



*SUSTAINABLE
STRATEGY*

Materiality analysis



For Inditex, the materiality analysis is one of the most important tools for dialogue with stakeholders since it allows us to identify the most relevant issues for them as a starting point for our sustainable strategy. At the same time, the materiality analysis defines the content that we include in the Annual Report.

In 2018, for the eighth year in a row, this materiality analysis has been done with the participation of both our internal and external stakeholders. Inditex's Social Advisory Board plays an active and key role in this process because of its composition as well as its status as the Company's advisory body in the area of sustainability.

The process of identifying material topics is carried out following the recommendations included in the Global Reporting Initiative Standards and, specifically, the standard *GRI 101: Foundation 2016*, which establishes materiality as one of the principles that must be followed to define the content of sustainability reports.

This year, the list of material topics has been revised and, as a result, a materiality matrix has been defined with 32 issues compared to 30 in 2017. The issues identified are grouped into 10 main areas which we call *Our Priorities*, which Inditex's sustainable strategy is based on. *Our Priorities* are the major issues involved in making progress when it comes to creating economic, social and environmental value and ensuring that stakeholders' current and future needs are met.

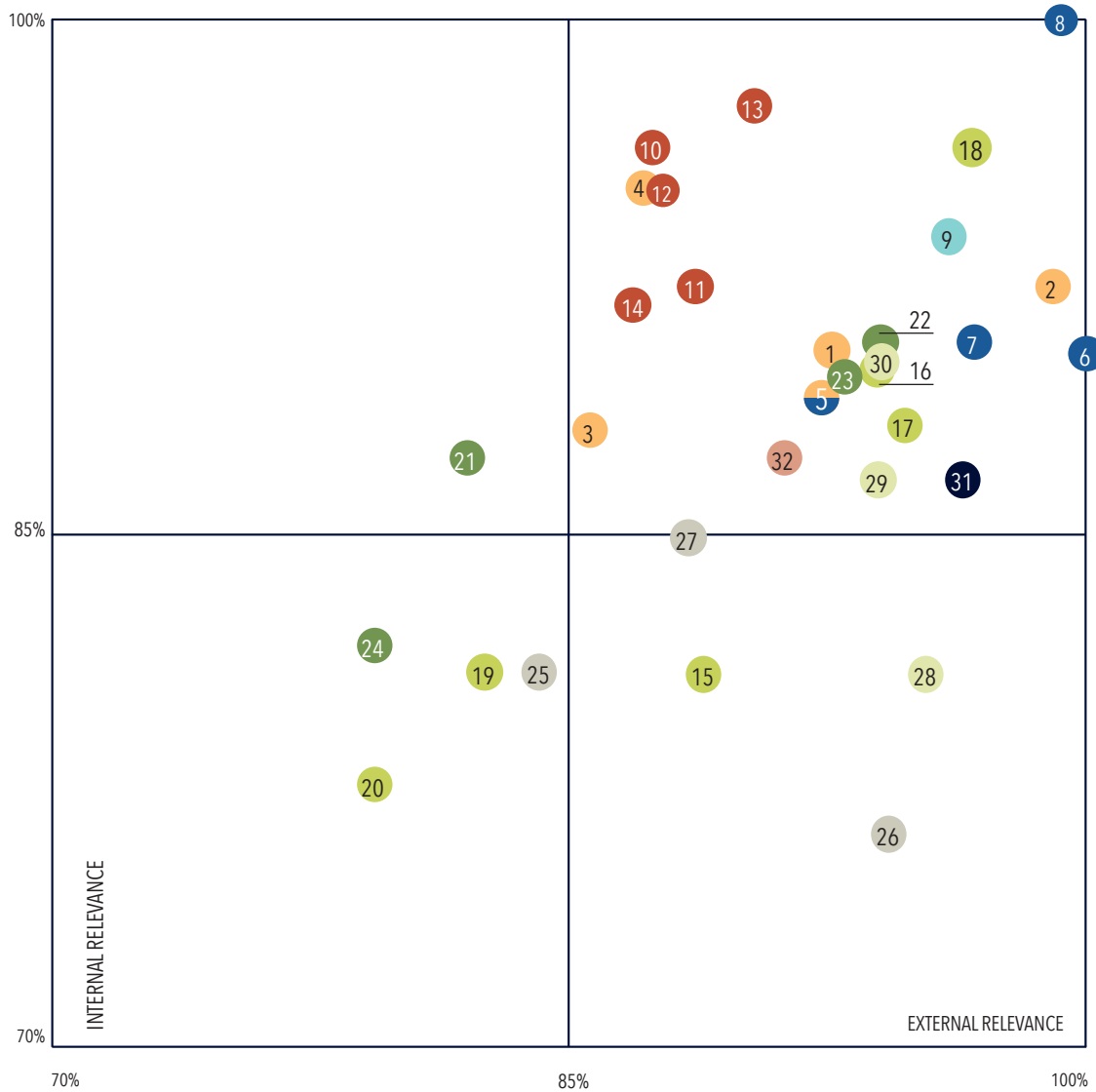
The following organisations, among others, have been consulted in the definition of material issues for 2018:

Inditex's Social Advisory Board, Aalto University, Better Work - International Labour Organization (ILO), Bill & Melinda Gates Foundation, BSR, Centre for Business and Public Sector Ethics of Cambridge, COGAMI (Confederacion Galega de Persoas con Discapacidade), Cotton Connect, Spanish Red Cross, Ellen McArthur Foundation, Ethical Trading Initiative, Forest Stewardship Council (FSC), Fundación Ecología y Desarrollo (ECODES), Fundación Seres. Sociedad y Empresa Responsable, Harvard Business School, IE Business School, IndustriALL Global Union, Doctors without Borders (MSF, for its abbreviation in French), Organic Cotton Accelerator, Shared Value, Singapore Management University, Social Labour Converge Project, Textile Exchange, University of Santiago de Compostela, University of Lleida, University of Oxford, University of Toronto, The Humane Society of the United States, United Nations Global Compact, People for the Ethical Treatment of Animals and the Zero Discharge of Hazardous Chemicals Foundation, among others.

The information about the materiality matrix is complemented with an analysis of each material topic in the *Sustainability, in figures* section of this Annual Report.

 More information on page 296 of this Annual Report.

Materiality matrix



Our priorities

<p>Our people</p> <ul style="list-style-type: none"> 1 Diversity and Inclusion 2 Labour practices (own operations) 3 Attracting and retaining talent 4 Developing human capital 5 Women empowerment 	<p>Socially responsible supply chain</p> <ul style="list-style-type: none"> 5 Women empowerment 6 Responsible purchasing practices 7 Promoting socially sustainable production environments 8 Respecting human and labour rights in the supply chain 	<p>Integrated supply chain management</p> <ul style="list-style-type: none"> 9 Transparency and traceability of the supply chain 	<p>Our customers</p> <ul style="list-style-type: none"> 10 Customer relationship management 11 Brand management 12 Integrated customer experience 13 Cybersecurity and data protection 14 Technological innovation 	<p>Excellence of our products</p> <ul style="list-style-type: none"> 15 Protection of biodiversity 16 Sustainable products 17 Management of chemical substances and sustainable processes in manufacturing 18 Product quality, health and safety 19 Product information and labelling 20 Animal welfare
<p>Circularity and efficient use of resources</p> <ul style="list-style-type: none"> 21 Circularity 22 Energy and climate change 23 Use of water 24 Packaging 	<p>Contribution to community welfare</p> <ul style="list-style-type: none"> 25 Investment in the community 26 Relationship with stakeholders 27 Socioeconomic impact on society 	<p>Compliance, good Corporate Governance and ethical culture</p> <ul style="list-style-type: none"> 28 Corporate Governance 29 Risk management and control systems 30 Corruption and bribery 	<p>Creating value for our shareholders</p> <ul style="list-style-type: none"> 31 Regulatory compliance and responsible practices 	<p>Tax transparency</p> <ul style="list-style-type: none"> 32 Transparency and tax contribution

Stakeholder relations

Maintaining a relationship based on transparency and ongoing dialogue with our stakeholders is one of the keys for developing Inditex's strategy. We are aware that it is not possible to create value in a sustainable way and to face the challenges and opportunities that arise in our environment if their needs and expectations are not taken into account.

Our relationship with stakeholders is based on ongoing dialogue as well as on maintaining cooperative relationships and establishing strategic partnerships that allow us to make progress on important issues such as achieving the Sustainable Development Goals and respecting and promoting Human Rights.

