those anticipated.

These risks include, but are not limited to, competition within the sector, consumer preferences and spending trends, economic and legal conditions, restrictions on free trade and/or political instability in those markets where the Inditex Group has a presence or in those countries in which Group products are manufactured or distributed.

The risks and uncertainties that could potentially have an impact on the information disclosed are difficult to predict. The Group undertakes no obligation to publicly update or revise any of the forward- looking statements in the event that any unforeseen changes or events arise which might affect them.

Annex II.
Income statement: FY2019 quarterly results:

	2019 QUARTERLY RESULTS			
	Q1	Q2	Q3	Q4
Net sales	5,927	6,893	7,000	8,466
Cost of sales	(2,402)	(3,134)	(2,746)	(4,197)
GROSS PROFIT	**3,524**	**3,759**	**4,254**	**4,268**
	59.5%	54.5%	60.8%	50.4%
Operating expenses	(1,842)	(1,981)	(1,988)	(2,365)
Other net operating income (losses)	(8)	(6)	(11)	(8)
OPERATING CASH FLOW (EBITDA)	**1,675**	**1,772**	**2,255**	**1,896**
	28.3%	25.7%	32.2%	22.4%
Amortisation and depreciation	(696)	(712)	(747)	(672)
OPERATING INCOME (EBIT)	**980**	**1,060**	**1,508**	**1,224**
	16.5%	15.4%	21.5%	14.5%
Financial results	(36)	(41)	(34)	(41)
Results from companies consolidated by equity method	9	15	12	25
INCOME BEFORE TAXES	**952**	**1,035**	**1,486**	**1,208**
Taxes	(216)	(218)	(312)	(287)
NET INCOME	**736**	**817**	**1173**	**921**
	12.4%	11.8%	16.8%	10.9%
MINORITIES	**2**	**1**	**2**	**2**
NET INCOME ATTRIBUTABLE TO THE CONTROLLING COMPANY	**734**	**816**	**1,171**	**919**
	12.4%	11.8%	16.7%	10.9%

Annex III.
Detail of stores by concept and market as at 31 January 2020

MARKET	ZARA	ZARA KIDS	PULL&BEAR	MASSIMO DUTTI	BERSHKA	STRADIVARIUS	OYSHO	ZARA HOME	UTERQÜE	INDITEX
ALBANIA	1		1	1	2	2		1		8
GERMANY	74		11	15	13			14		127
ANDORRA	1		1	1	1	1	1	1	1	8
SAUDI ARABIA	44		19	11	31	46	17	8	5	181
ALGERIA	2		2		3	3	1	2		13
ARGENTINA	11									11
ARMENIA	2		2	2	2	2	1	1		12
ARUBA	1									1
AUSTRALIA	19									19
AUSTRIA	13		4	3	7			3		30
AZERBAIJAN	3		2	3	3	2	1			14
BAHREIN	2		1	2	1	1	1	1		9
BELGIUM	32		9	20	14	2	3	7		87
BELARUS	2		2	1	2	2	1	1		11
BOSNIA	3		4	1	4	4				16
BRAZIL	56							14		70
BULGARIA	7		6	6	8	5	6	1		39
CANADA	32			8				2		42
CHILE	9							4		13
MAINLAND CHINA	179		65	89	62	35	87	52	1	570
HONG KONG SAR	14		6	2	5		2	1		30
MACAO SAR	2		1	2	1	1	1	1		9
TAIWAN, CHINA	9		4	5	3			2		23
CYPRUS	7		5	5	6	7	5	5		40
COLOMBIA	14		9	4	13	12	4	4		60
SOUTH KOREA	41		2	6			4	6		59
COSTA RICA	2		2	1	2	2	1	1		11
CROATIA	10		7	4	10	7	3	2		43
DENMARK	4			1				1		6
ECUADOR	2		3	1	3	3	1			13
EGYPT	7		7	6	7	6	5	5		43
EL SALVADOR	2		2		2	2	1			9
UAE	13		9	8	10	7	9	9	2	67
SLOVAKIA	3		3	1	5	4				16
SLOVENIA	5		2	1	4	4				16
SPAIN	302	107	198	180	191	277	170	123	32	1,580
UNITED STATES	99									99
ESTONIA	3		1	2	1	1		1		9
PHILIPPINES	9		2	2	4	4				21
FINLAND	6			1						7
FRANCE	121		39	14	53	28	10	19		284
GEORGIA	4		2	4	3	3	2	1		19
GREECE	41	6	25	13	29	22	20	10		166
GUATEMALA	3		3	1	3	3	1	1		15
NETHERLANDS	29		11	4	18	6		8		76
HONDURAS	2		2	1	2	2	1	1		11

MARKET	ZARA	ZARA KIDS	PULL&BEAR	MASSIMO DUTTI	BERSHKA	STRADIVARIUS	OYSHO	ZARA HOME	UTERQÜE	INDITEX
HUNGARY	8		8	3	9	7	2	2		39
INDIA	22			3						25
INDONESIA	17		14	5	8	14	4	3		65
IRELAND	9		3	2	6	4				24
ICELAND	1									1
ISRAEL	25		24	3	17	8		2		79
ITALY	99		56	7	71	88	34	29		384
JAPAN	94				25	8		18		145
JORDAN	3		2	3	2	4	2	2	1	19
KAZAKHSTAN	5		5	4	6	6	5	4	1	36
KUWAIT	6		3	3	4	3	4	4	2	29
LATVIA	3		2	4	2	2	2	1		16
LEBANON	7		4	6	8	6	5	5	1	42
LITHUANIA	5		3	5	4	4	1	2		24
LUXEMBOURG	4		2	2	1	1	1	1		12
MACEDONIA	1		1	1	1	1				5
MALAYSIA	9		4	5	2					20
MALTA	1		3	1	1	1	1	3		11
MOROCCO	7		2	3	3	7	3	4	1	30
MEXICO	91		70	43	78	52	56	32	16	438
MONACO	1									1
MONTENEGRO	1		1		1	1	1			5
NICARAGUA	1		1		1	1				4
NORWAY	5									5
NEW ZEALAND	1									1
OMAN	1				1	1	1	1		5
PANAMA	3		2	1	2	2	2	1		13
PARAGUAY	1							1		2
PERU	4							3		7
POLAND	46		33	28	49	52	21	15	4	248
PORTUGAL	70	15	49	41	48	44	33	28	6	334
PUERTO RICO	3									3
QATAR	6		5	4	5	4	5	5	2	36
UNITED KINGDOM	63		8	13	7	6		11		108
CZECH REPUBLIC	6		4	2	5	5	1	1		24
DOMINICAN REPUBLIC	3		1	2	2	2	2	2		14
ROMANIA	24		25	12	28	25	13	8	1	136
RUSSIA	100		87	55	103	82	70	49	12	558
SERBIA	6		5	4	5	5	4	3		32
SINGAPORE	10		3	6	3	1	1			24
SOUTH AFRICA	9							1		10
SWEDEN	11		1	4			1	4		21
SWITZERLAND	20		4	7	6		1	4		42
THAILAND	12		3	4	1		1	2		23
TUNISIA	5		3	2	4	4	3	2		23
TURKEY	44		34	26	36	35	30	25		230
UKRAINE	10		15	7	15	13	8	3	1	72
URUGUAY	2							2		4
VENEZUELA	8		5		9					22
VIETNAM	2		1	1		1				5
INDITEX	**2,142**	**128**	**970**	**754**	**1,107**	**1,006**	**677**	**596**	**89**	**7,469**

RISK MANAGEMENT AND CONTROL SYSTEMS

INDEX

E. Risk management and control systems

E.1. Explain the scope of the company's Risk Management and Control System, including tax compliance risk.

At Inditex, risk management is driven by the Board of Directors and the Senior managers, and incumbent on each and every single member of the Group; it seeks to provide reasonable assurance of achievement of the objectives established by the Group as an answer to social and environmental challenges, ensuring an appropriate level of guarantee to stakeholders which ensures protection of value built.

In this context, the Group's Enterprise Risk Management Policy lays out the overarching principles, key risk factors and the general action lines to manage and monitor the risks affecting the Group. The scope of the Policy extends to the entire Group and is at the basis of an Integral Risks Management System.

The Enterprise Risk Management Policy is developed and supplemented by specific internal policies or regulations with regard to certain areas or units of the Group. The internal policies or regulations developed and implemented by those areas to mange the different types of risks, include without limitation:

- The Investment Policy.
- The External Financing Policy.
- The Payment Management Policy.
- The Financial Risk Management Policy.
- The Policy on Management of Insurable Risks
- The Code of Conduct and Responsible Practices.
- The Policy on Criminal Risk Prevention.
- The Internal Regulations of Conduct regarding Transactions in Securities.
- The Corporate Social Responsibility Policy.
- The Code of Conduct for Manufacturers and Suppliers.
- The Occupational Health and Safety Policy.
- The Environmental Sustainability Policy.
- The Information Security Policy
- The Standard for Procurement Management
- The Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors
- The Policy and Procedure for Representatives and Attorneys
- The Policy on Human Rights
- The Diversity and Inclusion Policy
- The Compliance Policy
- The Tax Policy and the Tax Strategy
- The Anti-Money Laundering and Terrorist Financing Policy
- The Due Diligence Policy.
- The Conflicts of Interest Policy
- The Policy on Donations and Sponsorship
- The Policy on Gifts and Business Courtesies
- The Policy on Relations with Civil Servants.

The risk management process is described in detail in the Risks Management Manual attached to the Enterprise Risk Management Policy.

Risks management starts by identifying and assessing the factors which may have a negative impact on the achievement of the business objectives, which translates into a risks map that includes the main risks classified in different groups, together with an assessment thereof based upon their potential impact, the likelihood of their occurrence and the level of preparedness of the Group to address them. The risks map is regularly reviewed to keep it updated, in order to include amendments related to the evolution of the Group itself and the environment where it operates. The risk management process continues with adopting a certain response to such factors, and establishing the required control measures for such response to be effective.

Within the Risk Management System, business units represent the first line of defense, reporting the relevant information to the Enterprise Risks Management Department, which coordinates the System as a second line of defense.

Internal Audit acts as a third line of defense, overseeing in an independent and objective manner the Risk Management System and reporting to the Board of Directors through the Audit and Compliance Committee.

E.2. Identify the bodies within the company responsible for creating and executing the Risk Management and Control System, including tax compliance risk

The main responsibilities of the governing bodies and areas involved in Enterprise Risks Management at the Inditex Group are described below:

The Board of Directors is charged with:

- Approving the Enterprise Risk Management Policy, on the proposal of the Management. Such Policy defines the strategy in the field of risks management and the disclosure thereof to the rest of the organisation. Based upon such policy, the ERM System is implemented, as well as the mechanisms for the regular follow-up of internal information and control systems.

The Audit and Compliance Committee is responsible for:

- Overseeing the control and risks management function and establish that it operates pursuant to the provisions of the policy approved by the Board.

- Receiving on a regular basis reports from the Management or from the supervising areas, on the proceedings of risk management systems established, as well as on the results of the tests carried out by internal auditors relating to the same, as well as on any significant internal control weakness detected by the external auditors.

- Assessing the effectiveness of internal control and management systems relating to financial and non-financial risks, as well as of the measures established to mitigate the impact of identified risks.

- Promoting a corporate culture within the Company wherein risk is a factor upon decision-making, at all levels of the Company and its Group.

- Identifying and re-assessing, at least on an annual basis, financial and non-financial risks and the level of risk tolerance.

- Identifying and understanding emerging risks as well as their alert mechanisms, and regularly assess the effectiveness thereof.

- Ensuring that risks are kept and managed within the levels of risk tolerance set by the Board.

- Meeting with the heads of business units at least once a year, and whenever the Committee deems it appropriate, for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.

- Reviewing the information on the risks that the Group faces, and on the risk control systems, that must be included in the Annual Corporate Governance Report, the directors' report attached to the annual accounts and the interim financial statements and in any other information instruments of the Company; and

It is incumbent on the Financial Division (where the ERM Department is assigned):

- To ensure the good running of the Risk Management System and namely that all relevant risks which affect the Company are duly identified, managed and quantified.

- To take an active role in the preparation of the risk strategy and in the important decisions on risk management.

- To ensure that the ERM System would appropriately mitigate risks.

- To oversee the work and liaising with Risks Managers at each business unit or area, both at corporate or concept level, providing valid tools for risks assessment and management.

- To maintain and refresh knowledge, techniques, methodologies and tools allowing observance of the principles underlying the ERM system at maximum quality levels.

- To regularly review the risks management policies and manuals and the motions for the amendment and update thereof to the Audit and Compliance Committee to be tabled, where appropriate, to the Board of Directors.

- To coordinate and process the information received by Risks Managers at each business unit or area, reporting to the Senior managers and to the Board of Director through the Audit and Compliance Committee.

- To promote appropriate and effective communication channels between ERM Department and the remaining Divisions and areas involved.

Risks Managers are charged with:

Monitoring the risks under their remit, in accordance with the methodology and tools defined by the ERM Department.

Identification of events which may entail potential risks and opportunities within the assigned scope of responsibility, reporting the necessary information to the ERM Department.

Follow-up and notice of the evolution of risk management, as well as the defined action plans.

The Internal Audit Department is charged with:

- Contributing to the improvement of risks management, control and governance processes, assuring the Audit and Compliance Committee of an effective and independent supervision of the internal control system and issuing recommendations for the Group to help reduce to reasonable levels the potential impact of risks which hamper the achievement of the objectives of the Company.

- Internal Audit function must always remain independent in respect of ERM System, and it shall not be responsible for making any key decisions regarding its operation.

Senior managers are charged with:

- Raising awareness regarding the weight of the ERM System and its value for all the stakeholders of the Group, encouraging the creation of an all-encompassing risks management culture.

- Defining and validating functions, powers and responsibilities within the framework of the ERM System.

- Determining the level of risk that the Company may deem acceptable.

- Provision of appropriate and sufficient resources to implement Risks Management activities.

- Validation of action and work plans resulting from the risks management process itself.

- Follow-up on activities.

Additionally, a number of specific Committees relating to follow-up of the major risks are in place:

- Expansion Committee
- Logistics Committee
- Committee of Ethics
- Business Monitoring Committee
- Compliance Supervisory Board
- Information Security Committee
- Investments Committee
- Financial Risks Committee
- Reputation Committee

E.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

In order to achieve a streamlined and comprehensive risks management, the Group has established a definition of risk valid for the whole Organisation. Thus, the Group defines risk as: "any potential event which might have a negative impact on the achievement of its business objectives".

Risks reviewed are classified and grouped in the following categories:

1. Business environment

These are risks stemming from external factors associated with the Group's business.

Included in this group are risks associated with the difficulty in adjusting to the environment or market where the Group operates, whether as regards procurement processes or distribution and sale of goods activities. This element is inherent in the fashion retail business and consists of the eventual inability of the Group to follow up and offer a response to the evolution of its target market or to adjust to the new situations in procurement or distribution countries.

In this regard, geopolitical, demographic, social and economic changes, as well as public health crisis, that trigger the country risk in procurement or distribution countries, or the consumption decline in certain markets, are factors which may, among others, have an impact on the effective achievement of the business objectives of the Group, as may, without limitation, the potential consequences of the climate change, such as acute changes in climate cycles which might affect customers' demand patterns, the supply and demand of textile raw materials used to manufacture garments, etc.

Additionally the strong competitiveness existing in the sector, driven by new technologies and disruptive innovation might condition the Group's capacity to compete in an environment in which customer's profile is constantly changing.

2. Regulatory risk

Those are risks to which the Group is exposed arising from the different applicable legislation in the countries where it conducts business.

