

5.9.

Good governance, corporate ethical culture and solid compliance architecture

Related material topics: Ethical behaviour and governance; Stakeholder engagements.



Transmitting the corporate ethical culture to all internal and external stakeholders is paramount for Inditex, which has in place internal regulations to nurture the development of an ethical, efficient and competitive business model.

5.9.1. Internal corporate ethical culture

GRI 102-16; 205-1; 407-1 AND 103-2

Inditex's Compliance System is based on the implementation of our corporate ethical culture as an objective shared by all of us who make up the Company, because it is not only a matter of what we want to achieve, but of *how* we want to achieve it. One of the goals is to establish a compliance framework in keeping with the applicable legislation and reg-

ulations, so as to prevent and, where appropriate, limit any kind of legal liability for the Company. As for the how, Inditex's Compliance System seeks to show our **unwavering commitment to good governance and social and environmental sustainability**, and convey our corporate ethical culture to all our stakeholders, promoting respect for fundamental human and labour rights. Compliance is a consequence of this commitment, enshrined in the Compliance System explained in this chapter.

Evidence of this is the existence of an approved and published internal regulatory system reflecting our ethical culture. The Code of Conduct and Responsible Practices is the top-level regulation for Group employees, and the Code of Conduct for Manufacturers and Suppliers provides the benchmark regulation for Inditex suppliers and the entire supply chain.

Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices (also known simply as the '**Code of Conduct**') establishes Inditex's ethical commitments and sets



FOR MORE INFORMATION

on the Code of Conduct and Responsible Practices.

out the behaviour expected of its employees. Its goal is to secure a professional, ethical and responsible commitment from Inditex and all its employees, in the course of its activities anywhere in the world, as a basic element of its business culture underpinning the training and personal and professional well-being of its employees. To this end, it defines the principles and values that must govern the relationships between the Group and our main stakeholders: employees, customers, shareholders, business partners, suppliers and those communities in which we implement our business model.

Notable among these principles are that:

- **All Inditex Group operations will be carried out in an ethical and responsible way;**
- All persons, legal and physical, with any direct or indirect labour, economic, social and/or industrial relations with the Inditex Group, will receive **fair and decent treatment; and**
- All the Group's activities will be conducted **in the most environmentally-friendly way possible, fostering the conservation of biodiversity and the sustainable management of natural resources.**

The Code of Conduct includes a series of **commitments for responsible conduct and practices**, among others:

- Compliance with applicable legislation and with Inditex's internal regulations;
- Respect for and promotion of human and labour rights and regulations and best practices in regard to employment, health and safety at work;
- The obligation to act in accordance with the criteria of respect, dignity and justice, considering the broad range of cultural sensitivities of employees and/or customers, their diversity and multiculturalism, preventing any form of violence, harassment or abuse, and discrimination;
- Compliance with product health and safety standards which guarantee that Inditex's articles do not pose any kind of risk to health and/or safety;
- The establishment of lawful, ethical and respectful relationships with any third party with whom it has dealings, particularly with suppliers and public authorities, in keeping with international provisions for the prevention of corruption and bribery;

- The obligation to prevent, control and monitor conflicts of interest;
- The duty to efficiently use Inditex's goods and services, and to protect the Company's information;
- The obligation to protect industrial and intellectual property belonging to the Company and third parties;
- The duty to record financially significant transactions clearly and accurately in the appropriate accounting records; and
- In performing Inditex's activity, to promote social and environmental sustainability as a means to create value for all stakeholders.

Over the course of the financial year 2021, work commenced to review the Code of Conduct in order to align its contents and structure with unfolding realities, with the sustainability commitments undertaken and with the Company's digital transformation, and to reflect our stakeholders' expectations.

The United States, Puerto Rico and Canada have their own Code of Conduct, adapted to the applicable regulations and best practices in those countries, and inspired by and fully aligned with the Code of Conduct and Responsible Practices of the Inditex Group.

Code of Conduct for Manufacturers and Suppliers⁹⁹

This Code defines **minimum standards of ethical and responsible behaviour** that must be observed by all of the Group's **manufacturers and suppliers** throughout the supply chain, in accordance with Inditex Group's corporate culture, firmly grounded on respect for human rights and sustainability.