To build these relationships, we follow 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.

In this regard, our relationship models with stakeholders are always based on transparency and ongoing dialogue but they have different foundations depending on the

target group. Before setting each specific policy, we do an exercise to identify and review the stakeholders, which allows us to set goals and determine the appropriate communication channel. This exercise is done periodically so that the stakeholders, goals and tools that are used are reviewed and updated on a continuous basis.

In order to constantly develop our relationship models with stakeholders, Inditex's Social Advisory Board, a counseling body on sustainability issues made up of individuals and external institutions independent of Inditex, takes on a key role as it is responsible for institutionalizing the dialogue with key interlocutors in civil society.

 More information on page 264 of this Annual Report.

Based on their direct or indirect involvement in the value chain of the Company's business activities, our priority stakeholders are employees, customers, suppliers, the environment, the community and shareholders. Our sustainable strategy is organised around priorities that cover all the material topics that the groups themselves help us define.



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STAKEHOLDERS

COMMON PRINCIPLES

ONGOING DIALOGUE
TRANSPARENCY

DIFFERENT RELATIONSHIP AND DIALOGUE TOOLS:

MATERIALITY
ANALYSIS

SOCIAL ADVISORY
BOARD













STRATEGIC
PARTNERSHIPS

CORPORATE
WEBSITE

ANNUAL
REPORT

SPECIFIC TOOLS
FOR DIALOGUE



STAKEHOLDERS	TOOLS FOR DIALOGUE	FREQUENCY	OUR COMMITMENTS	EXAMPLES OF STAKEHOLDERS	Our priorities
 <p>EMPLOYEES Any person who works for the Inditex Group, whether at stores, offices or logistics centres.</p>	<ul style="list-style-type: none"> - Ethics Committee - UNI Global Union agreement - Training and internal promotion - Internal communications - Volunteer programmes - Information Security and Data Protection & Privacy (Data Protection Officer - DPO) Departments 	<ul style="list-style-type: none"> - On request - Ongoing dialogue - Ongoing dialogue - Ongoing dialogue - Ongoing dialogue - Ongoing dialogue 	<ul style="list-style-type: none"> - Respect for human and labour rights - Fair and decent treatment - Data protection & privacy - Commitment with information security 	<ul style="list-style-type: none"> - Store employees - Office employees - Employees at logistic centres - Trade union representatives 	 Our people
 <p>CUSTOMERS Any person who purchases any product marketed by any of Inditex Group's different brands.</p>	<ul style="list-style-type: none"> - Specialized customer service teams - Stores and online - Social networks - Information Security and Data Protection & Privacy (Data Protection Officer - DPO) Departments 	<ul style="list-style-type: none"> - On request - Ongoing dialogue - Ongoing dialogue - On request 	<ul style="list-style-type: none"> - Clear and transparent communication - Integration into the entire business model - Responsible design and manufacturing - Data protection & privacy - Commitment with information security 	<ul style="list-style-type: none"> - Store customers - Online store customers - Potential customers 	 Our customers Excellence of our products
 <p>SUPPLIERS Companies that are part of Inditex's supply chain as well as their respective employees.</p>	<ul style="list-style-type: none"> - Supplier clusters - Ethics Committee - Commercial and sustainability teams - Framework Agreement with IndustriALL Global Union - Technological Sustainability - Information Security and Data Protection & Privacy (Data Protection Officer - DPO) Departments 	<ul style="list-style-type: none"> - Ongoing dialogue - On request - Ongoing dialogue - Ongoing dialogue - Ongoing dialogue - Ongoing dialogue 	<ul style="list-style-type: none"> - Promotion and protection of Human Rights, fundamental labour rights and international standards - Promotion of sustainable production environments - Commitment with environments that respect information security and data protection & privacy 	<ul style="list-style-type: none"> - Direct suppliers - Manufacturers - Workers - Trade union organisations 	 Integrated supply chain management Socially responsible supply chain
 <p>ENVIRONMENT Set of natural elements present in the environment where Inditex develops its business model.</p>	<ul style="list-style-type: none"> - Social Advisory Board - Commitment to NGOs - Environmental sustainability teams 	<ul style="list-style-type: none"> - Biannual - Ongoing dialogue - Ongoing dialogue 	<ul style="list-style-type: none"> - Respect for the environment - Protecting biodiversity - Sustainable management of natural resources 	<ul style="list-style-type: none"> - Environmental protection organisations - Governments 	 Circularity and efficient use of resources
 <p>COMMUNITY All people or entities that are part of the environment in which Inditex carries out its business model.</p>	<ul style="list-style-type: none"> - Social Advisory Board - Cooperation with NGOs - Sponsorship and Patronage Committee 	<ul style="list-style-type: none"> - Biannual - Ongoing dialogue - Biannual 	<ul style="list-style-type: none"> - Contribution to social and economic development - Commitment to improving global welfare 	<ul style="list-style-type: none"> - NGOs - Government and public administration - Academic institutions - Civil society - Media 	 Contribution to community welfare Tax Transparency
 <p>SHAREHOLDERS Any person or entity that owns one or several Inditex Group shares.</p>	<ul style="list-style-type: none"> - Annual General Meeting of Shareholders - Sustainability indexes - Investors relations 	<ul style="list-style-type: none"> - Annual - Annual - Ongoing dialogue 	<ul style="list-style-type: none"> - Social interests and the shared interests of all the shareholders - Promotion of informed participation 	<ul style="list-style-type: none"> - Institutional investors - Private investors 	 Compliance, good Corporate Governance and ethical culture Creating value for our shareholders