Included in this category are risks regarding tax, customs, employment, trade and consumption and industrial and intellectual property, data protection and privacy regulations, as well as the risks associated with the remaining laws and regulations, namely regulatory risks of a criminal nature (including, without limitation, potential risks of criminal offences relating to corruption, fraud or bribery, the regulations on cybersecurity and the environment), whether or not they determine criminal liability of the natural person, as well as other risks of regulatory noncompliance.

The General Counsel's Office – Office of the Chief Compliance Officer is responsible for overseeing and managing the Compliance System of the Inditex Group, in order to prevent any regulatory risks (including criminal ones, in particular those relating to corruption) and/or reputational risks, arising from a potential regulatory noncompliance, and to respect the highest ethical standards and follow-up on best corporate practices.

Although the results of the UK general election held on 12 December 2019 ensured the departure of the United Kingdom from the European Union on 31 January 2020, the terms of the agreement on the future relationship between both parties resulting from the negotiation process that should end by 31 December 2020 remain uncertain. During this transitional period, which might eventually go beyond the scheduled expiry date, no significant changes to the regulatory environment and the trade relations between the UK and the EU are expected which may affect the current operations of the Group in the country.

The level of divergence between the EU and the UK regulations following the end of the negotiations will determine the level of adaptation of the Group's business in such market.

The main risks for the Group arising from Brexit include potential delays in transit of goods, economic impacts arising from the imposition of tariff duties and currency fluctuation, potential restrictions to free movement of people, as well as risks stemming from contracts or management of key third parties.

3. Reputation

Risks which have a direct impact on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the society at large.

These risks stem from a potentially inappropriate management of the issues regarding corporate ethics, social and environmental sustainability, responsibility on account of health and safety of products, the corporate image of the Group, including in social media, as well as any other potential regulatory noncompliance or noncompliance with best practices which might have an impact on the reputation of the Organisation.

4. Human Resources

The main risks relating to the field of human resources are those arising out of a potential dependence on key personnel and of the difficulty in properly identifying and retaining talent, as well as in keeping an appropriate work environment at all work centres.

5. Operations

The main operational risks the Group addresses stem from a presumptive difficulty in recognising and taking in the ongoing changes in fashion trends, and manufacturing, supplying and placing on the market new models that fulfil customers' expectations. Likewise, risks arising from the increasing weight of technological innovations and evolutions in the broadest sense, both regarding interaction with customers and improvement of operating processes to ensure commercial success.

The risk arising out of business interruption is associated with the eventual occurrence of extraordinary events beyond the control of the Group (natural disasters, fires, strikes of haulers or of key suppliers, power outage, discontinuance in the supply of fuel, goods detention during carriage, etc.) that may significantly affect normal operations.

Given the way the Group operates, the main risks included in this category are found at logistics centres and in external operators charged with carriage of the goods. Apparel, footwear, accessories and homeware for all the brands are distributed from 14 logistic centres spread throughout Spain. Distribution logistics is also assured through a logistics connection point in Lelystad (the Netherlands), and by means of other smaller logistic centres located in different countries and by external logistics operators in charge of small volume distribution operations.

Other risks included in this category are those associated with real estate management, relating to the search and selection of prime business premises that meet the Company's exacting requirements, and their profitability. Additionally, the relation with certain suppliers of goods or services providers is subject to certain risks beyond our control which might have an impact on the normal course of certain operations of the Group.

6. Financial

In the ordinary conduct of its business, the Group is exposed to financial risks. Included in this category are foreign exchange risk and counterparty credit risk. Additionally, given the ever-growing international dimension of the Group's business, the Company is exposed to country risk in different markets.

Euro is the functional currency of the Group. Its international transactions involve using a large number of currencies other than euro, which gives rise to the foreign exchange risk. The Group has investments abroad, the net assets of which are exposed to foreign exchange rate risk. As the consolidated financial statements of all Group companies are prepared in the functional currency, i.e., euro, it is faced with the foreign exchange risk on account of translation, in respect of all its entities outside the Economic and Monetary Union (EMU). The Company also addresses the risk resulting from transactions in currencies other than euro in flows of collections and payments for acquisition of goods and provision of services both in respect of transactions within the Group and outside the Group.

The environment of negative interest rates existing in the Economic and Monetary Union entails a risk of loss in the Group's financial position.

The Group is not exposed to significant concentrations of counterparty credit risk. Most of its revenue results from retail sales, where payment is made on demand, either in cash or with credit card. At any rate, the Group deals with the risk that counterparties, mainly financial ones, would fail to comply with the obligations stemming from investment of the Company's cash, loan agreements and other financial and securities vehicles, and from derivatives used for financial risks hedging.

7. Information for the decision making

Risks included in this group are those associated with the appropriate information at all levels: transactional and operational, financing-accounting, management, budgeting and control.

The different departments of the Group, and especially the Planning and Management Control Department and the Administration Department, both of which report to the Financial Division, are directly responsible for producing and overseeing the quality of such information.

8. Technology and IT systems

Risks in this group include those associated with the technological infrastructure, the effective management of information, of computer and robotic networks and of communications. Risks connected with the physical and technological security of IT systems are also included, namely the risk of cyber-attacks against IT systems, which might eventually affect the confidentiality, integrity and availability of critical information.

9. Corporate Governance

This category includes the risk associated with the potential existence of an inappropriate management of the Group stemming from potential noncompliance by members of management or board members with existing regulations, recommendations, or best practices in the field of Corporate Governance, with transparency regulations of regulatory authorities, or even from lack of professional ethics in such management.

E.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk

The Group relies on standard criteria to identify, assess and prioritise risks, based upon the concept of risk tolerance as key tool.

It is incumbent on Senior managers to establish risk strategy and tolerance, which must reflect the volume of risks the Group is willing to assume, to reasonably achieve its objectives and interests. Such tolerance is regularly updated, at least every time the Group strategy changes.

Once the risk tolerance for strategic and business objectives of the Group has been defined, it is duly disclosed to the Corporate Risks Manager, who determines the assessment scales of key business risks (impact, likelihood and level of preparedness).

E.5. State which risks, including tax compliance risks, have materialised during the year

Risks inherent in the business model, the Group's activities and the market environment, have materialised in the year, as a result of circumstances inherent in the conduct of business and the prevailing economic climate. The Group operates globally and therefore, it is exposed to the foreign exchange risk in respect of transactions in currencies, namely in US dollar, Russian ruble, Chinese renminbi, Mexican peso, Sterling pound and Japanese yen. In 2019, the depreciation of non-euro currencies has had a slightly positive impact on the Company's sales growth rate, and a slightly negative impact on sales cost.

Foreign exchange risk is managed pursuant to the guidelines set out by the Group's Management, which mainly cover the establishment of financial or natural hedging systems, constant monitoring of foreign exchange rates fluctuation, and other measures aimed at mitigating such risk.

The evolution of the political situation in the United Kingdom has resulted in a high level of market uncertainty in the year, although its impact has not been significant for the Group.

Coronavirus (covid-19) was first reported in China in January 2020 and has since then largely spread around the world. As a result of this, the World Health Organization declared the coronavirus outbreak a pandemic on 11 March 2020.

From the moment the existence of this outbreak become known, the Group has been continuously following up on its current impact, and its potential short-term and mid-term effects.

The Group's first and foremost concern has always been ensuring the health and well-being of its employees, customers and of anyone who directly or indirectly renders the services or supplies the goods required for the smooth operation of its business, taking at all times the appropriate prevention and mitigation measures. In this regard, Inditex is timely apprised and updated on the development of the crisis, taking into account at all times the guidelines and recommendations of the relevant public authorities and institutions.

Inditex has launched a global contingency plan at its work centres to protect its employees from potential risks of infection and spread of covid-19. Such plan includes preventive measures (such as improving hygiene, restricting visits and travel), organisational measures and measures relating to health coordination, which are implemented based upon the level of seriousness of the different estimated scenarios. Thus, in such regions and areas where exposure to the virus is high, extreme caution is exercised and all required measures and tools have been made available to employees (namely to such groups of employees identified as being at greater risk) to encourage remote work, ensuring that they can work normally. Additionally, the evolution of the situation is being closely monitored for the purposes of successfully coping with any potential impacts, both financial and non-financial, resulting thereof.

With regard to procurement, given the Group's flexible business model, its supply structure is largely diversified in different geographical areas, which allows it to shift among different sources to adapt to circumstantial situations.

In some of the markets most affected by the virus, the Company has been compelled to shut down all its stores, following the instructions of competent authorities. In other markets, some stores are being temporarily or intermittently closed. As of this day it is complicated to foresee how long will the stores remained close. The online business continues to develop as normal in all markets.

Directors and the Management have assessed the current situation based upon the best available information to date and in accordance with accounting standards. Inditex has booked an inventory provision of €287 million to account for the impact that covid-19 might have on the estimated net realizable value of the Spring/Summer inventory position at 31 January 2020.

E.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the company, as well as the procedures followed by the company in order to ensure that the board of directors responds to any new challenges that arise

The Group relies on response plans that seek to reduce the impact and likelihood of materialisation of the critical risks described in section E.3 above, or to improve the level of preparedness versus risks.

The main specific response plans for each risk category are explained below:

1. Business environment

In order to reduce risk exposure in this area, the Group carries out a feasibility study in respect of each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether the estimated figures are met or not. Moreover, the Group's business model is based not only on managing new openings, but also on improving the efficiency and effectiveness of existing markets, business lines and stores, so that the growth achieved via expansion and diversification, is complemented by the organic growth of the existing business.

In line with the foregoing, the expansion policy, the multi-brand format of the Group and its commitment to the full integration of all the channels and the use of new technologies as an alterantive channel of communication and sale for our customers, represents a way to diversify this risk, which downplays the global exposure to this business environment risk.

Likewise, production and procurement have been designed based upon a model which ensures a reasonable flexibility which permits adapting production to market demands and to potential changes in the environment of procurement markets.

2. Regulatory risk

The General Counsel's Office – Office of the Chief Compliance Officer (GCO-OCCO) is charged with managing the Model of Compliance of the Company. In particular, GCO-OCCO undertakes a triple function consisting of organisation, coordination and reporting duties.

Organisation duties means that the GCO-OCCO oversees the process of preparing the Company's internal regulations (Polices, Procedures and Instructions) and, approves them, where appropriate.

The GCO-OCCO is also responsible for coordinating Compliance functions assigned to other departments or areas where Compliance risks exist, by means of a periodic reporting system.

In order to mitigate exposure to regulatory risks, in particular to criminal risks – including the risk of criminal offences relating to corruption, fraud and bribery – the Group relies on a structure of high level basic regulations and a number of organisational documents which constitute the main pillars of the Company's cross-cutting Compliance system: the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group. A full description of both of them is provided in section F-1.2 below.

To prevent criminal offences, Inditex relies on an organisational and management model known as the Model of Criminal Risk Prevention, made up of three different documents: the Policy on Criminal Risk Prevention, the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls (the "Model of Criminal Risk Prevention"). The Policy associates engagements of ethical behaviour undertaken pursuant to the Code of Conduct and Responsible Practices with such offences that it intends to prevent, and the Procedure covers the organisational measures to prevent commission of offences. Criminal risks identified and controls set to prevent the commission of offences are listed in the Scoping Matrix.

Inditex Model of Criminal Risk Prevention, approved by the Board of Directors in 2016, is subject to an ongoing evaluation and improvement process. In particular, the Scoping Matrix of Criminal Risks and Controls is permanently updated by; (i) regularly reviewing potential risks inherent to the processes of the different proceedings carried out, taking into account the latest regulatory developments, the approval and/or amendment of internal regulations and the changes in the Company's organisation; and (ii) the monitoring of the controls implemented, taking into account risk prioritisation determined in the risk map.

Within the scope of such Model of Criminal Risk Prevention, a number of internal regulations have been approved, in furtherance of statutory obligations or obligations arising from the Articles of Association and from the regulatory framework wherein Inditex operates, the most relevant of which are:

- The Policy on Donations and Sponsorships.
- The Policy on Gifts and Business Courtesies.
- The Policy on Dealings with Public Servants.
- The Conflicts of Interest Policy.
- The Anti-Money Laundering and Terrorist Financing Policy.
- The Due Diligence Policy.
- The Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorised Markets.

The Committee of Ethics that reports to the Board of Directors through the Audit and Compliance Committee, is responsible for overseeing compliance with the Model of Criminal Risk Prevention and the effectiveness and appropriate implementation of the controls therein set - the GCO-OCCO being responsible for the material performance thereof -, and with ensuring that such Model meets the prevailing legal requirements from time to time in force.

The Committee of Ethics as the decision-making body, and the GCO-OCCO as operational body, make up the so called Compliance Function.

The Company relies on a Whistle Blowing Channel (currently renamed as the "Ethics Line") described in section F.1.2 below.

Protection of personal data of its customers and employees is a top priority at Inditex, including privacy from design and by default in its processes.

To ensure such protection, Inditex has in place a compliance model in the field of data protection and privacy, managed by the Data Protection and Privacy department, overseen by the the Group's global Data Protection Officer (DPO). At the core of such model is the Compliance Policy regarding Personal Data Protection and Privacy, approved by the Board of Directors. The Policy covers the principles and commitments championed by the company to ensure observance of applicable regulations on data protection and privacy in all the jursidictions where it conducts business, and respect for the rights of all concerned parties (customers, users, employees, etc.)

3. Reputation

The Group relies on a Policy on Human Rights and a Code of Conduct for Manufacturers and Suppliers. The Committee of Ethics and the Sustainability Department are responsible for enforcing and construing both internal regulations. Meanwhile, the General Counsel's Office –Office of the Chief Compliance Officer imparts training to employees on the Code of Conduct and Responsible Practice. The newly formed Sustainability Committee will be responsible for following up on the Group's Sustainability strategy and practices.

The Group has implemented a Compliance Programme in respect of the Code of Conduct for Manufacturers and Suppliers through social audits and pre-assessment audits, based on the review carried out by qualified social auditors of the facilities which are necessary to manufacture the fashion items that the Group retails, for the purposes of minimising any potential risk to the Group's reputation on account of improper conducts of third parties. Such specific programme sets out the review procedures which ensure gathering information and evidence on the minimum working conditions that all manufacturers and suppliers must comply with. Such Compliance Programme is complemented with the "2019-2022 Workers at the Centre" strategy that focuses on workers within the supply chain and their well-being, and through partnerships with different stakeholders, including without limitation, the Global Framework Agreement executed with IndustriALL Global Union, or alliances with the International Labour Organisation (ILO). Additional information on this and other programmes is available in the Annual Report and on the corporate website.

The Group also has in place an Environmental Sustainability Policy that covers all the environmental commitments undertaken by the Group applicable across all its business areas and the entire supply chain. Under such Policy, three environmental strategies are implemented to ensure the best possible protection of environmental resources: the Biodiversity Strategy, the Global Water Management Strategy and the Global Energy Strategy. In line and in addition to such strategies, mention should be made of Inditex's commitment to forest products, materialised in the Forest Product Policy. Current 2016-2020 Strategic Environmental Plan is mainly focused on clean energy and the implementation of circular management models at headquarters, logistics centres, factories and stores, including the "Closing the Loop" programme. Additional information on this and other programmes and initiatives is available in the Annual Report and at the corporate website.

In line with the Global Energy Strategy, the Group is a member of the UN Fashion Industry Charter for Climate Action (UNFCCC) with the initial medium-term objective of reducing its GHG emissions by 30% by 2030. The Group is also a signatory of the Fashion Pact and as such, is committed to working within the framework of the Science-Based Targets (SBT) initiative, that sets science-base reduction targets and which focuses on three essential pillars to protect the planet: stopping climate change, restoring biodiversity and protecting the oceans.