It applies to all manufacturers and suppliers involved in the raw material procurement, purchasing, manufacturing and finishing processes of products that are marketed by the Group, and it promotes and is based on the general principles that define the ethical conduct of Inditex described above. Compliance with all the standards provided in the Code of Conduct for Manufacturers and Suppliers is a pre-requisite for a supplier or manufacturer to form part of Inditex's supply chain.



FOR MORE INFORMATION
on the Code of Conduct for Manufacturers and Suppliers.

⁹⁹ More information on the practical application of the Code of Conduct for Manufacturers and Suppliers in section 5.5. *Collaborating so our suppliers grow* of this Report.



5.9.2. Compliance and criminal risk prevention systems

GRI 102-17; 102-25; 103-3; 103-2; 205-2; 205-3 AND AF4

Strategy

Inditex's Compliance System involves the entire company and its employees. In other words, it is transversal, meaning that it is a corporate function encompassing all our retail concepts.

The organisation and coordination of Compliance System management corresponds to the **Compliance Function**, represented by the Ethics Committee, which acts as the decision-making body, and by

the General Counsel's Office – Compliance Office (hereinafter, '**General Counsel's Office -Chief Compliance Office**' or '**SG-DCN**' by its Spanish acronym), which is responsible for the system's operational management.

In this regard, the Compliance Function has a dual purpose:

- **Coordination:** implemented by SG-DCN in collaboration with the various areas and departments with compliance duties, to identify potential non-compliance risks and to define and implement controls tending to prevent the materialisation of those risks.
- **Periodic reporting:** carried out by (i) all departments with compliance functions to SG-DCN in

regard to those critical aspects that might impact Inditex from a compliance standpoint; and (ii) by SG-DCN, having consolidated the information compiled in a report that is approved, on a half-yearly and yearly basis, by the Ethics Committee and is submitted to the Board of Directors by the Audit and Compliance Committee.

In addition to the half-yearly reports, the Compliance Office, reports to each meeting of the Audit and Compliance Committee and, through the latter, to the Board of Directors. This direct dialogue with the Board of Directors guarantees the independence of the Compliance Function from Senior Management, ensuring that the ultimate control of the efficacy of the Compliance System depends exclusively on the Board.

The Compliance Function manages the Group's global compliance system, in addition to coordinating all the Company areas and departments with compliance responsibilities.

In 2021, the Group has worked to define the main lines of development towards an integrated global Compliance Model, based on legal requirements and international best practices, and, where necessary, adapted to local regulations.

This Compliance System is based on a **structure of core (high-level) standards**, approved by the Board

of Directors that apply globally, and a series of organisational documents.

Moreover, the Inditex Group's Compliance System is specifically regulated through the following standards:

- The **Group's Codes of Conduct** (detailed in the above section).
- The **Compliance Policy**: which sets out the commitments that all our employees must undertake, regardless of their location and position.
- The **Compliance Management Procedure** which develops the contents of the Policy and sets out the organisational measures to prevent, detect and manage Non-Compliance Risks, reinforcing a culture of ethical compliance.

Criminal Risk Prevention Model

In keeping with the provisions of article 31 bis of Spain's Criminal Code and as part of the Compliance System, Inditex also has an **organisational and management model for crime prevention**, or Model of Criminal Risk Prevention, aimed at **reducing exposure to risks** related to the potential commission of offences under the Criminal Code, in particular corruption, fraud and bribery. This Model, which is constantly evolving and adapting, comprises the following documents:

CRIMINAL RISK PREVENTION MODEL



Criminal Risk Prevention Policy

Which associates commitments to an ethical conduct undertaken under the Code of Conduct and Responsible Practices with such offences whose perpetration the Company intends to prevent.

It expressly forbids the offering, granting, requesting or accepting, directly or indirectly, of gifts or handouts, favours or compensations, in cash or in kind, irrespective of their nature, or from any authorities or public servants, and includes specific guidelines to deal with public servants and administrators.

The Policy is available to all the employees on our corporate intranet.



Criminal Risk Prevention Procedure

Which establishes, among other things, the roles and responsibilities of the areas tasked with controlling and verifying the Model, as well as reporting on it, and the functions of the Ethics Committee regarding criminal risk prevention, as well as the Company's organisational measures on the matter.