Inditex's Contribution to Sustainable Development

Inditex is aware that the Company's prosperity is directly related to the prosperity of the communities and the environment where it carries out its business activity. That is why we are committed to the United Nations 2030 Agenda for Sustainable Development and have aligned our strategy with it.

Our commitment extends to the 17 Sustainable Development Goals (SDGs) set out in the 2030 Agenda. We are aware that they are all interrelated and in order to cover the three dimensions of sustainable development (economic growth, social inclusion and environmental protection), we must take them into consideration.

The SDGs define a specific roadmap with 17 goals and 169 detailed targets which must be taken into account in order to work towards a future where companies' profitability goes hand in hand with social and environmental sustainability. This roadmap is shared by all the actors involved in sustainable development including governments, private companies and civil society.

In this regard, at Inditex we join forces with our stakeholders in a number of areas to put into practice the mandate of SDG 17 which calls for strengthening partnerships to achieve the goals. As a result of our business model, there are some SDGs where our contribution is more significant. As part of aligning our strategy with the 2030 Agenda, we have identified the main SDGs related to each one of our priorities in order to try to maximize our contribution. The sum of all the actions carried out in each priority constitutes Inditex's total contribution to the 17 SDGs.

In each one of the priorities highlighted in this Annual Report, targets are identified where Inditex's contribution is the most significant. Furthermore, different indicators are also reported that allow the progress that has been made towards meeting each of them to be measured.

 More information on pages 294 and 295 of this Annual Report.

The indicators have been selected based on the guide Business Reporting on the SDGs: An Analysis of Goals and Targets, developed by the Action Platform for Reporting on the Sustainable Development Goals jointly organised by the United Nations Global Compact and the Global Reporting Initiative, which Inditex has been a part of since its launch.

This platform was initially created to last for two years, but its time frame has been extended to keep delving into SDGs reporting and to help more companies adhere to this agenda and report on it. At Inditex, we will continue participating in it, sharing experiences and best practices with various companies from different sectors.

Contribution of our priorities to the SDGs

OUR CUSTOMERS. Customers are at the centre of our decision-making and our business. Inditex has developed an integrated model for brick-and-mortar and online stores that seeks to maintain an ongoing dialogue with customers, thus meeting their needs while providing the information needed to help them make responsible purchasing decisions.

OUR PEOPLE. The diversity, commitment, and effort of each one of the more than 174,000 people that comprise Inditex are key for the Company's success. That is why matters such as their training, providing them safe and healthy work environments, promoting equality among all employees and continuously improving the quality of their employment are priorities for us.

INTEGRATED SUPPLY CHAIN MANAGEMENT. The innovative and integral management of the supply chain allows us to ensure its traceability and that all our health, safety and quality standards and our sustainability requirements are applied throughout it, contributing to a relationship of co-responsibility with our customers and suppliers.