The Company seeks to play a leading transformative role in the industry and is committed to fully eliminating the use of plastic bags by 2020 as well as all single-use plastics for customers sales by 2023. Likewise, before 2025, 80% of the energy used in the Group activities (stores, logistic centres and offices) will be renewable. With regard to raw materials, 100% of the cotton, linen and polyester used will be organic, sustainable or recycled by 2025.

In such sizable and visible organisations as the Group, certain conflicts might arise out of an inappropriate relationship with third parties alien to its operations (e.g., CNVM, media, investors, financial analysts, public authorities, etc.).

Through the Communication and Corporate Affairs Division and the Sustainability Department, the Group sets out the procedures and protocols required to mitigate this risk. Likewise, given their relevance, the General Counsel's Office-Office of the Chief Compliance Officer, and the Capital Markets Department are charged with managing specifically the relations with CNMV, the relations with investors and financial analysts being incumbent on the latter.

Likewise, different departments, including the Communication and Corporate Affairs Division, are responsible for monitoring the image of the Group in all environments, including social media.

To reduce the risks associated with the description of finished product, ensuring that they do not entail any hazard for the health and safety of customers, the Group carries out controls and verifications of the health and safety of the products standards ("Safe to Wear" and "Clear to Wear"). Enforcement of such standards is mandatory across the supply chain for all the products sold.

Likewise, the Group has in place the so called Integrity Policies: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships; and, (iii) the Policy on Dealings with Public Servants.

4. Human Resources

The action lines followed by the Department of People are explained in detail in the relevant section of the Annual Report and in the Statement on Non-financial Information.

The work system implemented within the Organisation encourages the transfer of knowledge and the involvement of all employees with the Company's culture and operations. Career development, training and compensation policies seek to encourage development of all teams, give career development opportunities to the more talented people and retain key employees. Additionally, the Group carries out selection and recruitment processes to ensure the continuous arrival of talent at all areas of the Company. With such proceedings and the continuous improvement of Group policies relating to people, risk arising from concentration of knowledge in key people is reduced.

On the other hand, a growing demand has arisen lately within the labour market, concerning companies' corporate social responsibility, which has become a key factor upon selecting a company for the job of choice. In this regard, the Group has implemented a number of initiatives around different focal points of action.

The Diversity and Inclusion Policy applies globally to the Company. The Inditex Group has implemented equality plans that include measures to promote commitment to and effective implementation of the principle of equal opportunities between women and men, contributing to reduce inequality and imbalance, preventing discrimination at work, ensuring a healthy work environment and providing actions to promote work-family balance.

The Group also encourages volunteering in community service projects so that employees may work on their social concerns wherever the Company operates. A number of programmes and projects have been implemented in this field offering employees different extents of collaboration.

5. Operations

The Group reduces exposure to this type of risk through a production and procurement system that ensures a reasonably flexible response to unexpected changes in customers' demand. Stores and online teams are permanently in touch with the team of designers, through the Product Management Department, and this allows perceiving customers' changes of taste. Meanwhile, vertical integration of transactions allows reducing lead and delivery times as well as stock volumes, while at the same time, the reaction capacity to introduce new products throughout each campaign is kept.

Given the relevance that an efficient logistics management has on the materialisation of such risks, the Group reviews all the factors which might have a negative impact on the target of achieving maximum efficiency of the logistics management, to actively monitor such factors under the supervision of the Logistics Committee.

To mitigate the risk resulting from business interruption, associated with the likelihood of occurrence of extraordinary events beyond the control of the Group, the size and use of all centres has been optimised, based upon the size of each brand or the specific requirements of the geographic area which they service. In particular, part of the above mentioned logistics centres specialises in distribution of goods sold online. The different hubs have been set in such a manner as to be able to assume storage and distribution capacity from other centres in the event of any contingency resulting from potential accidents or stoppage of distribution activities.

Additionally, the Group takes active measures to reduce risk exposure in respect of this type of risks, by means of high levels of prevention and protection measures at all its distribution centres, in addition to insurance policies covering both any potential property damage incurred by the facilities and stock, and any loss of profit which might result from any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan assesses the need and considers, where appropriate:

- Investing in new logistic centres or extending the existing ones, so as to minimise the risk associated with the logistics planning and sizing.

- Investing towards improvement and automating processes in the existing hubs aimed at increasing their capacity and efficiency and improving the internal control on goods stored in such centres. In this regard, mention should be made of the progressive use of RFID technology across the supply chain, which permits achieving a very high degree of control on goods.

- The search, approval and monitoring of external logistics operators at different strategic points, with full integration in the logistics capacity of the Company.

With regard to the potential risk of goods detention during carriage process, the Group relies on a network of agents in different procurement and distribution points, as well as on alternative routes for carriage of goods.

The Group reduces the risks associated with real estate management, associated with the search and selection of business premises and their profitability, by monitoring all the markets where it operates, considering the suitability of premises prior to their opening, and overseeing all new store openings through the Expansion Committee.

6. Financial

In order to reduce the foreign exchange risk, it must be managed in a proactive, sufficient and systematic manner. To achieve this, the Group has implemented the Financial Risk Management Policy that mainly seeks to downplay the probability of economic losses and volatility in the financial statements resulting from such risk. Exchange exposure materialises in terms of net investment, translation and transaction risks. The Policy sets the guidelines to manage all such risk exposures and centralises exchange management at headquarters by the Financial Management Department of the Group. The Policy sets forth the review and follow-up procedures regarding exchange exposure and the potential hedging strategies, the procedure to contract financial derivatives and the registration and documentation thereof. Within the scope of its financial risk management policy, the Group uses the Cash-Flow-at-Risk (CFaR) methodology, for the purposes of estimating the potential impact that the fluctuations of the exchange rates might have on the consolidated pre-tax results and, as the case may be, determining the relevant mitigation strategy. The Group also uses the Value-at-Risk (VaR) method to manage translation risk in the most relevant accounting entries. Forward contract is currently the main hedging instrument. Additionally, other derivatives, such as zero cost option strategies and option buying strategy and swaps are used, to a lesser extent.

The Payment Management Policy sets out the principles aimed at ensuring compliance with the Group's obligations, safeguarding its interests and setting up the required procedures and processes to ensure an effective payment management. The Policy determines the best method, currency and terms to make payments, in economic, accounting and legal terms. Finally, the Payment Management Policy covers the potential exceptions and the procedure to authorise them. Meanwhile, the Policy and Procedure for Representatives and Attorneys determines the different proxies included in each Group entitled to engage financial transactions on behalf of the company, including payments, the level of authorisation according to the Group to which they belong, the authorised amount of the transaction and the required pairing of proxies according to such criteria.

The Group's Investment Policy seeks to ensure security, integrity and liquidity of the Company's financial assets. It provides the guidelines which need to be observed by counterparties, which are classified in panels based upon their rating, solvency and relevance for the Group profile. Likewise, such Policy sets maximum exposure limits in terms of counterparty and provides procedures to ensure control, follow-up and monitoring of credit risk. The Group also relies on the VaR method to assess the credit risk of its investment portfolio.

Likewise, the Policy sets guidelines with regard to the role of sovereign risk in terms of counterparty credit risk, and the influence thereof on financial assets and/or investment vehicles.

7. Information for the decision making

In order to reduce exposure to this type of risks, the Group regularly reviews the management information disclosed to the different managers and invests, inter alia, in systems for transmission of information, data analysis and intelligence for the decision-making, process optimisation (distribution, logistics, etc.), business monitoring and budgeting.

The Information Security Department is responsible for ensuring that such information is available to and/or amended, exclusively by the persons authorised to do so, setting the parameters for the systems to ensure the reliability, confidentiality, integrity and availability of key information.

With regard to the risks associated with financial reporting, the Group has set up an Internal Control over Financial Reporting (ICFR) System aimed at achieving a continuous follow-up and assessment of the main associated risks, which permits to reasonably ensure the reliability of the public financial information of the Group. Additional information on this issue is available in Section F below.

The Group is currently working on developing and implementing its internal control systems to enhance reliability of the non-financial information disclosed to the market.

In addition, the consolidated Annual Accounts and those of all relevant companies, as well as the Statement on Non-financial Information, which is a part of the Directors' Report, are reviewed by the external auditors, who are also in charge of carrying out certain audit works relating to financial information. Likewise, with regard to the most significant companies of the Group, external auditors are requested to issue recommendations on internal control.

8. Technology and IT systems

Given the importance the smooth running of technological systems has for the achievement of its objectives, the Group exercises, through the Information Security Department and with the support of the Information Security Committee, permanent control on such systems, aimed at ensuring streamlining and consistency thereof, in addition to the security and stability required for business continuity. The Group is aware that its systems will require continuous improvement and investment to prevent obsolescence and keep their response capacity at the levels required by the Organisation.

As a benchmark, aimed at keeping security and integrity of information and of the elements which process it, the Group relies on the Information Security Policy. The achievement of the objectives described in the Policy revolves around the following overarching principles: (i) classification of information, in accordance with its value, relevance and criticality for the business; (ii) limited use of information systems to lawful and exclusively professional purposes; (iii) segregation of duties to avoid risks; (iv) setting retention periods by information category, where necessary or convenient; (v) setting monitoring procedures to control how information is made available to third parties; (vi) Security in Information Systems; (vii) setting a process for continuity management to ensure recovery of critical Information for the Group in the event of disaster; and (viii) alignment of Information systems and communications of the Group with the requirements of applicable laws and regulations. Additionally, the roles, responsibilities and the remit of the different departments and bodies of the Organisation are defined. The Information Security Policy is accepted by all users with access to information and is available on the Company's intranet (INET).

For the specific purpose of keeping continuous systems operation, the Group relies on technical and procedural contingency systems which would, together with the associated technical procedures, reduce the consequences of any breakdown or stoppage. Technical contingency systems include, without limitation, the main data centre - TIER IV certified (availability) - as well as the storage of synchronous data in redundant locations exposed to different physical or geological risks, or the duplicity of teams and lines.

Additionally, the Information Security Department exercises control duties as a second line of defence in an independent manner. It relies on continuous review mechanisms, which are regularly assessed by different internal and external audits, to prevent, detect and respond to any potential cyber-attack. Such controls would allow anticipating and/or reducing the consequences of risk materialisation, together with insurance policies covering loss of profit, expenses stemming from cyber-attack and civil liability of the company for damages incurred by third parties. Based upon the available information, the Organisation considers that these controls have been successful to date. Particularly, regarding the e-commerce environment, the Group meets the requirements of the Payment Card Industry Data Security Standard (PCI DSS) and has certification for compliance with ISO/IEC 27011 in Information Security.

Meanwhile, the risk map for technology and Information security risks is implemented on an annual basis. Such map seeks to provide an aggregated view of the Group's situation that permits setting the relevant mitigation and continuous improvement measures.

However, taking into account that every year a large number of hackers attempt to gain access to the information of corporations globally, the Group is aware that technological risks progress exponentially, in an unpredictable and sometimes highly elaborate manner. For such reason, although Information Security is one of the top priorities of the Group, the possibility of a non-detectable attack, including to its services providers, which might have an impact on the operations or the information managed by the Organisation, cannot be ruled out.

9. Corporate Governance

In order to downplaay this type of risks, the alignment of the Company's corporate governance system (comprising the Articles of Association, the Board of Directors' Regulations, the Regulations of the General Meeting of Shareholders, the Audit and Compliance Committee's Regulations, the Nomination Committee's Regulations, the Remuneration Committee's Regulations, the Sustainability Committee's Regulations, the Internal Regulations of Conduct regarding Transactions in Securities, the corporate policies on risk control and management, and the internal conduct regulations of the Group) with the applicable regulations regarding Corporate Governance from time to time in force (including, without limitation, the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, and the Internal Regulations of Conduct, among others), must be ensured.

For such purposes, the Audit and Compliance Committee conducts an annual review of the Corporate Governance System to establish the extent of compliance therewith and its alignment with regulatory developments, recommendations, standards and best practices existing in the field, and systematically reinforce good corporate governance practices across the company's governing bodies.

Additionally, the performance of the Board of Directors, its members and committees, the Executive Chairman, the CEO, the Lead Independent Director and the Secretary of the Board (non-member), is subject to an annual self-evaluation process, led by the Nomination Committee.

Inditex relies on the Internal Regulations of Conduct (IRC) that sets out the principles and criteria to ensure (i) that the information released to the market and to CNMV is reliable, clear, quantified and complete, avoiding subjective evaluations that lead or may lead to confusion or deception; as well as (ii) the appropriate use of inside information, and other relevant information of the Company.

The Compliance Supervisory Board and the Chief Compliance Officer, who reports to the Audit and Compliance Committee every six months, are charged with overseeing and enforcing the IRC.

With regard to the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics is responsible for the enforcement and construction thereof. Such Committee may act of its own motion or at the behest of any of Inditex's employees, manufacturers or suppliers, or any third party involved in a direct relation and with a lawful business or professional interest, by submitting a report in good faith.

Meanwhile, the Audit and Compliance Committee regularly reviews whether potential conflicts of interest or related-party transactions detrimental to the interests of the Company and/or the shareholders exist, in accordance with a regulated review and assessment procedure, and subject to approval by the Board of Directors. In the performance of this function, the Committee is supported by the General Counsel's Office – Office of the Chief Compliance Officer that feeds on the information regularly provided by board members and senior managers through specific questionnaires.

This type of risk is reduced ensuring the appropriate proceedings of governing and managing bodies and improving internal control, transparency and corporate responsibility within the Company, thus building up trust among shareholders and investors.

With regard to supervision, the Board of Directors and the Audit and Compliance Committee are the main governing bodies responsible for enterprise risk management.

1. The Board of Directors

The Board of Directors is responsible for identifying the main risks for the Group and organising the appropriate internal control and information systems.

2. The Audit and Compliance Committee

The duties of the Audit and Compliance Committee include assisting the Board of Directors in its supervision and monitoring duties, by reviewing the internal control systems. The powers of the Audit and Compliance Committee are set forth in the Articles of Association, the Board of Directors' Regulations, and the Audit and Compliance Committee's Regulations.

The Audit and Compliance Committee's Regulations provide that it is incumbent on such body, exclusively comprised of non-executive directors, inter alia: to oversee the effectiveness of the internal control system of the Company, the internal audit and the risk management systems covering both financial and non-financial risks, including tax risks and risks associated with corruption, and to review with the statutory auditor the significant weaknesses of the internal control system revealed, as the case may be, in the conduct of the audit, and to oversee the process for preparing and releasing the regulated financial and non-financial information.

Additionally, the Audit and Compliance Committee is responsible for overseeing the Internal Audit Department, ensuring its independence and effectiveness. To this end, the Committee is charged with: (i) evaluating the proceedings of the Internal Audit function and the performance of the Chief Audit Officer; (ii) ensuring that the function relies on the appropriate material and human resources, whether internal or external, to discharge its duties; and, (iii) approving the Internal Audit Plan and the annual activities report of the Internal Audit function-regularly receiving information on the proceedings carried out by Internal Audit - ensuring that its activity is mainly focused on the risks which are relevant for the Company and its Group.

In the current organisational structure, the Internal Audit Department is directly linked to the Board of Directors, to which it reports functionally, through the Chair of the Audit and Compliance Committee, thus ensuring the full independence of its proceedings.

The mission of the Internal Audit function is defined in the Group's Internal Audit Charter, and it consists of contributing to the good running of the Group, by assuring an independent and effective supervision of the internal control system, and providing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks that hamper the achievement of the objectives of the Organisation.

Likewise, according to such Charter, the objectives of the Internal Audit function include, without limitation: issuing the recommendations it may deem appropriate to improve the governance process; evaluating the effectiveness of the risks management processes and contributing to the improvement thereof; ensuring the good running of the information and internal control systems, and ensuring the uniform and effective enforcement of the policies and procedures which make up the internal control system.