Criminal Risks and Controls Matrix

1. Lists the criminal risks;
2. Details risk events applicable to Inditex's operations;
3. Establishes the controls in place to prevent risk events from occurring;
4. Designates the area responsible for executing the controls and reporting evidence of that execution;
5. Allocates the frequency with which they must be reported (hereinafter, also the **"Matrix"**).

The Model of Criminal Risk Prevention was approved by the Board of Directors in 2016, and more specifically, the Matrix is subject to a continuous **assessment and improvement process** to adapt it to the Inditex Group's growth and to statutory requirements, recommendations and best practices from time to time applicable in the field, thus ensuring its effectiveness.

In 2021 the Matrix was fully updated. This update consisted of analysing and reviewing potential risks inherent to the processes in the various operating and commercial activities performed, taking into account regulatory developments, the approval and/or amendment of internal regulations and changes to the organisational structure and to certain Company processes. As a result, most of the controls in the Matrix were updated (by means of additions, removals, modifications and changes in wording), focusing on those key controls that prevent or mitigate the risks identified.

The system for overseeing and monitoring the Model was also improved, both by the areas tasked with compliance duties and controls, and by the areas that review these and the general supervision carried out by the General Counsel's Office-Compliance Function.

Likewise, in order to reduce criminal risks inherent to the business carried out by Inditex, and in particular to the offences of public corruption and/or corruption among private persons identified in the Matrix, the controls in place have been monitored based upon risk prioritisation as determined in the risk map (hereinafter, the **'Map'**).

According to the Map, which is updated yearly, the main risks identified in connection with corruption, as per the latest update, are: (i) corruption between individuals; (ii) corruption in international transactions; and (iii) bribery.

During the financial year 2021, the Audit and Compliance Committee submitted the Model of Criminal Risk Prevention of the Inditex Group to an independent third-party audit, with a reasonable assurance review scope, in order to confirm the effectiveness and proper functioning of the controls contained in the Risks and Controls Matrix, as well as the Model's adequacy to the requirements set out in sections 2 and 5 of article 31 bis of the Criminal Code, to the UNE-ISO 19600 Compliance Management Systems standard and in keeping with the guidelines of COSO in its report Internal Control - Integrated Framework (2013). The audit report was issued without qualification.

This reasonable assurance work included understanding of the Internal Control System on the Model of Criminal Risk Prevention, assessing the risk of there being material internal control weaknesses, ensuring that the controls are adequately designed and operate in an effective manner, and performing tests and evaluations on the design and effective implementation of the system.

Anti-corruption regulations: our Integrity Policies

Within the framework of the Group's Compliance System, Inditex has a set of internal rules, approved by the Board of Directors in 2016, which, in application of our corporate ethical culture, enshrines and demonstrates our firm commitment to combating any form of corruption, fraud, money laundering or illegal financing.

In particular, in order to ensure that the activities performed by Inditex, as well as the work carried out by all our employees and the third parties with whom we are engaged in business relations, comply with the provisions of the **prevention of bribery and corruption regulations** in place in Spain and the rest of the markets in which the Group is present. For this, Inditex has drawn up Integrity Policies, which, in keeping with the provisions of the ISO 37001 Anti-Bribery Management System standard, interconnect with the ethical values of our Group, and comprise:

- **Policy on Donations and Sponsorships:** regulating the scenarios in which donations and sponsorships may or may not be made, as well as the flow for the verification, documentation and approval thereof.
- **Policy on Gifts and Business Courtesies:** regulating the requirements for the offering and/or acceptance of gifts or other courtesies to be considered valid and compatible with the rules of conduct of Inditex and establishing a channel for filing communications and complaints with the Ethics Committee.
- **Policy on Dealings with Public Servants:** expressly prohibiting all forms of bribery in the public and private sectors, including facilitation payments, even where such payments are not prohibited by the laws of the country or territory concerned. Likewise, the Policy establishes the due diligence processes implemented to guarantee that the behaviour of third parties with whom Inditex has relationships is in keeping with the values, rules and ethical standards of the Company, the regulations applicable in the markets and anti-corruption best practices.