SOCIALLY RESPONSIBLE SUPPLY CHAIN. Our Code of Conduct for Manufacturers and Suppliers establishes binding standards that cover all aspects of decent work, from health and safety in the workplace to non-discrimination based on gender, which we developed in programmes whose fundamental premise is to put 'workers at the centre.' In addition, we have partnerships with different stakeholders, thus collaborating with different actors so that the supply chain will be socially sustainable.

EXCELLENCE OF OUR PRODUCTS. Our commitment to the excellence of our products is reflected in our high health and safety standards, as well as in our commitment to Zero Discharge of Hazardous Chemicals and in our ongoing research to improve the substances, raw materials and processes used in production, thus contributing to protecting the environment. Our Join Life items are the best example of this.

CIRCULARITY AND EFFICIENT USE OF RESOURCES. At Inditex, we are committed to minimizing the impact of our actions on the environment. We incorporate the most innovative technologies to reduce our consumption and emissions and we opt for using renewable energies. In addition, our Closing the Loop Programme helps us to close the productive loop of our garments.

CONTRIBUTION TO COMMUNITY WELFARE. At Inditex, it is our responsibility to contribute to the development of society by voluntarily participating in social initiatives that are aligned with our activity. The SDGs are at the core of our strategy in terms of our investment in the community.

TAX TRANSPARENCY. At Inditex, we are completely committed to contributing to the economic, social and industrial development in the different countries where we operate. The taxes that we pay are a key aspect of our social and economic contribution.

CREATING VALUE FOR OUR SHAREHOLDERS. We make sure our shareholders have access to all the information they need to ensure that inclusive, participatory and representative decisions are made that respond to their needs.

COMPLIANCE, GOOD CORPORATE GOVERNANCE AND ETHICAL CULTURE. Inditex's Code of Conduct and Responsible Practices serves to formalize the Company's commitment to decent employment, non-discrimination and gender equality, and the establishment of lawful and respectful relationships that are aligned with international standards to prevent corruption. In this regard, at Inditex we have introduced a robust Compliance Model that transmits a truly ethical corporate culture to all stakeholders.



ODS

- | | | |
|------------------------------|---|--|
| ① No poverty | ⑦ Affordable and clean energy | ⑬ Climate action |
| ② Zero Hunger | ⑧ Decent work and economic growth | ⑭ Life below water |
| ③ Good health and well-being | ⑨ Industry, innovation and infrastructure | ⑮ Life on land |
| ④ Quality education | ⑩ Reduced inequalities | ⑯ Peace, justice and strong institutions |
| ⑤ Gender equality | ⑪ Sustainable cities and communities | ⑰ Partnerships for the goals |
| ⑥ Clean water and sanitation | ⑫ Responsible consumption and production | |

Promotion and respect for Human Rights

Each year, Inditex strengthens its commitment to respecting Human Rights thanks to a corporate strategy that was formally adopted in 2016 and fully integrated into the business model. This high-level strategy follows the United Nations Guiding Principles on Business and Human Rights.

In addition, the Company is a member of the Business Learning Programme of Shift, a non-profit organization with expertise in Human Rights and chaired by John Ruggie, author of the United Nations Guiding Principles on Business and Human Rights. It is a leadership programme on Human Rights that brings together companies from all sectors to work on the implementation of the Guiding Principles under the leadership of Shift.