ICFR

THE INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEMS WITH REGARD TO FINANCIAL REPORTING

INDEX

F. Describe the mechanisms comprising the internal control and risks management systems with regard to financial reporting (ICFR) of your entity

F.1. Entity's control environment

Give information describing the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR system; (ii) its implementation; and (iii) its monitoring

Board of Directors

Except for such matters exclusively within the purview of the shareholders at the General Meeting of Shareholders, the Board of Directors is the supreme decision-making, supervisory and monitoring body of the Company, being ultimately responsible for the existence and update of an appropriate and effective ICFR System, as provided in the Policy on Internal Control over Financial Reporting System (the "ICFR Policy"), approved by the Board of Directors itself.

The Board of Directors is entrusted with the duties of leadership, management and representation of the Group, delegating as a general rule the management of the day-to-day business of the Company to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding the policy of the Group, monitoring the management activity, evaluating officers' performance, making the most relevant decisions for the Group and liaising with the shareholders.

Audit and Compliance Committee

Pursuant to the provisions of the Articles of Association, the Board of Director's Regulations and the Audit and Compliance Committee's Regulations, and as part of its financial and monitoring duties, it is incumbent on such Committee to oversee the process for preparing and releasing the regulated financial information, and as provided in the ICFR Policy, to oversee the effectiveness of the ICFR System.

In this regard, the Committee discharges, *inter alia*, the following duties:

- Overseeing the effectiveness of the internal control system of the Group, the internal audit, and the risks management systems, including tax risks, as well as discussing with the statutory auditor the significant weaknesses of the internal control system revealed, a the case may be, in the course of the audit.

- With regard to the powers regarding the process to prepare the regulated financial information:

  - Overseeing the process of preparation and presentation as well as the clarity and integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and overseeing the review of the interim financial statements requested from the statutory auditor, with the scope and frequency that may be defined, as the case may be.

  - Reviewing compliance with statutory requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable;

  - Maintaining a fluid communication with the Company's Management to understand its decisions regarding the application of the most significant criteria; with the Internal Audit Function to be apprised of the findings of the reviews carried out;

and with the external auditors or verifiers, to obtain their opinion regarding financial and non-financial information;

- Being familiar with, understanding and overseeing the effectiveness of the internal control over financial information system and receiving information on a regular basis from the supervisor thereof;

- Submitting recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information;

- Assessing and advising the Board of Directors on any significant changes in accounting standards and on the significant risks on the balance sheet and off-balance sheet;

- With regard to enterprise risk management:

- Overseeing the enterprise risk management function and establishing that it operates pursuant to the provisions of the policy approved by the Board.

- Receiving on a regular basis reports from the Management or from the supervising areas, on the proceedings of risk management systems established, as well as on the results of the tests carried out by internal auditors relating to the same, and on any significant internal control weakness detected by external auditors.

- Assessing the effectiveness of internal control and management systems relating to financial risks, as well as of the measures established to mitigate the impact of identified risks.

- Promoting a corporate culture within the Company wherein risk is a factor upon decision-making, at all levels of the Company and its Group.

- Identifying and re-assessing, at least on an annual basis, the most significant financial risks and the level of risk tolerance.

- Identifying and understand emerging risks as well as their alert mechanisms, and regularly assessing their effectiveness.

- Ensuring that risks are kept and managed within the levels of risk tolerance set by the Board.

- Meeting with the heads of business units at least once a year, and whenever the Committee deems it appropriate, for the purposes of reporting to the Committee on trends of business and risks associated with the respective areas under their remit.

- Submitting recommendations or motions to the Board of Directors and the relevant deadline for follow-up.

Most members of the Audit and Compliance Committee are non-executive independent directors. The Committee meets on a quarterly basis and whenever it is called by its Chair. In 2019, the Audit and Compliance Committee has met 5 times.

Financial Division

The Financial Division is responsible for the design, roll-out and implementation of the ICFR system, as provided in the ICFR Policy, keeping the system updated, monitoring its design and proceedings to ensure that it is effective and appropriate, communicating and training the parties involved and keeping a periodic report.

The Financial Division sets out and circulates the policies, guidelines and procedures, associated with financial reporting and is charged with ensuring the appropriate enforcement thereof within the Group.

Internal Audit

The mission of the Internal Audit function consists of supporting the Board of Directors, through the Audit and Compliance Committee, upon executing the supervisory function relating to risk exposure, ensuring that appropriate and effective controls are set as an answer to risks in the field of governance, operations and information systems, regarding, *inter alia*, reliability and integrity of financial information and in particular, the Internal Control over Financial Reporting (ICFR) System. To achieve this, Internal Audit performs specific periodic ICFR audits, requests action plans to correct or reduce any weaknesses revealed and follows up on the implementation of the proposed recommendations.

Internal Audit relies on an Internal Audit Chart, approved by the Board of Directors, which covers its mission, authority and responsibilities pursuant to both domestic and international regulations and standards for the professional practice of internal auditing.

Likewise, Internal Audit has been awarded the certificate of compliance with the "International Standards for the Professional Practice of Internal Auditing" by the Instituto de Auditores Internos, a member of the IIA (Institute of Internal Auditors).

F.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:

Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying sufficient procedures for the effective circulation within the company.

The Board of Directors is responsible for the design and review of the organisational structure and the lines of responsibility within the Group. The departments charged with drawing up the financial information are found within such structure.

Senior managers and the Human Resources Department ("HRD" or the "Human Resources Department") define the duties and responsibilities of each area. Additionally, the Compensation area, that reports to the HRD regularly assesses the classification, description and duties of each position. Such duties are disclosed to each of the affected areas.

For the purposes of drawing up the financial information, the Group has clearly defined lines of authority and responsibility. The main responsibility regarding financial reporting lies with the Financial Division.

The structure, size and definition of duties and tasks of each position within the financial area are defined by the Financial Division and disclosed by the HRD.

To carry out its activity, the Financial Division is organised in a number of departments: Administration, Planning and Management Control, Treasury, Risk Management, Tax, and Processes and Projects.

With regard to the ICFR System, a specific management area has been created within the Financial Division, to which it reports, (the "ICFR Area").

The Group relies on financial organisational structures that meet local requirements in each country where it operates, headed by a Chief Financial Officer who is charged, *inter alia*, with complying with the procedures set out within the ICFR System.

Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating any specific mentions to the recording of transactions and the drafting of financial information), body in charge of investigating breaches and proposing corrective or disciplinary action.

The Board of Directors approved in the meeting held on 17 July 2012, following a favourable report of the Audit and Compliance Committee, the Code of Conduct and Responsible Practices of the Inditex Group and the Code of Conduct for Manufacturers and Suppliers (which replaces the Code of Conduct for External Manufacturers and Workshops).

Likewise, the Board of Directors approved on 19 September 2017 following a favourable report of the Audit and Compliance Committee, the so called Integrity Policies of the Inditex Group.

The main internal conduct regulations of the Group are provided in:

- The Code of Conduct and Responsible Practices.
- The Code of Conduct for Manufacturers and Suppliers.
- The Integrity Policies, which are: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships, and; (iii) the Policy on Dealings with Public Servants.
- The Conflicts of Interest Policy.
- The Internal Regulations of Conduct regarding Transactions in Securities (IRC).

The Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties.

Its goal consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees is based. For such purposes, the principles and values which shall govern the relations between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices is based upon a number of general principles, *inter alia*, that according to which the Inditex Group shall carry out all its transactions under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of Inditex shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

One of the standards of conduct covered in the Code of Conduct and Responsible Practices is the "Obligation to Record Transactions", addressed in section 4.13 thereof, according to which:

> *"Any and all transactions carried out by the Company which may have an economic impact shall be clearly and accurately shown on the appropriate records of accounts, as a true representation of the transactions carried out, and they shall be made available to the internal and external auditors.*
>
> *Inditex's employees shall enter the financial information on the company's systems in a full, clear and accurate manner, so that they would show, as at the relevant date, their rights and obligations in accordance with the applicable regulations. Additionally, the accuracy and integrity of the financial information which, under the prevailing regulations in force shall be disclosed to the market shall be ensured.*
>
> *Inditex undertakes to implement and maintain an appropriate internal control system on financial reporting, ensuring the regular supervision of the effectiveness of such system.*
>
> *Accounting records shall be at all times made available to the internal and external auditors. For such purposes, Inditex undertakes to provide its employees with the necessary training for them to understand and comply with the commitments undertaken by the company regarding the internal control on financial information."*

The Policy on Criminal Risk Prevention

The Policy on Criminal Risk Prevention associates engagements of ethical behaviour undertaken pursuant to the Code of Conduct and Responsible Practices with such offences that it intends to prevent.

Similarly to the provisions of the Code of Conduct and Responsible Practices, section 2.9 of the Policy reads as follows: *"(…) any transaction of economic weight carried out by the Company shall be clearly and accurately recorded in appropriate accounting records that show the true and fair image of the transactions carried out. Such records must be made available to internal and external auditors.*

Inditex's employees shall enter the full financial information into the Company's systems in a clear and accurate manner so that they will show, as at the relevant date, its rights and obligations in accordance with the applicable regulations. Likewise, they shall ensure that the financial information that must be disclosed to the market under the prevailing regulations in force, is accurate and full.

Inditex is committed to implementing and keeping an appropriate internal control system in respect of financial reporting, ensuring that the effectiveness of such information is regularly monitored. For such purposes, required training will be offered so that employees may be apprised of and understand the company's commitments in the field of internal control on financial information."

As stated in section E.6. above, the Policy, together with the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls, comprise the Model of Criminal Risk Prevention of the Inditex Group. The Committee of Ethics is the governing body responsible for overseeing compliance with such Model and the effective and appropriate implementation of the controls therein set.

IRC

Compliance with the IRC is mandatory for all the persons included in its scope of application and any noncompliance may be reported in a confidential manner to the Committee of Ethics, pursuant to the provisions of the Ethics Line Procedure.

In this regard, noncompliance with the IRC may give rise to the relevant disciplinary sanctions, as the case may be, on account of civil, criminal and/or administrative liability, and to the obligation to compensate any damages incurred, where appropriate.

Finally, there is a Compliance Supervisory Board (the "CSB") which reports directly to the Audit and Compliance Committee. Such Supervisory Board is composed of:

- The Executive Chairman
- The General Counsel and Secretary of the Board
- The Chief Financial Officer
- The Capital Markets Director, and
- The Chief Human Resources Officer.

CSB is mainly responsible for developing procedures and implementing regulations to enforce the IRC. Likewise, the Office of the Chief Compliance Officer (the "OCCO") exists within the CSB. The General Counsel of the Inditex Group is the Chief Compliance Officer. The OCCO is charged, *inter alia*, with enforcing the conduct regulations of stock exchanges and the rules and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The IRC sets outs the principles and criteria to ensure (i) that the information released to the market and to CNMV is reliable, clear, quantified and complete, avoiding subjective evaluations that lead or may lead to confusion or deception; as well as (ii) the appropriate use and dissemination of inside information and other relevant information of the Company.

The proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be inside informaiont and/ or other relevant information, and namely financial information, shall comply with the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the CSB and the OCCO shall ensure that the above referred principles are observed.

With regard to the IRC, the OCCO keeps a General Documentary Register of all Affected Persons. The OCCO informs Affected Persons that they are subject to the provisions of the IRC and reports any breaches and penalties which may arise, where appropriate, from an inappropriate use of reserved information.

Likewise, the OCCO informs the Affected Persons that they have been included in the General Documentary Register.

Compliance with the Codes of Conduct of the Inditex Group and, in general, with its internal regulations of conduct is ensured through the Committee of Ethics, composed of:

- The General Counsel and Chief Compliance Officer, who chairs it.
- The Chief Audit Officer.
- The Chief Sustainability Officer
- The Chief Human Resources Officer

The Committee of Ethics may act of its own motion or at the behest of any employee, manufacturer or supplier of Inditex, or any third party involved in a direct relation and with a lawful commercial or professional interest, further to a report made in good faith.

The Committee of Ethics reports to the Board of Directors through the Audit and Compliance Committee and has the following duties:

- To oversee compliance with the Code and the internal circulation thereof to the Group's s personnel.
- To receive any manner of written instruments with regard to the enforcement of the Code and to send them, where appropriate, to the relevant body or department which may be responsible for processing and issuing a resolution regarding such instrument.
- To oversee the ethics line (formerly known as the "Whistle Blowing Channel") and compliance with the Ethics Line Procedure.
- To monitor and control proceedings and their settlement.
- To solve any doubts which may arise, regarding the enforcement of the Code.
- To propose to the Board of Directors, following a report of the Audit and Compliance Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.
- To promote training plans for employees on internal conduct regulations and the proceedings of the ethics line.

In the performance of its duties, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or by any court order.

- To ensure that the Ethics Line is properly run, and that the privacy of the Parties concerned is protected, the Committee of Ethics may manage ex-officio anonymous concerns.

- The thorough review of any information or document that triggered its action.

- The commencement of proceedings that adjust to the circumstances, of the case, where it shall always act with independence, fully respecting for the right of the parties to be heard, to honour and to the presumption of innocence.

- Prohibition of retaliation, and indemnity of anyone who reports through the Ethics Line in good faith.

Further to the launching of appropriate proceedings, the Committee of Ethics will take, as the case may be, the relevant prevention, remediation and/or disciplinary measures, including referring the resolution to the relevant department which will be charged with taking, and at any rate applying, the remediation measures which may be necessary. Such remediation measures shall be reported to the Committee of Ethics.

Decisions of the Committee of Ethics shall be binding for the Inditex Group and its employees.

The Committee of Ethics submits a report to the Audit and Compliance Committee at least every six months, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Compliance Committee apprises the Board of Directors, on an annual basis as well as whenever this latter so requires, of the enforcement of the Code of Conduct and Responsible Practices and the additional documents which comprise the Model of Compliance with internal regulations, from time to time in force.

With regard to the dissemination of the above referred conduct regulations, it is incumbent on the Human Resources Department to circulate a copy of the Code of Conduct and Responsible Practices to any employee when they join the organisation.

Likewise, conduct regulations as amended are available on the corporate website (www.inditex.com), under the Compliance tab, and on INET; they are subject to the appropriate measures regarding disclosure, circulation, training and awareness-raising, so that they may be understood and implemented within the whole organisation.

Whistle blowing channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating where appropriate, whether reports made through this channel are confidential.

An Ethics Line is available to all employees of the Group, manufacturers, suppliers or third parties with a direct relation and a lawful business or professional interest, regardless of their tier or geographic or functional location, so that they may report, even anonymously and within the remit of the Committee of Ethics, any breach of the Group's internal conduct regulations by employees, manufacturers, suppliers or third parties engaged in an employment, business or direct professional relations with the Group, which affect Inditex or its Group.

Therefore, any breach and/or any manner of malpractice, including those of a financial and accounting nature, may be reported.

The Committee of Ethics is responsible for overseeing the Ethics Line and compliance with the Ethics Line Procedure.

The proceedings of the Ethics Line are described in the Ethics Line Procedure approved by the Board of Directors on 17 July 2012 and recently amended on 10 December 2019. The Ethics Line Procedure clarifies and reinforces guarantees and protective measures for all parties in the process: (i) maximum confidentiality; (ii) non-retaliation; (iii) presumption of innocence and respect for the right to honour of reported parties; (iv) the right of the parties to be heard, and; (v) appropriate use of personal data processed.

Full information on the Committee of Ethics and the Ethics Line is available on the intranet and on the corporate website (www.inditex.com), under the recently added "Compliance" tab, with direct access to such Line.