**FOR MORE
INFORMATION**
on our Integrity
Policies.

In 2021, work focused on attaining a greater level of detail through the procedures for implementing the aforementioned Integrity Policies, detailing the controls, roles and responsibilities of the departments in charge of implementing them. The approval and distribution of these procedures and the training of staff in their connection will take place over the course of 2022.

Moreover, Inditex has the following specific regulations concerning the **prevention and management of conflicts of interest and the prevention of money laundering and terrorist financing**, respectively:

Conflicts of Interest Policy

This Policy establishes the principles and criteria to be taken into consideration to prevent, detect, report and manage any conflicts of interest that might arise in the performance of the professional activities of Inditex employees, and which could compromise the objectivity or professionalism required in the performance of their duties.

Anti-Money Laundering and Terrorist Financing Policy

This Policy defines the due diligence processes implemented within the Company taking into account the different types of business activities we perform, namely:

- The process to limit cash payments in stores, whereby certain mechanisms are developed to monitor payments in cash by customers in stores; and

- The process to identify and review potential risks from our business partners, suppliers and other third parties, in accordance with due diligence measures outlined in our internal regulations (the Due Diligence Policy and Procedure) and, as the case may be, in the applicable laws.

Due diligence

In line with the principles and criteria for action established in the Code of Conduct for Manufacturers and Suppliers, at Inditex we are firmly committed to preventing compliance risks from third parties with whom we maintain a direct business relationship. In this regard, the **Due Diligence Policy**, approved by the Board of Directors in September 2019, is designed to align the relationships with our business partners, suppliers and large customers, with the processes described in international standard ISO 37001 Anti-Bribery Management Systems in organisations, as well as the regulations and the most stringent standards on anti-corruption.

The due diligence process regulated by the Policy consists of the **identification and analysis of all suppliers, business partners and third parties** with whom we engage in business relations, from the perspective of corruption, fraud, international trade sanctions and/or any other risks of a similar nature. Consequently, this is a process that is separate from but aligned with any other analysis of a social, environmental, operational, financial or commercial nature, or of any other kind which the Group may carry out in with suppliers and other third parties.

This Policy is developed and implemented based on a number of principles:



It sets forth the obligation to submit all **business partners, large customers, suppliers and third parties** with whom Inditex engages in business relations to this due diligence process.



It is a **necessary prerequisite** in order to commence business relations with third parties.



It prohibits **any business dealings** with third parties for whom **compliance risks have been detected**, when no action plan to mitigate or remedy such risks is under way.



It shall be carried out in accordance with the principles of **reasonableness and proportionality**, by applying different levels of analysis based on criteria such as business turnover, industry or market risk or other factors.

Since the beginning of 2020, all those suppliers and other third parties that enter into commercial and/or professional relations with Inditex have been subject to the due diligence process, which is increasingly demanding in accordance with certain factors, such as the following: (i) the third party's total estimated business with Inditex; (ii) the market in which the third party is based and carries out its main business; (iii) the sector to which it belongs; and (iv) its degree of interrelation with the authorities and public officials.

In the second half of 2021, work commenced on the re-approval of all the Group's suppliers already registered at the date of implementation of the aforementioned due diligence procedure, also subjecting them to the procedural flow applicable to them, in accordance with Inditex's due diligence regulations. This re-approval process is expected to conclude in the first half of the financial year 2022. In order to regulate the manner in which this control of suppliers and other third parties having dealings with Inditex is managed, the Due Diligence Development Instruction has been approved, which describes the responsibilities of the areas involved in the various procedural review flows, as well as in the design, execution and monitoring of any action plans established.

Within the framework of the due diligence system, Inditex has modified its **Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorised Markets**, approved in 2017, which established limits on hiring suppliers, only allowing those based in markets authorised by the Group to be hired (i.e., those who meet legal and business operation criteria); and on making payments only to those suppliers which, having met the foregoing requirement, had a bank account opened in such markets. This regulation was replaced in 2021 by the **Procedure for Limiting Trade Relations with Third Parties**, which broadens the subjective scope of the rules, to include not only suppliers but all third parties having dealings with Inditex, and the objective scope of the rules, allowing only those payments made to and at present also those payments received from certain markets.