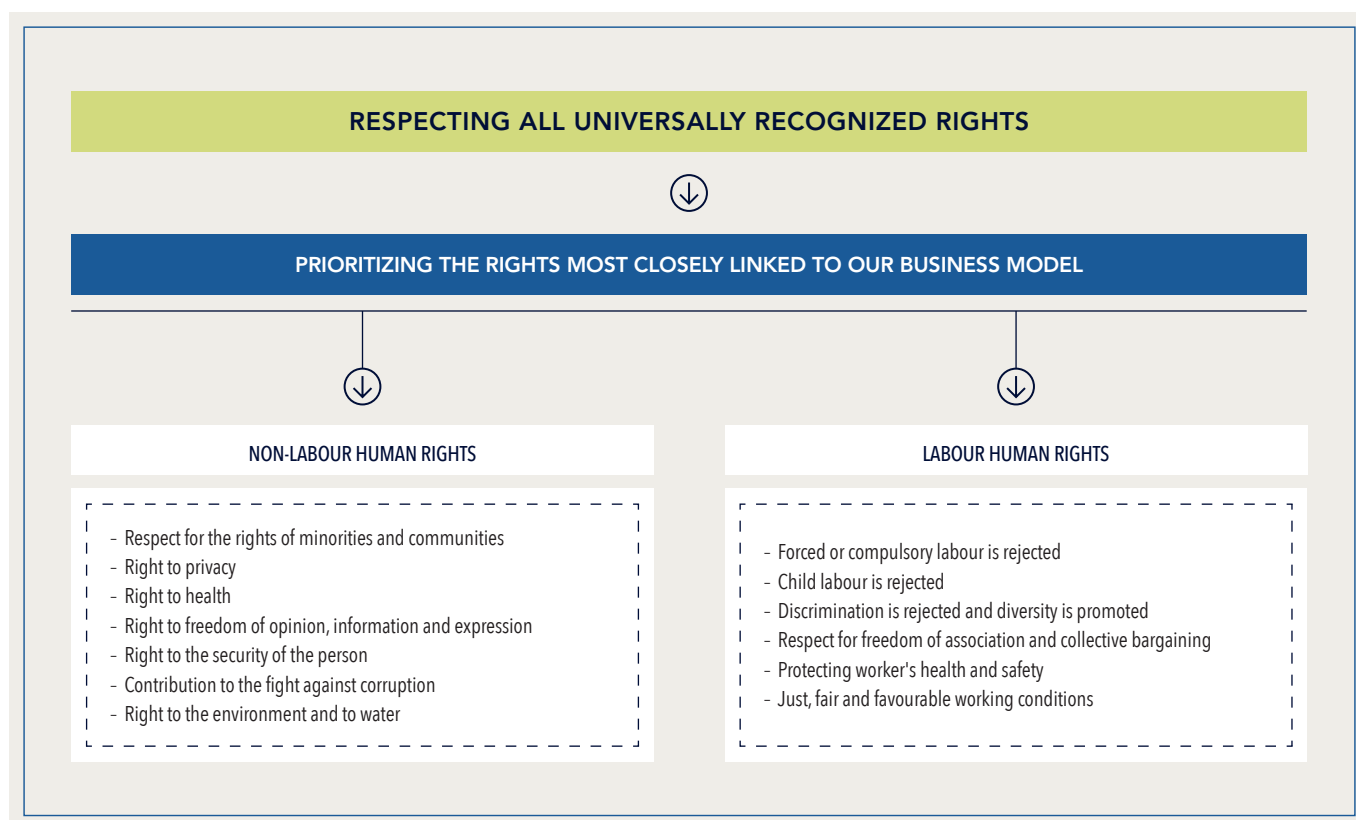
In 2018, coinciding with the 70th Anniversary of the Universal Declaration of Human Rights, we reflected on and strengthened our universal commitments to respecting all rights. It is something that all the Group's teams have reflected on and it is carried over to the entire value chain.

Inditex's Human Rights Strategy has three pillars: its own policy, due diligence processes and grievance mechanisms.

Policy on Human Rights

On 12 December 2016, the Board of Directors approved Inditex Group's Policy on Human Rights, with favourable preliminary reports from the Audit and Control Committee and the Social Advisory Board.

With this policy, Inditex makes a commitment to play an active role in promoting Human Rights, working proactively in this area. This commitment involves avoiding or, when appropriate, mitigating the negative consequences on Human Rights of its own activities and of the actions of third-parties with whom the Group has business relationships.



Due diligence

The second fundamental pillar of Inditex’s Human Rights Strategy is due diligence, a process that involves identifying the potential impacts on Human Rights throughout our value chain in order to integrate the conclusions into the Group’s processes afterwards.

Inditex reviews and updates its due diligence processes on a regular basis, using best practices identified both within and outside the Company to create a global model. In 2018, progress was made on the supply chain processes—one of the areas where the Company can have the greatest impact—so that it has a solid sustainable management system.


In collaboration with Shift, the Social Sustainability teams from the countries where practically all of Inditex’s supply chain is located, have received training in Human Rights and in the processes inspired by the United Nations Guiding Principles on Business and Human Rights. The aim is to identify and prioritize the potential impacts on Human Rights and on the different groups, as well as to revise and boost the sustainable supply chain management strategy.