Reports of noncompliance and/or queries regarding the construction or enforcement of internal conduct regulations may be sent to the Company either by post - for the attention of the Committee of Ethics to the following postal address: Avenida de la Diputación, Edificio Inditex, 15142 Arteixo, A Coruña (Spain) – or by e-mail - (canaletico@inditex.com) - .The confidentiality of such reports or queries is ensured.

Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management

The Training and Career Development area of the Group, which reports to the Human Resources Department, is charged with preparing, together with each of the areas reporting to the Financial Division, training and refresher courses for the different staff members involved in drawing up and overseeing the financial information of each and every company within the Group. Such schemes include, both general courses, focusing on business expertise and knowledge of the different interrelated departments which make up the company, and specific schemes aimed at training and refreshing employees in respect of regulatory developments on financial reporting and supervision of financial information.

General Induction

Aimed at gaining internal knowledge of each business unit, as well as of each department and the respective activities, functions and duties within the business.

Under this scheme, employees begin by working at the stores, getting directly acquainted with the whole process of running a store. Then, they spend time at the different corporate departments at headquarters and their training is completed at any of the subsidiaries of the Group.

Specific training

Group employees involved in processes associated with the drawing up of financial information regularly receive training and refresher courses that seek to acquaint employees with local and international regulations on financial reporting, as well as with existing regulations and best practices in the area of internal control. An e-learning platform is available to employees, to train them on issues regarding financial reporting or information security.

Within the financial environment, such training and refresher schemes are arranged by the HRD liaising with each of the areas of the Financial Division.

Training courses are provided on an annual basis for all new heads of financial areas in each country, in order to get them acquainted with the Group's management model, as well as with the internal control over financial reporting system implemented by the Group.

Additionally, supplementary courses are taught by internal staff on the operation of financial software tools used to draw up the financial information.

With regard to specialised training run to employees of the different departments of Financial Division in the year, the following stand out, without limitation:

- Internal Control over Financial Reporting System.

- International accounting standards : IFRS 16, IFRS 17.

- Tax update per country.

- Main issues regarding drafting of the Statement on Non-financial Information.

- Course on data science and big data for finances.

- Training on ERM: regulatory environment, financial risks, emerging risks.

- Tax update.

- Advanced Financial Management Program.

Additionally, subsidiaries have in place training schemes regarding the different local accounting regulations.

F.2. Risks assessment in financial reporting

Give information on at least:

F.2.1. The main features of the risk identification process, including error and fraud risks, with respect to:

- Whether the process exists and is documented

The risk identification process has been documented in the Procedure for Enterprise Risk Management regarding Financial Reporting. This Procedure seeks to describe the mechanisms for identifying and assessing, on an annual basis, the risks which might lead to material errors in financial reporting.

- **Whether the process covers all the goals of financial information (existence and occurrence; integrity; assessment; submission, breakdown and comparison; rights and obligations); whether the information is updated and how often.**

The above referred risks management process consists of five stages:

- Gathering financial information.
- Identifying the operation cycles with an impact on financial information.
- Assessment of risks by the reporting unit of financial statements.
- Prioritisation of accounts criticality.
- Checking risks versus operational cycles.

As a result of such process, a scoping matrix of risks regarding financial information (Scoping Matrix of ICFR) is updated on an annual basis. This Scoping Matrix allows identifying the material headings of the financial statements, the assertions or goals of financial information in respect of which any risks may exist, and the prioritisation of operational processes which have an impact on financial information.

The assessment process covers all the goals of financial information: (i) existence and occurrence; (ii) integrity; (iii) assessment; (iv) release and breakdown; and (v) rights and obligations.

Following the identification of potential risks, they are assessed on an annual basis based upon the management's information and understanding of the business and upon materiality criteria.

Assessment criteria are established (i) from a quantitative perspective in accordance with such parameters as turnover, size of assets and pre-tax profit and (ii) from a qualitative perspective in accordance with different issues such as transactions standardizing and processes automation, composition, changes versus the previous year, complexity of accounting, likelihood of fraud or error or degree of use of estimates in book recording.

- **The existence of a process to identify the consolidation perimeter taking into account, *inter alia*, the potential existence of complex corporate structures or special purposes vehicles**

The Group relies on a Corporate Master of Companies wherein all the companies which are part of the Inditex Group are included. Such Master is at the basis of the consolidation perimeter and is managed and updated in accordance with the Procedure for Incorporating and Financing of Companies.

The Master covers, on the one hand, general corporate information, such as company name, accounting date and currency, and on the other, legal details such as the date of incorporation, share capital, list of shareholders, equity interest, and other relevant information. The Legal Department is responsible for updating the Master as regards legal information.

The External Reporting area, which reports to the Planning and Management Control Department, determines on a monthly basis the number of companies which make up the Consolidation Perimeter as well as the consolidation methods which apply to each of the companies included in the above referred perimeter.

- **Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they might have an impact on financial statements.**

In addition to the above referred quantitative and qualitative factors, the main risks identified through the Risks Map of the Inditex Group are considered in the process for the assessment of financial information risks.

Potential risks identified through the Scoping Matrix of ICFR are taken into account upon preparing the Risks Map of the Group, which is updated on an annual basis by the Enterprise Risks Management Department (reporting to the Financial Division) with the assistance of all areas of the organization involved in the process. The Group may thus consider the impact that the remaining risks may have on financial statements. Such risks are classified as follows: Business Environment, Reputation, Regulatory Risks, Human Resources, Operations, Financial, Information for the decision-making, Technology and IT Systems, and Corporate Governance.

- **Which governing body of the company is charged with overseeing the process.**

The entire process is overseen and approved on an annual basis by the Audit and Compliance Committee.

F.3. Control activities

Give information on the main features if at least the following exist:

F.3.1. Procedures to review and authorise financial information and ICFR description, to be disclosed to stock exchanges, stating who is in charge thereof, as well as the documentation describing the activities and control flows (including those concerning fraud risk) for the different types of transactions which may have a material impact on the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgment, estimates, valuations and projections.

Pursuant to the Board of Directors' Regulations, the Audit and Compliance Committee is responsible, *inter alia*, for reviewing the annual accounts and the periodic information that the Board of Directors must submit to the markets and their supervisory bodies, verifying at all times compliance with the legal requirements and the appropriate use of generally accepted accounting principles upon drawing up such information.

Likewise, the above referred Regulations provide that the Audit and Compliance Committee will meet on a quarterly basis to review the periodic financial information to be submitted to the Stock Exchanges authorities and the information that the Board of Directors must approve and release as its annual public documentation.

Meanwhile, the ICFR Area monitors the effective functioning of the ICFR System and apprises the Financial Division and, where appropriate, the Audit and Compliance Committee, of the findings of such monitoring.

The Group relies on mechanisms to review financial information. Each of the organisational structures shall be responsible for reviewing the periodic financial information reported. Analytical reviews of the financial information reported by such structures are carried out at corporate financial level. Prior to stating the annual accounts and approving the half-yearly financial statements, the Financial Division and the external auditors meet, for the purposes of reviewing and assessing the financial information.

The Audit and Compliance Committee submits this information to the Board of Directors which is ultimately responsible for approving it, in order to be subsequently disclosed to the market.

The Group keeps its main business processes with ICRF scope duly documented. Each process is structured in a number of sub-processes, with their relevant flowcharts, that include the proceedings that play a direct or indirect role on financial reporting.

Such processes describe the controls which allow giving an appropriate response to risks associated with the achievement of the objectives relating to reliability and integrity of the financial information, identifying the risks which may result in accouting fraud, so as to prevent, detect, reduce and correct the risk of any potential error way in advance. Each ICFR process has its scoping matrix of risks and controls associated, and they are separated between processes carried out at local level and at corporate level for the entire Group.

Design of flowcharts, description of the different processes and sub-processes and identification of risks and controls is carried out with ARIS.

This software application allows keeping the entire documentation relating to the Group's ICFR processes within a single environment, which results in streamlined processes, as flowcharts, narratives and scoping matrices of risk and control are integrated. All members of the Group involved in ICFR have access to ARIS to view the different processes.

The ICFR system monitoring model is implemented based upon SAP GRC Process Control tool, wherein each control activity is assigned to each supervisor. The effectiveness of these controls is monitored and assessed on a quarterly basis by the ICFR Area.

Additionally, each process is assigned to a supervisor charged with supporting the quarterly monitoring of controls, and defining and keeping updated the ICFR process under their remit.

SAP GRC Process Control is implemented in all subsidiaries within the ICFR scope.

With regard to the consolidation, closing and reporting process, the Financial Division issues the instructions together with the calendar and contents of the financial information to be reported by each of the local financial structures to draw up the consolidated financial statements.

Risks are identified in the matrix of ICFR's consolidation, closing and reporting process, and controls are included relating to relevant opinions, estimates, assessments and projections.

F.3.2. Internal control policies and procedures for information systems (including secure access, control of changes, system operation, continuity and segregation of functions) supporting the key process of the company regarding the drafting and publication of financial information.

The internal control framework of the Group's information systems seeks to set up controls over the main business processes, which are closely related to Information Technologies ("IT").

Based upon the relationship between business processes and associated systems, a review of basic risks is carried out, allowing the company to prioritise and focus on such IT environments which are deemed to be especially relevant.

A number of general controls on applications (IT General Controls or ITGCs) are identified within the Group's ICFR, including:

- Secure access to both applications and data.

- Control on changes in applications.

- Environment segregation.

- Appropriate operation of applications.

- Availability of data and continuity of applications.

The implementation of ITGCs on the applications identified within the ICFR scope is monitored on an annual basis from the ICFR area. As a general rule, the yardstick to identify applications within the ICFR scope is that they support at least a key operating control.

The findings of such monitoring are reported to the Financial Division through the quarterly reports assessing ICFR controls.

Mention should be made of the fact that, in the process to design and implement applications, the Group has defined a methodological framework with different requirements aimed at ensuring that the solution implemented actually meets the functions demanded by users and so that the quality level meets the security standards set out.

Likewise, the Group relies on contingency mechanisms and procedures, both technical and operational, which have been defined to ensure recovery of information systems in case of lack of availability.

In 2019, the Information Security Committee has met on a quarterly basis. Such Committee is charged with ensuring the effective and consistent enforcement of best practices regarding information security management across the organization, reducing risks affecting security to the minimum, taking into account the company's business.

The Information Security Committee is composed of:

- The Chief Operating Officer.

- The General Counsel and Secretary of the Board.

- The Chief IT Officer.

- The Chief Information Security Officer.

- The Chief Financial Officer.

- The Chief Audit Officer, in an advisory capacity.

The Information Security Policy has been updated in 2019. This Policy sets forth the principles and guidelines whereby Inditex will protect its information, pursuant to applicable regulations and its ethical values defined in the Code of Conduct and Responsible Practices as well as the provisions of the Regulations of the Information Security Committee and of any other applicable internal regulations.

The achievement of the objectives described in the Policy revolves around the following overarching principles:

i. classification of information, in accordance with its value, relevance and criticality for the business;

ii. limited use of information systems to lawful and exclusively professional purposes;

iii. segregation of duties to avoid risks;

iv. setting retention periods by information category, where necessary or convenient;

v. setting monitoring procedures to control how information is made available to third parties;

vi. security in Information Systems;

vii. setting a process for continuity management to ensure recovery of critical Information for the Group in the event of disaster; and

viii. alignment of Information Systems and communications of the Group with the requirements of applicable laws and regulations.

The Information Security Department shall exercise its monitoring duties in an independent manner, and it shall be responsible for implementing the Policy and monitoring compliance therewith, and with all requirements arising from applicable laws, regulations and best practices in the field of Information Security.

F.3.3. Internal control policies and procedures to oversee activities outsourced to third parties as well as the appraisal, calculation or assessment activities commissioned from independent experts, which may have any material impact on financial statements.

In 2019, certain activities, such as valuation of fixed assets, actuarial calculations, human resources-related services, valuation of derivatives, calculation of discount rates and certain processes of the IT area, were outsourced to third parties, without them having any material impact on financial statements.

Controls on such calculations and valuations made by third parties exist within the ICFR processes, for the purposes of mitigating risks which may have an impact on financial information.

Such services are commissioned by the supervisors of the relevant areas, ensuring the technical and legal qualifications, capacity and independence of the experts hired.

F.4. Information and communication

Give information on the main features if at least the following exist:

F.4.1. A specific function in charge of defining and updating accounting policies (accounting policies area or Department) and of settling doubts or conflicts arising from the construction thereof, which is in regular communication with those in charge of operations within the organisation as well as an updated manual on accounting policies disclosed to the units through which the entity operates.

The External Reporting area, within the Planning and Management Control Department, is responsible for drawing up, publishing, implementing and updating the Group's Manual on Accounting Policies. With regard to the Group's accounting policies, such area is responsible for, *inter alia*:

- Defining the accounting treatment of the transactions which make up the business of the Group.

- Defining and updating the accounting practices of the Group.

- Addressing doubts and queries arising from the construction of accounting standards.

- Standardizing the accounting practices of the Group.

Such manual covers the different transactions inherent in the Groups' business and their accounting treatment in accordance with the benchmark accounting framework of the Inditex Group.

The manual is regularly updated. As part of such updating procedure, the External Reporting area includes all accounting changes identified which were advanced to those in charge of drawing up the financial statements.

The manual and the remaining documentation are available on the INET.

F.4.2. Mechanisms for the capture and preparation of financial information in standard format, which are enforced and used by all the units of the company or the Group, supporting the main financial statements and the notes thereto, as well as the disclosure concerning ICFR.

The process for consolidation and preparation of consolidated financial statements is centralized, being incumbent on the External Reporting area which reports to the Planning and Management Control Department.

Drawing up the consolidated financial information begins with the addition of individual financial statements of each company included in the consolidation perimeter, to be subsequently consolidated based upon the accounting regulations of the Group. The entire addition and consolidation process is supported by SAP BPC tool.

Financial information reported to CNMV is prepared based upon consolidated financial statements gathered through the above referred tool, and upon certain supplementary information reported by the subsidiaries, required to prepare the annual/half-year report. The entire process is supported by SAP Disclosure Management tool. Contemporaneously, certain specific controls are exerted to confirm integrity of such information.

F.5. Supervision of the system's operation

Give information describing the main features of at least::

F.5.1. ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function charged, *inter alia*, with supporting the audit committee in the monitoring of the internal system, including ICFR. Likewise, give information on the scope of ICFR assessment carried out during the financial year, and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan providing any potential corrective measures and whether the impact of such measures on the financial information has been considered

ICFR area monitors on a quarterly basis implementation of controls, requesting and reviewing a sample of evidence from the supervisors of each control.

As a result of such monitoring process, improvement areas of each control are identified and they are assigned an action plan to remedy them. Follow up ensues to guarantee they are complied with.

Likewise, the ICFR area issues every quarter a report with the findings of each control, the main action lines followed in the quarter and the incidences identified. This report is submitted to the Financial Division, the heads of financial departments and the Internal Audit Department.

In 2019 and specifically regarding ICFR supervision activities, the Audit and Compliance Committee has carried the following proceedings, without limitation:

- It has reviewed the consolidated annual accounts of the Group and the periodic quarterly and half-yearly financial information that the Board of Directors has to provide to the markets and its supervisory bodies, overseeing compliance with statutory requirements and the appropriate application of the generally accepted accounting principles upon drafting such information.

- As part of its supervision duties regarding the Internal Audit function, it has approved its annual activities report, as well as its budget and the annual internal audit plan which includes specific audits on ICFR processes, pursuant to a pluri-annual plan set.

- It has reviewed the annual audit plan of external auditors that includes the audit objectives based upon the evaluation of risks of financial information and the main areas of interest or significant transactions subject to review in the year.