Crime and corruption prevention models outside Spain

Furthermore, in 2021, we continued to roll out **compliance models at local level**, in keeping with the regulatory requirements in each jurisdiction where we are present, and we began the process of standardising the criminal risk prevention and



anti-corruption models, in full alignment and coordination with the system implemented in Spain, which also operates as a global system.

In addition, during the financial year 2021, the implementation in Mexico of the criminal risk prevention model was completed (with a procedure and a Matrix included in the corporate control system), in

order to comply with the legal requirements in that country, always in coordination with the Model. We also began the implementation of the model in Brazil. In both cases, external legal advice was sought so as to verify their suitability to regulations, recommendations and best practices and, in the case of Mexico, the model was subject to a prior assessment by Internal Audit.

The status and characteristics of the compliance models implemented locally at the end of the financial year 2021 are detailed below:

CRIMINAL RISK PREVENTION / ANTI-CORRUPTION MODELS



DESCRIPTION OF THE MODEL



REGULATION OR REFERENCE STANDARD

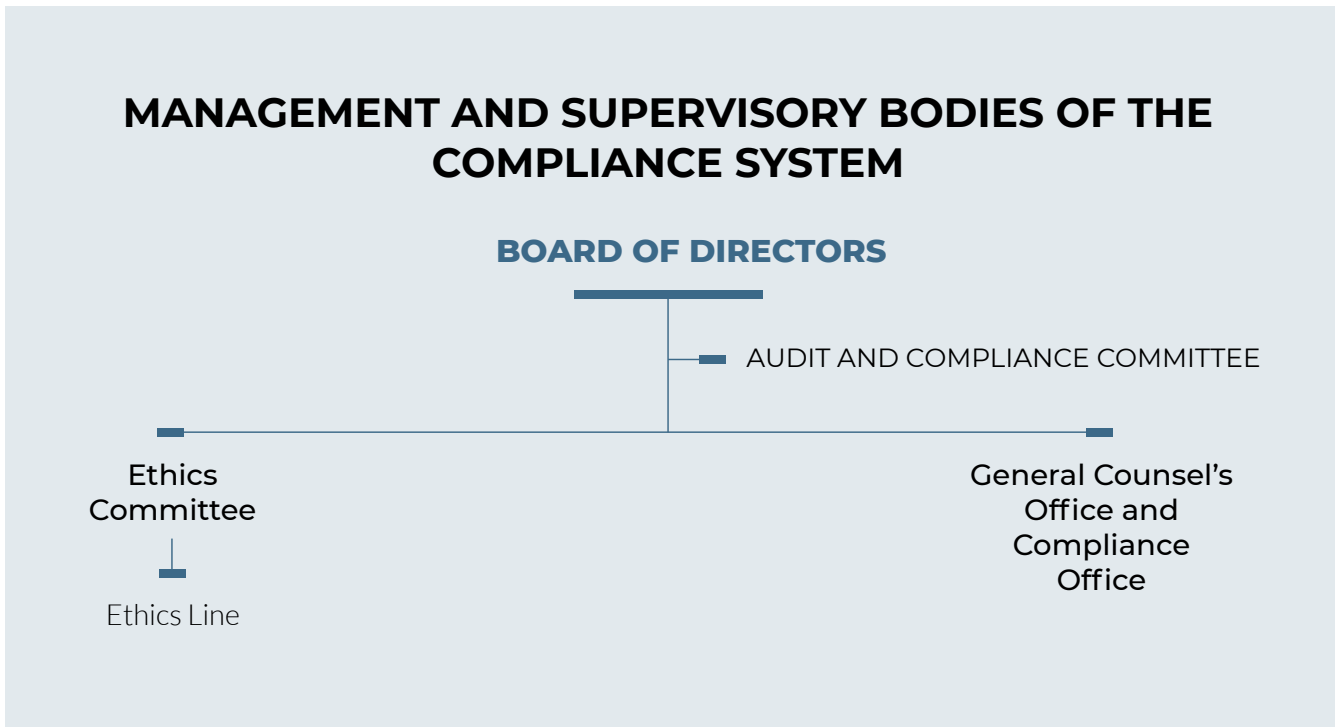


STATUS

	←—————→	←—————→	←—————→
	DESCRIPTION OF THE MODEL	REGULATION OR REFERENCE STANDARD	STATUS
SPAIN	Criminal risk prevention model	Art. 31a, Criminal Code	Implemented
FRANCE	Anti-corruption model	Loi Sapin II	Implemented
IRELAND & ITX RE	Anti-corruption model	Criminal Justice Act	Implemented
UNITED KINGDOM	Anti-corruption model	UK Bribery Act	Implemented
ITALY	Crime prevention model	<i>D.Lgs. 231/2001 – Responsabilità amministrativa da reato</i>	Implemented
TURKEY (ongoing)	Anti-corruption model	Criminal Code Anticorruption guidelines	Implementation in progress
RUSSIA (ongoing)	Anti-corruption model	Criminal Code Anticorruption guidelines	Implementation in progress
MEXICO	Anti-corruption model	Federal Penal Code, Penal Code of Mexico City, National Code of Criminal Procedures and the General Law of Administrative Responsibilities	Implemented