During financial year 2018, other relevant areas of the Company like Internal Audit, the General Counsel’s Office, Data Protection & Privacy and Information Security have participated in creating standardized due diligence processes.

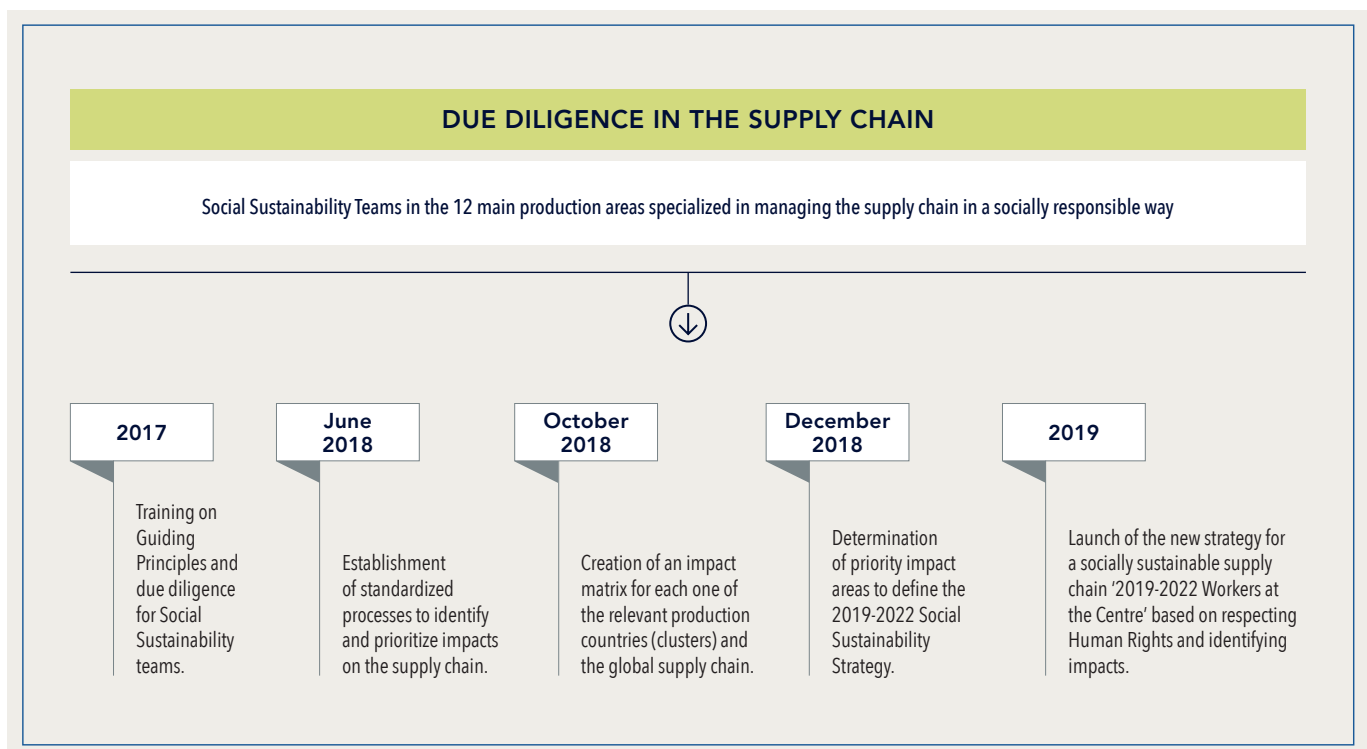
Grievance mechanisms

The third pillar of Inditex’s Human Rights Strategy is grievance mechanisms, which strengthen due diligence processes as they help in identifying and providing timely solutions to any potential negative impacts on human rights, as well as strengthen relations with our stakeholders.

Inditex’s main grievance mechanism is the Whistle Blowing Channel managed by the Ethics Committee, which is available to all employees and third parties with a specific legitimate interest.

 More information on pages 270 and 271 of this Annual Report.

Inditex is committed to playing an active role in promoting Human Rights and working proactively in this area.



 More information on page 145 of this Annual Report.