- It has reviewed with the external auditors and with Internal Audit the internal control weaknesses revealed, where appropriate, in the course of the different audit and review assignments. Meanwhile, both external auditors and Internal Audit have regularly advised the Audit and Compliance Committee on the degree of enforcement of recommendations resulting from such assignments.

- It has regularly met with other corporate departments of the Inditex Group for the purposes of overseeing the effectiveness of internal control systems of the Group, including ICFR, verifying their suitability and integrity and the degree of implementation of action plans to meet audit recommendations.

Internal Audit is a corporate function included in the current organisational structure by means of a direct link to the Board of Directors, which ensures full independence in the performance of its activities. Internal Audit functionally reports to the Audit and Compliance Committee.

The area is centrally managed from headquarters and has representatives at such geographic areas where the presence of the Inditex Group so requires. Additionally, it is divided into specialised areas, which allows gathering deep understanding on risks and processes.

Internal Audit's budget is approved on an annual basis by the Audit and Compliance Committee which provides for the human and material resources, both internal and external of the Internal Audit Department.

The mission of the Internal Audit function consists, *inter alia*, of assessing risk exposure and the suitability and effectiveness of controls in respect of risks identified and namely, those related to reliability and integrity of financial and operational information.

Based upon the ICFR Scoping Matrix of Risks, Internal Audit drafts a pluri- annual plan for the regular review of ICFR of the Group which is submitted to the Audit and Compliance Committee for approval every year.

This pluri-annual plan entails conducting ICFR reviews of the significant processes and elements of the Group's financial statements. Review priorities are set based upon the risks identified. Such plan is implemented through annual planning which determines the scope of the annual ICFR reviews. The suitability of such plan is reviewed every year, further to the update of the process to identify and assess financial information risks. Additionally, annual planning include compliance with the provisions of current internal coroporate policies, including the ICFR Policy.

Namely, the following issues are subject to review: the design and effective operation of key transactional controls and general controls on the main software tools involved in financial reporting, as well as the review of the general control environment.

To carry out its activities, Internal Audit uses different audit techniques, mainly interviews, analytical reviews, specific control tests, reviewing both the appropriateness of design and the effective operation thereof, review of the effectiveness of software tools and material tests.

Results of the assignments, together with the corrective measures recommended, where appropriate, are reported to the Financial Division and the Audit and Compliance Committee. Internal Audit follows up on the implementation of such measures which is reported to the Audit and Compliance Committee.

F.5.2. Whether there is a discussion procedure whereby the statutory auditor, (in accordance with the provisions of the NTA), the internal audit function and other experts may disclose to the senior management and to the audit committee or the directors of the company any significant internal control weaknesses identified in the course of the review of the financial statements or any other assignment entrusted Likewise, give information on whether there is an action plan to try and correct or reduce weaknesses observed

Internal Audit regularly discloses to the Financial Division and the Audit and Compliance Committee the internal control weaknesses identified in the reviews carried out, as well as the follow-up on the action plans set out to settle or reduce them.

In turn, external auditors regularly meet with the Financial Division and Internal Audit, both to gather information and to disclose any potential control weaknesses which may have been revealed, where appropriate, in the course of their work.

In its meetings, the Audit and Compliance Committee considers the potential weaknesses in control which might have an impact on financial statements, requesting, where appropriate, from the affected areas, the necessary information to assess any effects on the financial statements.

Section 45.5 of the Board of Directors' Regulations provides that: "The Board of Directors shall endeavour to draft the final accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the contents and scope of the discrepancy."

To meet the provisions of section 45.5 above referred, any discussions or different views existing are advanced in the meetings of the Audit and Compliance Committee with external auditors. In turn, external auditors report, where appropriate, on the main internal control issues that need to be improved identified as a result of their work. Additionally, Management reports on the degree of implementation of the relevant action plans set in train to correct or reduce the issues identified.

Meanwhile, the Audit and Compliance Committee meets with the statutory auditors of the individual and consolidated annual accounts for the purposes of reviewing on the one hand the Group's annual account, and on the other, certain half-yearly periodic financial information that the Board of Directors must provide to the market and its supervisory bodies, overseeing compliance with statutory requirements and the appropriate enforcement of generally accepted accounting principles upon preparing such information.

In 2019, members of the Internal Audit function have attended all 5 meetings of the Audit and Compliance Committee, whereas external auditors were in attendance in 4.

F.6. Other relevant information

F.7. Report of the external auditor

F.7.1. Whether the information on the internal control over financial reporting system has been reviewed by the external auditor, in which case the entity should include the respective report as an exhibit. Otherwise, it should provide the reasons therefor.

The Group's Management submits the information on ICFR included in this section F of the Annual Corporate Governance Report for 2019 prepared by the Group's Management, to the external auditors for review.

GRI CONTENT INDEX

GRI content verification

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Shareholders of Industria de Diseño Textil, S.A.,

We have performed the verification, with a scope of limited assurance, of certain non-financial information indicators included in the Annual Report ("the Annual Report") for the year ended 31 January 2020 ("2019") of Industria de Diseño Textil, S.A. ("Inditex") and Subsidiaries ("the Group").

Our review work was confined solely to the verification of the information for 2019 identified by the symbol in the "GRI content index" section included in the accompanying Annual Report.

Responsibilities of the Directors and of Management

The preparation and content of the Group's Annual Report are the responsibility of the directors of Inditex. The Annual Report was prepared following the criteria of the comprehensive version of the GRI standards and other criteria described as indicated for each matter in the "GRI content index" section of the aforementioned Annual Report.

These responsibilities also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the Annual Report to be free from material misstatement, whether due to fraud or error.

The directors and management of Inditex are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the Annual Report is obtained.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which relates solely to the information identified by the symbol in the "GRI content index" section included in the accompanying Annual Report for 2019. This same information in 2018 was reviewed by another assurance provider who issued a report without any reservations.

We conducted our assurance work in accordance with the requirements established in International Standard

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
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on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance provided is also lower.

Our work consisted in submitting inquiries to management of Inditex and to the management of various units of the Group that participated in the preparation of the Annual Report, reviewing the processes used to compile and validate the portion of information subject to review by us presented in the Annual Report, and carrying out the following analytical procedures and sample-based review tests for the information subject to review:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.
- Analysis of the processes used to compile and validate the data for 2019 presented in the Annual Report relating to the indicators subject to review by us.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the Annual Report to the extent that they affect the indicators subject to review by us.
- Verification, by means of sample-based tests, of the information relating to the indicators subject to review by us included in the Annual Report for 2019 and the appropriate compilation thereof based on the data furnished by the Group's information sources.
- Obtainment of a representation letter from the directors and management.

Conclusion

Our conclusion relates solely to the information subject to review specified in the "Our Responsibility" section of this report. Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that the information relating to the indicators subject to review by us contained in the Annual Report for 2019 of Industria de Diseño Textil, S.A. and Subsidiaries was not prepared, in all material respects, in accordance with the comprehensive version of the GRI standards, considering the information provided for each indicator and for each of the "other criteria" in the "GRI content index" section.

DELOITTE, S.L.

Germán de la Fuente

10th June 2020

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GRI content index

This report has been prepared in accordance with the comprehensive option of the GRI Sustainability Reporting Standards.

Inditex adheres to the United Nations Global Compact since 2001. In the GRI Content Index of this Report, which also doubles as a Communication on Progress, the different parts of the document related to each of the Global Compact principles are indicated.

The following principles for defining report content included in the GRI Standard 101: Foundation 2016 have been used for the elaboration of this report:

- Stakeholder inclusiveness: Inditex identifies and keeps a constant dialogue with its stakeholders. By doing this, the Group is able to describe its further response to its stakeholders' expectations and interests.

- Sustainability context: Inditex contributes, or pretends to do so in the future, to the improvement of the economic, environmental and social trends, advances and conditions, at a local, regional or global level, all of them interconnected.

- Materiality: Inditex covers those aspects and indicators which best reflect the organisation's most significant social, environmental and economic impacts, or those which could be substantially influential on its stakeholders' evaluations and decisions.

- Completeness: the scope of the material topics Inditex is using and the definition of the information's boundary must be enough to reflect the social, economic and environmental significant impacts and to allow that stakeholders are able to evaluate the Group's performance during the fiscal year.

A selection of 40 GRI disclosures identified in the materiality analysis carrried out by Inditex were reviewed by Deloitte S.L., pursuant to the revised International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Review of Historical Financial Information, issued by the International Auditing and Assurance Standard Board (IAASB), and with Guideline on attestation engagements of the Statement on Non-financial Information issued by the ICJCE (Institute of Certified Public Accountants of Spain). These disclosures can be found in the GRI Content Index and are marked with this symbol: ☑

Global Compact Principles

Principle 1. Businesses should support and respect the protection of internationally proclaimed Human Rights.

Principle 2. Businesses should make sure that they are not complicit in Human Rights abuses.

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5. Businesses should uphold the effective abolition of child labour.

Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Principle 7. Businesses should support a precautionary approach to environmental challenges.

Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.

Content Index
Industria de Diseño Textil S.A.
Jun 2020
Service

For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report.

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES

GRI 101: FOUNDATION 2016

General Disclosures

GRI 102: GENERAL DISCLOSURES 2016

ORGANIZATIONAL PROFILE

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	102-1 Name of the organization	Industria de Diseño Textil, S.A.			
	102-2 Activities, brands, products, and services	19-33			
	102-3 Location of headquarters	Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña, España			
	102-4 Location of operations	391-397			
	102-5 Ownership and legal form	264-265, 350			
	102-6 Markets served	391-397			
	102-7 Scale of the organization	12, 14-15			
	102-8 Information on employees and other workers	14, 62-63, 69 The distribution of employees by contract type (permanent/temporary) by region is: America 76% of permanent contracts (24% temporary), Spain 75% of permanent contracts (25% temporary), Europe - excluding Spain - 71% permanent contracts (29% temporary) and Asia and the rest of the world 51% of permanent contracts (49% temporary)		☑ Pages 450-451	Principle 6
	102-9 Supply chain	15, 89, 100-101, 319		☑ Pages 450-451	
	102-10 Significant changes to the organization and its supply chain	100-103, 401-403			
	102-11 Precautionary Principle or approach	422-428			
	102-12 External initiatives	50, 77, 100-103, 310-314			
	102-13 Membership of associations	4-5, 84, 97, 100-103, 310-314			

STRATEGY

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	102-14 Statement from senior decision-maker	6-7			
	102-15 Key impacts, risks, and opportunities	404-407			

ETHICS AND INTEGRITY

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	102-16 Values, principles, standards, and norms of behavior	38, 51, 305-306 Code of Conduct and Responsible Practices: https://www.inditex.com/en/how-we-do-business/right-to-wear			Principle 10
	102-17 Mechanisms for advice and concerns about ethics	306			Principle 10

GOVERNANCE

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	102-18 Governance structure	264, 271, 283-299			
	102-19 Delegating authority	283-300			
	102-20 Executive-level responsibility for economic, environmental, and social topics	298			
	102-21 Consulting stakeholders on economic, environmental, and social topics	44-45, 57			
	102-22 Composition of the highest governance body and its committees	271-274			
	102-23 Chair of the highest governance body	272			
	102-24 Nominating and selecting the highest governance body	277-279, 290-293			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	102-25 Conflicts of interest	301-302			
	102-26 Role of highest governance body in setting purpose, values, and strategy	269-271			
	102-27 Collective knowledge of highest governance body	280			
	102-28 Evaluating the highest governance body's performance	280-282			
	102-29 Identifying and managing economic, environmental, and social impacts	56-57, 269-271, 296-297, 299, 417			
	102-30 Effectiveness of risk management processes	417, 428-429			
	102-31 Review of economic, environmental, and social topics	280-281			
	102-32 Highest governance body's role in sustainability reporting	The Board of Directors is the body in charge of reviewing and approving the issuance of the Annual Report			
	102-33 Communicating critical concerns	44-45, 283-300, 306-307			
	102-34 Nature and total number of critical concerns	267-268, 285-290			
	102-35 Remuneration policies	296 For more information, please refer to the 2019Annual Report on Remuneration of Directors (sections A.1 and A.2) which is available at: https://www.inditex.com/en/compliance/corporate-governance/report-on-remuneration-of-directors			
	102-36 Process for determining remuneration	293-296 For further information, please refer to the 2019 Annual Report on Remuneration of Directrors (sections A.1.1 and A.1.5) which is avaialble at: https://www.inditex.com/en/compliance/corporate-governance/report-on-remuneration-of-directors			
	102-37 Stakeholders' involvement in remuneration	266-268 For further information, please refer to the 2019 Annual Report on Remuneratrion of Directors (section A.4) which is available at: https://www.inditex.com/en/compliance/corporate-governance/report-on-remuneration-of-directors			
	102-38 Annual total compensation ratio	70, 300-301			
	102-39 Percentage increase in annual total compensation ratio	70, 300-301			
	STAKEHOLDER ENGAGEMENT				
	102-40 List of stakeholder groups	44			
	102-41 Collective bargaining agreements	71, 104-108, 111			Principle 3
	102-42 Identifying and selecting stakeholders	44-45			
	102-43 Approach to stakeholder engagement	44-46, 56			
	102-44 Key topics and concerns raised	57, 330-331			
	REPORTING PRACTICE				
	102-45 Entities included in the consolidated financial statements	391-397			
	102-46 Defining report content and topic Boundaries	56-57, 330-331			
	102-47 List of material topics	57, 330-331			
	102-48 Restatements of information	15, 89 For information with organizative or temporal scope different from previous years, the clarifications are described in the information itself			
	102-49 Changes in reporting	57, 407			
	102-50 Reporting period	The Annual Report reflects the economic, social and environmental performance of the Inditex Group in fiscal year 2019, which runs from 1 February 2019 until 31 January 2020			
	102-51 Date of most recent report	June 2019			
	102-52 Reporting cycle	Annual			
	102-53 Contact point for questions regarding the report	468			
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Comprehensive option			
	102-55 GRI content index	454			
	102-56 External assurance	450-451			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES

Material topics

DIVERSITY, EQUALITY AND INCLUSION

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	60-61 For further information please refer to Annex IV of the Consolidated Annual Accounts 2019 (Statement on Non-Financial Information, p.47-51) which is available at: www.inditex.com/documents/10279/645708/Annual+Accounts+2019+Consolidads.pdf/3013c02d-9f7f-28fa-1b6d-a74564beb6f7			
	103-3 Evaluation of the management approach	14, 62 For further information please refer to Annex IV of the Consolidated Annual Accounts 2019 (Statement on Non-Financial Information, p.47-51) which is available at: www.inditex.com/documents/10279/645708/Annual+Accounts+2019+Consolidads.pdf/3013c02d-9f7f-28fa-1b6d-a74564beb6f7			
GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016					
	405-1 Diversity of governance bodies and employees	68-69 For further information please refer to Annex IV of the Consolidated Annual Accounts 2019 (Statement on Non-Financial Information, p.44-47) which is available at: www.inditex.com/documents/10279/645708/Annual+Accounts+2019+Consolidads.pdf/3013c02d-9f7f-28fa-1b6d-a74564beb6f7	The age breakdown is not available in the company's systems for the governing bodies. Inditex is working on improving its reporting systems with a view to disclosing this information in 2021.	☑ Pages 450-451	Principle 6
	405-2 Ratio of basic salary and remuneration of women to men	70	The women and men remuneration comparison by professional category is not available with the level of disaggregation required in the company's systems. Inditex is working on improving its reporting systems with a view to disclosing this information in 2022.	☑ Pages 450-451	Principle 6
OTHER DISCLOSURES: DIVERSITY AND EQUAL OPPORTUNITIES					
	AF27 Policy and actions to protect the pregnancy and maternity rights of women workers	Information related to work-life balance can be found at Annex IV of the Consolidated Annual Accounts 2019 (Statement on Non-Financial information, p.50-51), which is available at: www.inditex.com/documents/10279/645708/Annual+Accounts+2019+Consolidads.pdf/3013c02d-9f7f-28fa-1b6d-a74564beb6f7			
	AF32 Actions to address gender discrimination and to provide opportunities for the advancement of women workers	60-61 For further information please refer to Annex IV of the Consolidated Annual Accounts 2019 (Statement on Non-Financial Information, p.47-51) which is available at: www.inditex.com/documents/10279/645708/Annual+Accounts+2019+Consolidads.pdf/3013c02d-9f7f-28fa-1b6d-a74564beb6f7			
GRI 406: NON-DISCRIMINATION 2016					
	406-1 Incidents of discrimination and corrective actions taken	The Inditex Group did not register any instances of discrimination that had implied violations of human rights through the available channels in 2019.		☑ Pages 450-451	