BRAZIL (ongoing)	Anti-corruption model	Criminal Code and Anti-Corruption Law 12846/2013	Implementation in progress

Management and supervisory bodies of the Compliance System

The management and supervisory bodies of the Compliance System and, in particular, the Model, are as follows:



The Audit and Compliance Committee is responsible, among others, for the following functions:

- Evaluating the effectiveness of internal enterprise risk management and non-financial risk management and control systems, including those related to corruption, and the measures envisaged to prevent or mitigate the impact of the risks detected and identified in the Matrix;
- Identifying and re-assessing the most significant financial and non-financial risks;
- Ensuring they remain and are managed within the accepted tolerance levels; and
- Overseeing the fulfilment and efficacy of the Compliance policies and procedures.

Additionally, the Audit and Compliance Committee reports to the Board of Directors on a quarterly basis and whenever requested, on compliance with the Code of Conduct and Responsible Practices and the Model of Criminal Risk Prevention; and may submit

proposals for the adoption of measures designed to improve compliance with the Model and the Compliance System.

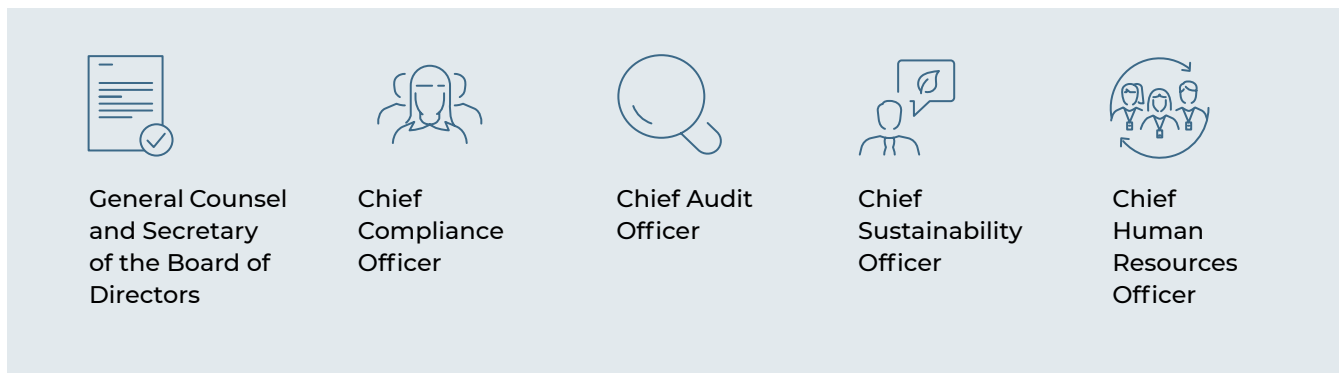
The Ethics Committee and the General Counsel's Office- Compliance Office make up the so-called Compliance Function. **The General Counsel's Office -Compliance Office**, as explained above, is tasked with the **operational management of the Compliance System** of Inditex and its Group, and, in particular, of the Model of Criminal Risk Prevention. Meanwhile, the **Ethics Committee** is the internal body in charge of **overseeing compliance with the Codes of Conduct, the Model of Criminal Risk Prevention, the rest of the anti-corruption models**, and guaranteeing the effectiveness of the controls.

The Ethics Committee submits, at least every six months, a **report to the Audit and Compliance Committee** to review its activities and the enforcement of the Code of Conduct and Responsible Practices, as well as the results of the supervision of the Model of Criminal Risk Prevention.