LABOUR PRACTICES (OWN OPERATIONS)

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	60-61, 68			
	103-3 Evaluation of the management approach	14, 68-70			
GRI 401: EMPLOYMENT 2016					
	401-1 New employee hires and employee turnover	In 2019 Inditex hired 2,225 new employees, 94% of whom female. 88% of new hires are under the age of 30 years, 12% are aged between 30 and 50; and the remaining are over the age of 50. The majority of new hires were concentrated in Europe. Turnover at the Inditex Group, including voluntary departures, was 50%, 49% among women and 53% among men. By age, turnover among the under the age of 30 was 87%; among those aged between 30 and 45, it was 12%; and among those over 50, it was 1%. Turnover varied significantly by region: it was 129% in Asia, followed by 78% in the Americas, 48% in Europe (excluding Spain) and 18% in Spain		☑ Pages 450-451	Principle 6
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	The Group provides the same benefits to temporary and part-time workers as it does to full-time workers			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	401-3 Parental leave	In 2019, 100% of our employees in Spain (48,687 people) were entitled to parental leave (36,278 women and 12,409 men). 2,353 people enjoyed maternity and paternity leave (1,902 women and 451 men), practically all of them returning to their jobs: 2,319 (1,892 women and 427 men). Therefore, the return to work rate is 98.6% (99.5% in the case of women and 94.7% in the case of men). The number of people working for the Group 12 months after having come back from maternity/paternity leaves is 2,034 (1,640 women and 394 men), the retention rate amounting to 93.9% (93.2% for women and 97.0% for men).	Information corresponding to Spain, international related data is not available with the level of disaggregation required in the company's systems. Inditex is working on improving its reporting systems with a view to disclosing this information in 2022.	☑ Pages 450-451	Principle 6
OTHER DISCLOSURES: EMPLOYMENT					
	AF22 Policy and practices regarding the use of employees with non-permanent and non-fulltime	69			
	AF23 Policy regarding the use of home working	Information related with work-life balance can be found at Annex IV of the Consolidated Annual Accounts 2019 (Statement on Non-Financial information, p.50-51), which is available at: www.inditex.com/documents/10279/645708/Annual+Accounts+2019+Consolidads.pdf/3013c02d-9f7f-28fa-1b6d-a74564beb6f7			
GRI 402: LABOR/MANAGEMENT RELATIONS 2016					
	402-1 Minimum notice periods regarding operational changes	The collective bargaining agreements in force do not include aminimum notice period for officially communicating significant operational changes at Inditex. However, whenever significant developments occur, they are duly announced with the notice period(s) provided for in prevailing labour law (article 41 of the Spanish Workers' Statute).			Principle 3
OTHER DISCLOSURES: LABOUR/MANAGEMENT RELATIONS 2016					
	AF29 Percentage of workplaces where there is one or more independent trade union(s)	35% of Inditex's workplaces have workers representatives.			
	AF30 Percentage of workplaces where, in the absence of a trade union, there are worker-management committees, broken down by country.	The Group does not participate in worker-management committees in the absence of a trade unions.			
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016					
	403-1 Workers representation in formal joint management-worker health and safety committees	The existing committees represent all workers (management and employees) at the same level and all of the agreements reached are confirmed by management.			
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	73 In 2019 there were no work-realated fatalities registered. The available information related with absenteeism and occupational diseases can be found at Annex IV of the Consolidated Annual Accounts 2019 (Statement on Non-Financial information, p.62-65), which is available at: www.inditex.com/documents/10279/645708/Annual+Accounts+2019+Consolidads.pdf/3013c02d-9f7f-28fa-1b6d-a74564beb6f7		☑ Pages 450-451	
	403-3 Workers with high incidence or high risk of diseases related to their occupation	As a general rule, the Group's employees are not involved in activities that present a high incidence or risk of specific serious diseases.			
	403-4 Health and safety topics covered in formal agreements with trade unions	All of the committees reach agreements related with worker health and safety. During the reporting period, Inditex had agreements in effect with unions at the local and international levels which address aspects such as personal protective equipment, periodic inspections, skills training and education and grievance mechanisms, among others			
OTHER DISCLOSURES: OCCUPATIONAL HEALTH AND SAFETY					
	AF31 Initiatives and programs to respond to, reduce, and prevent the occurrence of musculoskeletal disorders	Information related with the prevention of muscle and bone injuries can be found at Annex IV of the Consolidated Annual Accounts 2019 (Statement on Non-Financial information, p.60), which is available at: www.inditex.com/documents/10279/645708/Annual+Accounts+2019+Consolidads.pdf/3013c02d-9f7f-28fa-1b6d-a74564beb6f7			
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016					
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	104-108, 111, 144 Inditex's Code of Code of Conduct and Responsible Practices specifically addresses the right to freedom of association and collective bargaining. This Code applies to all of the Group's operations. The Code of Conduct for Manufacturers and Suppliers, which applies to all of the Group's suppliers, also enshrines this right. The Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses compliance with workers' right to freedom of association			Principle 3

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
OTHER DISCLOSURES : WAGES AND HOURS					
	AF25 Policy and practices on wage deductions that are not mandated by law	Inditex does not have policies or practices for wage deductions that are not mandated by law			
	AF26 Policy on working hours, including definition of overtime, and actions to prevent excessive and forced overtime	In accordance with the Group's Code of Conduct and Responsible Practices, weekly working hours and overtime shall not exceed the legal limit established by the legislation of each country. Overtime will always be voluntary and paid in accordance with the law. Furthermore, the Inditex Group's Policy on Human Rights includes the rejection of any form of forced or compulsory labor, as defined in ILO's Convention number 29. The foregoing applies to both its own employees and its supply chain and to any natural and / or legal person related to Inditex. In addition, the Code of Conduct itself defends and promotes compliance with human and labor rights and commits to the application of regulations and good practices in terms of conditions of employment, health and safety in the workplace, not allowing any form of violence, harassment or abuse at work			
ATTRACTING AND RETAINING TALENT					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	64-67			
	103-3 Evaluation of the management approach	14, 62, 64-65			
DEVELOPMENT OF HUMAN CAPITAL					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	64-67			
	103-3 Evaluation of the management approach	64-65			
GRI 404: TRAINING AND EDUCATION 2016					
	404-1 Average hours of training per year per employee	64-65 The average hours of training for fiscal year 2019 has been 17.5 hours per employee (17.8 hours in the case of women and 16.6 hours in the case of men). The data pertaining to training broken down by gender is available in 44 countries representing 94% of teh Group's employees		☑ Pages 450-451	Principle 6
	404-2 Programs for upgrading employee skills and transition assistance programs	64-67, 80, 95 95% of the Group's employees are under the age of 45, which is why the Group does not foresee the need to develop programmes to assist employees in managing career endings in the near future			
	404-3 Percentage of employees receiving regular performance and career development reviews	281-282 All of our people have a performance review at least once a year, and each brand carries out this process according to its management model. In the case of the stores, the conversation about performance is continuous, linked to the contribution of each person to the objectives of the store, and focused on professional development, in line with one of our characteristic features, internal promotion. In the case of offices and at least once a year, the objectives and performance of each person are discussed individually and the objectives for the next period are set. In addition, dialogue is established to promote the professional development of the employee and learn about its concerns. Variable remuneration is totally linked to the Company's results and to the contribution of each person to its achievement			Principle 6
WOMEN EMPOWERMENT					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	60-61, 118-122			
	103-3 Evaluation of the management approach	60, 68, 118, 120-122			
RESPONSIBLE PURCHASING PRACTICES					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	84-86, 94-95			
	103-3 Evaluation of the management approach	15, 84, 95, 112-113			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
OTHER DISCLOSURES: CAPACITY BUILDING					
	AF5 Strategy and scope of efforts to strengthen capacity of management, workers and other staff to improve in social and environmental performance.	66, 80, 95, 113			
OTHER DISCLOSURES: BUSINESS INTEGRATION					
	AF6 Policies for supplier selection, management, and termination	89-90, 142, 144-146 Inditex's Code of Conduct for Manufacturers and Suppliers stipulates the standards and requirements to which suppliers looking to form part of Index's supply chain are bound. It can be retrieved from Inditex's website at: www.inditex.com/en/our-commitment-to-people/our-suppliers		☑ Pages 450-451	
	AF17 Actions to identify and mitigate business practices that affect code compliance	93, 142-146			
OTHER DISCLOSURES: EMPLOYMENT					
	AF24 Policy on the use and selection of labour brokers, including adherence to relevant ILO Conventions	98-104, 116, 140 Inditex analyses and monitors compliance with its Sustainability Strategy by suppliers by means of its Code of Conduct for Manufacturers and Suppliers Compliance Programme			
PROMOTION OF SOCIALLY SUSTAINABLE PRODUCTION ENVIRONMENTS					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	76-77, 98-103			
	103-3 Evaluation of the management approach	15, 101, 142-144, 319-321			
GRI 412: HUMAN RIGHTS ASSESSMENT 2016					
	412-1 Operations that have been subject to human rights reviews or impact assessments	15, 142-144, 321			Principle 1 and 2
	412-2 Employee training on human rights policies or procedures	102 During 2019, progress has been made in due diligence processes in the supply chain. Thus, hand in hand with the Shift organization, our Social Sustainability teams in the countries that concentrate practically all of Inditex's production have received training in Human Rights and in the processes inspired by the United Nations Guiding Principles on Business and Human Rights, to identify and prioritize the potential impacts on Human Rights and on the different groups			Principle 1
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	102, 104, 140-141			Principle 2
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016					
	414-1 New suppliers that were screened using social criteria	15, 89, 142-144, 321		☑ Pages 450-451	Principle 2
	414-2 Negative social impacts in the supply chain and actions taken	144-147			Principle 2
OTHER DISCLOSURES: AUDIT PROCESS					
	AF2 Parties and personnel engaged in code of conduct compliance function	15, 125, 142 Compliance Programme: https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement			
	AF3 Compliance audit process	89, 101, 142 Social Audit Process: https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement			
	AF8 Number of audits conducted and percentage of workplaces audited	15, 89, 92-93, 142-144, 321		☑ Pages 450-451	
OTHER DISCLOSURES: GRIEVANCE PROCEDURES					
	AF4 Policy and procedures for receiving, investigating, and responding to grievances and complaints	306-307			
OTHER DISCLOSURES: NON-COMPLIANCE FINDINGS					
	AF9 Incidents of non-compliance with legal requirements or collective bargaining agreements on wages	144			
	AF10 Incidents of non-compliance with overtime standards	144			
	AF11 Incidents of non-compliance with standards on pregnancy and maternity rights	144			
	AF12 Incidents of the use of child labour	144		☑ Pages 450-451	
	AF13 Incidents of non-compliance with standards on gender discrimination	144		☑ Pages 450-451	

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	AF14 Incidents of non-compliance with code of conduct	144		☑ Pages 450-451	
	AF15 Analysis of data from code compliance audits	142-145			
OTHER DISCLOSURES: REMEDIATION					
	AF16 Remediation practices to address non-compliance findings	92, 142, 144-146, 321		☑ Pages 450-451	
RESPECT FOR HUMAN AND LABOUR RIGHTS IN THE SUPPLY CHAIN					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	45, 51, 76-77, 98-141			
	103-3 Evaluation of the management approach	101, 144			
GRI 408: CHILD LABOR 2016					
	408-1 Operations and suppliers at significant risk for incidents of child labor	142-145 Inditex's Code of Manufacturers and Suppliers Compliance Programme assesses the level of compliance with prohibition of child labour, as stated in said Code. The Code is applicable to all of the Group's operations and suppliers			Principle 5
GRI 409: FORCED OR COMPULSORY LABOR 2016					
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	142-145 Inditex's Code of Manufacturers and Suppliers Compliance Programme assesses the level of compliance with prohibition of forced labour, as stated in said Code. The Code is applicable to all of the Group's operations and suppliers			Principle 4
OTHER DISCLOSURES: CODE OF CONDUCT					
	AF1 Code of conduct content and coverage	142 Code of Conduct and Responsible Practices: www.inditex.com/en/how-we-do-business/right-to-wear Code of Conduct for Suppliers and Manufacturers: www.inditex.com/en/our-commitment-to-people/our-suppliers Compliance Programme: www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement			
	AF7 Number and location of workplaces covered by code of conduct	89, 142-144 The Code of Conduct for Manufacturers and Suppliers applies to 100% of Inditex's suppliers and manufacturers. For further supply chain identification information, please visit Inditex's website: www.inditex.com/en/our-commitment-to-people/our-suppliers		☑ Pages 450-451	
TRANSPARENCY AND TRACEABILITY OF THE SUPPLY CHAIN					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	76-77, 91-92, 97			
	103-3 Evaluation of the management approach	89, 319			
PROTECTION OF BIODIVERSITY					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	76, 84-87 Inditex's Biodiversity Policy (www.inditex.com/documents/10279/242165/Biodiversity+Strategy_Inditex.pdf/b1954ead-d283-43f2-acff-31329f56879a) sets out its goals in the biodiversity protection and conservation arena. The policy was designed bearing in mind the principles established in the United Nations Convention on Biological Diversity and acknowledging the work of the International Union for Conservation of Nature (IUCN). To guarantee application of this strategy, these principles are layered into the master plans of each of the key areas comprising the business model.			
	103-3 Evaluation of the management approach	77, 86-87			
GRI 304: BIODIVERSITY 2016					
	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Not applicable. The lands owned by Inditex are neither adjacent to nor located within protected areas or areas of high biodiversity value, so that the Group does not generate significant impacts on biodiversity		Principle 8
	304-2 Significant impacts of activities, products, and services on biodiversity	84-87			Principle 8

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	304-3 Habitats protected or restored		Not applicable. Inditex's business is to distribute fashion garments (clothing, footwear, accessories and homewear) which it procures as finished products from its suppliers; as a result there are no habitats protected or restored as a result of its business activities		Principle 8
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		Not applicable. Inditex's business is to distribute fashion garments (clothing, footwear, accessories and homewear) which it procures as finished products from its suppliers; as a result there are no habitats affected by its business operations		Principle 8
SUSTAINABLE PRODUCT					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	76, 80, 82-87, 175 In its Code of Conduct, Inditex commits to minimize the environmental impact throughout the life cycle of its products			
	103-3 Evaluation of the management approach	77, 83-85			
GRI 301: MATERIALS 2016					
	301-1 Materials used by weight or volume	84		☑ Pages 450-451	Principle 7
	301-2 Recycled input materials used	14, 84-85		☑ Pages 450-451	Principle 8
	301-3 Reclaimed products and their packaging materials	14, 176-177, 182-183		☑ Pages 450-451	Principle 8
MANAGEMENT OF CHEMICAL SUBSTANCES AND SUSTAINABLE PROCESSES IN MANUFACTURING					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	76, 87, 148-151, 155			
	103-3 Evaluation of the management approach	14, 149-150, 156-157, 322-323			
GRI 306: EFFLUENTS AND WASTE 2016					
	306-1 Water discharge by quality and destination	174 www.inditex.com/en/our-commitment-to-the-environment/water			Principle 8
	306-2 Waste by type and disposal method	180-183 None of the waste generated is disposed of through deep-well injection or stored in-situ	Information on waste generated in own stores is not available with the level of disaggregation required in the company's systems. Inditex has several ongoing projects in order to be able to disclose this information in 2023.	☑ Pages 450-451	Principle 8
	306-3 Significant spills	There were no significant spills during the reporting period. With the aim of preventing them in the supply chain, the Inditex Group has committed with the Zero Discharge of Hazardous Chemicals and has joined the Changing Markets Foundation initiative whose aim is to manufacture a viscose that is responsible and sustainable at every step of the value chain. This will improve the management of waste and yield greater control over the productive process. Similarly, Inditex also supports the Roadmap towards responsible viscose & modal fibre manufacturing championed by this organisation			Principle 8
	306-4 Transport of hazardous waste	Inditex does not transport, import or export any of the waste classified as hazardous in the Basel Convention in any of the countries in which it operates			Principle 8
	306-5 Water bodies affected by water discharges and/or runoff	174 The water consumed at Inditex is discharged through the sewage networks and this is done with all the corresponding permits. In the event of incidents, Inditex analyses their root causes and searches for appropriate solutions. As a result, the organisation's water discharges and runoffs do not have a significant impact on water bodies and their habitats. As for its suppliers, and framed the pledge made in November 2012 to attain zero discharge of unwanted chemical substances by 2025, Inditex is working together with its suppliers under the scope of its 'Water in the Supply Chain Master Plan' in order to promote the sustainable use of this vital resource. Since 2016, we have been working on the provision of technical training in this supply chain, a project which consists of assessing our suppliers' environmental records and their technical capabilities with a view to helping them improve their environmental performance and, thus, build a more sustainable production chain and move towards zero discharges by 2020. To learn more, please visit www.wateractionplan.com, specifically the 'Detox commitment' tab. Also please see https://www.inditex.com/en/our-commitment-to-the-environment/water			Principle 8

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016					
	308-1 New suppliers that were screened using environmental criteria	15, 89, 93, 321		☑ Pages 450-451	Principle 8
	308-2 Negative environmental impacts in the supply chain and actions taken	93, 148-151		☑ Pages 450-451	Principle 8
OTHER DISCLOSURES: MATERIALS					
	AF18 Programmes to replace organic-based adhesives and primers with water-based adhesives and primers	87, 150-151, 153-154			
	AF19 Practices to source safer alternative substances to those on the restricted substances list, including description of associated management systems	87, 322-323			
	AF20 List of environmentally preferable materials used in apparel and footwear products	84-87			
PRODUCT QUALITY, HEALTH AND SAFETY					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	76, 152-155			
	103-3 Evaluation of the management approach	14, 149-150, 156-158, 322-323			
GRI 416: CUSTOMER HEALTH AND SAFETY 2016					
	416-1 Assessment of the health and safety impacts of product and service categories	14, 149, 155-158, 322-323 We have the most demanding product health and safety standards in place, a mandatory reference in the manufacturing practices of all the suppliers that make up our supply chain, and of general and mandatory application to all the items we commercialize (the items not included in the scope of the Group's health and safety standards have reports of minimum requirements generated specifically according to the legal requirements applicable to the typology of products and commercialization markets)		☑ Pages 450-451	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	158, 323		☑ Pages 450-451	
PRODUCT INFORMATION AND LABELLING					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	76, 82			
	103-3 Evaluation of the management approach	77, 83, 97			
GRI 417: MARKETING AND LABELING 2016					
	417-1 Requirements for product and service information and labeling	83 The Group's product health and safety standards are compulsory across the entire production chain (100%).			
	417-2 Incidents of non-compliance concerning product and service information and labeling	No significant incidents of non-compliance with the requirements or voluntary codes concerning product information and labelling were recorded through any of the available channels in 2019			
	417-3 Incidents of non-compliance concerning marketing communications	The Inditex Group did not record significant incidents of non-compliance concerning marketing communications through any of the available channels in 2019			
ANIMAL WELFARE					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	87 The Inditex Group applies responsible production standards in relation to the use of products of animal origin. Inditex has a specific animal welfare strategy (www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop/sustainable-materials/animal-welfare) and a dedicated biodiversity strategy (www.inditex.com/documents/10279/242165/Biodiversity+Strategy_Inditex.pdf/b1954ead-d283-43f2-acff-31329f56879a) which stipulate the management criteria applicable across its value chain.			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	103-3 Evaluation of the management approach	87 Inditex's environmental responsibility pledge includes ethical standards regarding the use of products of animal origin. To learn more: www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop/sustainable-materials/animal-welfare			
CIRCULARITY					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	76, 80, 160-162, 175-178, 180-183			
	103-3 Evaluation of the management approach	15, 77, 80, 179, 183			
ENERGY AND CLIMATE CHANGE					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	76, 160-163, 170, 172-173 We have a dedicated Energy Strategy (www.inditex.com/documents/10279/242114/Inditex+Global+Energy+Strategy/606a5ac4-1381-4672-9ad0-a192032479a2) and we are working to minimise our impact on climate change by taking action all along the value chain. To this end we are streamlining our logistics processes, promoting energy efficiency in our facilities and making progress on our commitment to using renewable sources of energy.			
	103-3 Evaluation of the management approach	77, 163-165, 171, 324			
GRI 302: ENERGY 2016					
	302-1 Energy consumption within the organization	15, 163-164, 166, 170		☑ Pages 450-451	Principles 7 and 8
	302-2 Energy consumption outside of the organization	165 For further information please refer to Annex IV of the Consolidated Annual Accounts 2019 (Statement on Non-Financial Information, p.41) which is available at: www.inditex.com/documents/10279/645708/Annual+Accounts+2019+Consolidads.pdf/3013c02d-9f7f-28fa-1b6d-a74564beb6f7		☑ Pages 450-451	Principle 8
	302-3 Energy intensity	15, 163, 166			Principle 8
	302-4 Reduction of energy consumption	15, 163-164, 166, 170		☑ Pages 450-451	Principles 8 and 9
	302-5 Reductions in energy requirements of products and services	163-164, 166, 170			Principles 8 and 9
OTHER DISCLOSURES: ENERGY					
	AF21 Amount of energy consumed and percentage of the energy that is from renewable sources	15, 163-164, 172		☑ Pages 450-451	
GRI 305: EMISSIONS 2016					
	305-1 Direct (Scope 1) GHG emissions	165, 324		☑ Pages 450-451	Principles 7 and 8
	305-2 Energy indirect (Scope 2) GHG emissions	165, 324		☑ Pages 450-451	Principles 7 and 8
	305-3 Other indirect (Scope 3) GHG emissions	165		☑ Pages 450-451	Principles 7 and 8
	305-4 GHG emissions intensity	165, 324			Principle 8
	305-5 Reduction of GHG emissions	163, 165, 324		☑ Pages 450-451	Principles 8 and 9
	305-6 Emissions of ozone-depleting substances (ODS)	170 Plans have been created to replace air conditioning equipment with more efficient class A equipment for existing stores, guaranteeing the absence of gases that destroy the ozone layer. In addition, thanks to the eco-efficiency measures implemented in own stores, significant electrical savings have been achieved, especially in HVAC systems, since they can achieve at least 20% better performance and energy efficiency than conventional equipment. The set of these actions to promote energy efficiency, added to the realization of our commitment to renewable energies, has allowed to reduce GHG emissions associated with our activity			Principles 7 and 8

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		Not applicable. This year we don't report other air emissions as they are deemed insignificant on account of the characteristics of the equipment and the frequency of the checks stipulated in prevailing legislation (controls are not required). The emission of particles deriving from transportation is generated by outsourced carriers so that this indicator is not applicable to the Group. Nevertheless, Inditex fosters enhanced emissions management and control in its value chain through the tool that enables calculation of emissions in accordance with the GHG Protocol, coupled with the definition of action plans		Principles 7 and 8
USE OF WATER					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	76, 163, 174 Inditex's Global Water Management Strategy (www.inditex.com/documents/10279/241820/Global+Water+Management+Strategy_Inditex.pdf/a128125c-4874-47cf-beab-7e65385b923e) constitutes the roadmap towards the sustainable and rational use of water, with a view to working towards enhanced conservation of the environmental quality of the planet's freshwater and marine ecosystems. Inditex's detox commitment will similarly contribute to the sustainable use of water. For more information, please visit the dedicated website: www.wateractionplan.com/en/home			
	103-3 Evaluation of the management approach	77, 174			
GRI 303: WATER 2016					
	303-1 Water withdrawal by source	174		☑ Pages 450-451	Principles 7 and 8
	303-2 Water sources significantly affected by withdrawal of water	174 The water supplied at all our centres, whether for input into processes or consumption, comes from public, authorised supply networks, so that Inditex does not affect protected habitats. Moreover, all water supply comes from areas experiencing low or no 'water stress'			Principle 8
	303-3 Water recycled and reused	174			Principle 8
PACKAGING					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 330			
	103-2 The management approach and its components	76, 183			
	103-3 Evaluation of the management approach	77, 183			
CUSTOMER RELATIONS					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	186-187			
	103-3 Evaluation of the management approach	188			
BRAND PROTECTION AND MANAGEMENT					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	405			
	103-3 Evaluation of the management approach	315, 421-422			
INTEGRATED SHOPPING EXPERIENCE					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	190-211			
	103-3 Evaluation of the management approach	195, 197, 202, 204, 207-211			
CYBER SECURITY AND DATA PROTECTION					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
	103-2 The management approach and its components	189			
	103-3 Evaluation of the management approach	288-289			
GRI 418: CUSTOMER PRIVACY 2016					
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Inditex did not receive any significative administrative sanctions for fundamental non-compliances with customer privacy and data protection laws through any of the channels available for this purpose in 2019		☑ Pages 450-451	
TECHNOLOGICAL INNOVATION					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	190-193			
	103-3 Evaluation of the management approach	190-193			
TRANSPARENCY AND TAX CONTRIBUTION					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	214-219			
	103-3 Evaluation of the management approach	215-217			
SOCIAL PROGRAMMES INVESTMENT					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	222-223, 224-227			
	103-3 Evaluation of the management approach	15, 224-227, 325-327			
GRI 203: INDIRECT ECONOMIC IMPACTS 2016					
	203-1 Infrastructure investments and services supported	15, 228-229, 325-327			
	203-2 Significant indirect economic impacts	230-249			
GRI 413: LOCAL COMMUNITIES 2016					
	413-1 Operations with local community engagement, impact assessments, and development programs	104-141, 224-225			Principle 1
	413-2 Operations with significant actual and potential negative impacts on local communities	150-151			Principles 1 and 2
OTHER DISCLOSURES: COMMUNITY INVESTMENT					
	AF33 Priorities in community investment strategy.	222-223			
	AF34 Amount of investment in worker communities broken down by location	227, 325			
SOCIOE-CONOMIC IMPACT ON SOCIETY					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	48-50, 61, 216-217			
	103-3 Evaluation of the management approach	6, 61, 216-217, 253			
GRI 201: ECONOMIC PERFORMANCE 2016					
	201-1 Direct economic value generated and distributed	327		☑ Pages 450-451	
	201-2 Financial implications and other risks and opportunities due to climate change	48, 54-55, 76-77, 404 The Enterprise Risk Management Policy establishes the basic principles, risk factors and the general framework for the management and control of the risks that affect the Group. This Policy has a scope of application that covers the whole Group and is the basis of an Integrated System of Risk Management . Within the framework of the Riks Management Policy, business units represent the first line of defense on the management and control of the different risks to which the Group is exposed, including those related to climate. Climate conditions influence, among other factors, on the availability and price of raw materials used in the productive processes of the Group. Furthermore, sharp changes in climate cycles can affect demand patterns			
	201-3 Defined benefit plan obligations and other retirement plans	296			
	201-4 Financial assistance received from government	During fiscal year 2019, considering all markets where the Group operates, Inditex has received 0,4 millions of euros in concept of public grants		☑ Pages 450-451	

GRI STANDARD	DISCLOSURE	PAGE NUMBER(S), URL AND/OR DIRECT ANSWER	OMISSIONS	EXTERNAL ASSURANCE	GLOBAL COMPACT PRINCIPLES
REGULATORY COMPLIANCE AND RESPONSIBLE PRACTICES					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	256-259		☑ Pages 450-451	
	103-3 Evaluation of the management approach	256, 260-261			
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016					
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	The Inditex Group did not record (firm) legal actions related with anticompetitive behaviour, anti-trust, or monopoly practices through any of the available channels in 2019			
GRI 307: ENVIRONMENTAL COMPLIANCE 2016					
	307-1 Non-compliance with environmental laws and regulations	The Inditex Group did not receive any penalties or fines of significant amount for non-compliance with environmental laws or regulations through any of the channels available to this end in 2019			Principle 8
GRI 419: SOCIOECONOMIC COMPLIANCE 2016					
	419-1 Non-compliance with laws and regulations in the social and economic area	The Inditex Group did not receive any significant fines for noncompliance with laws or regulations applicable to it through any of the channels available to this end in 2019			
CORPORATE GOVERNANCE					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	262-263			
	103-3 Evaluation of the management approach	280-282			
GRI 415: PUBLIC POLICY 2016					
	415-1 Political contributions	Inditex's Code of Conduct and Responsible Practices expressly stipulates that all dealings between Inditex and governments, authorities, institutions and political parties must be framed by the principles of lawfulness and neutrality. Any contributions made by the company, whether in cash or in-kind, to political parties, institutions or public authorities must be made in accordance with prevailing legislation. So as to guarantee transparency in this respect they must be preceded by a report from the legal advisory department certifying their absolute lawfulness			Principle 10
RISK MANAGEMENT AND CONTROL SYSTEMS					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	417, 419-429			
	103-3 Evaluation of the management approach	421-422			
CORRUPTION AND BRIBERY					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	305-307			
	103-3 Evaluation of the management approach	307			
GRI 205: ANTI-CORRUPTION 2016					
	205-1 Operations assessed for risks related to corruptionn	305-306 Inditex's Code of Conduct and Responsible Practices covers the prevention of corruption in all its manifestations. The Code applies to 100% of the Group's business units and can be downloaded from the corporate website at: www.inditex.com/en/how-we-do-business/right-to-wear			Principle 10
	205-2 Communication and training about anti-corruption policies and procedures	259-261		☑ Pages 450-451	Principle 10
	205-3 Confirmed incidents of corruption and actions taken	Inditex was not made aware during social year 2019, either through its Ethics Committee or any other channel, that any legal proceedings had been taken in the areas of corruption or bribery that could affect the company		☑ Pages 450-451	Principle 10
RELATIONSHIP WITH STAKEHOLDERS					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	57, 331			
	103-2 The management approach and its components	44-45			
	103-3 Evaluation of the management approach	46-47			

The Annual Report 2019 provided information under the terms of the triple economic, social and environmental dimension.

The Annual Report is fully available on the corporate website (www.inditex.com), where additional useful information may also be accessed.

The English translation of this Annual Report has been reviewed by the Centre for Business and Public Sector Ethics of Cambridge (www.ethicscentre.org).

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Legal Deposit: C 2416-2008

Photography:

Emilio Montero, 1824estudio.com

Editor:

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Avda. de la Diputación, s/n
15142 Arteixo
A Coruña, Spain

The Annual Report 2018 is the previous Report published in June 2019.

Overall coordination:

www.europublic.es

Production:

www.uniter.net