Ethics Committee and Ethics Line

The Ethics Committee is an internal body reporting to the Board of Directors, through the Audit

and Compliance Committee. This collegiate body is made up of:



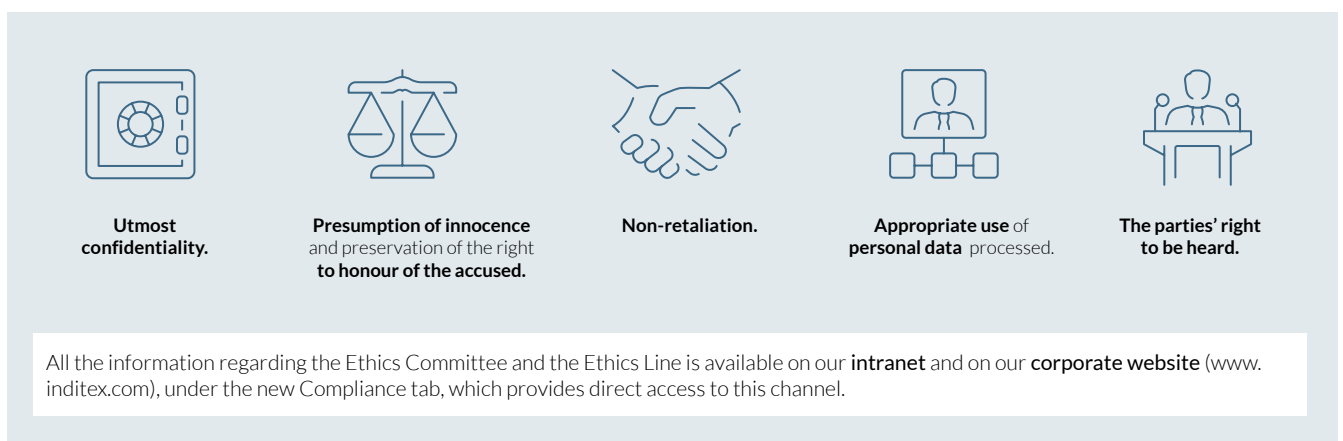
It is also the body in charge of supervising the operation of the **Ethics Line** and compliance with its procedure, pursuing any investigations that may be necessary. The operation of this Ethics Line is set out in the Ethics Line Procedure.

The Ethics Line is a strictly confidential channel through which all Group employees, manufacturers, suppliers or third parties with direct dealings or legitimate commercial or professional interest may, regardless of their hierarchical level and geographic or functional location, file concerns, including anonymously:



The Procedure, which was amended by the Board of Directors in December 2019, is aligned with the principles of Directive (EU) 2019/1937 on the protection of persons who report breaches of Union law and, in particular, with the regulatory require-

ments regarding **the protection of personal data** and the **rights of users of whistleblowing mechanisms**, as well as with international best practices in the field of human rights. This Procedure offers the following **guarantees and protection measures** to the parties involved in the process.





HOW THE ETHICS LINE WORKS



1. Communication

The person concerned reports an incident.

canaletico@inditex.com

ethicsline@inditex.com

postal mail



2. Management

The Ethics Committee acknowledges receipt and decides whether to accept or disregard the communication.



3. Investigation

The Ethics Committee initiates the investigation process, in collaboration, where applicable, with other areas.



4. Measures

After hearing the interested party, the Ethics Committee will decide on:

- closing proceedings where no breach exists, or
- the existence of an infraction, its severity and the advisability of adopting disciplinary measures and/or complementary actions

In the event of non-compliance, the measures will be determined by the competent department or area based on the determined severity of the infraction and other circumstances, and which may consist of:

- Immediate correction of the breach and adoption of measures to repair and prevent future breaches;
- Disciplinary measures (from a simple warning or reprimand, to dismissal)

How the Ethics Line works

The decisions of the Ethics Committee are **binding** upon the Inditex Group and on the persons to whom they are addressed, where applicable.

Ethics Line | Canada, United States and Puerto Rico

Inditex has also made available the Ethics Line for Group employees and third parties in **Canada, the United States and Puerto Rico**, as an additional channel for raising questions and/or reporting possible breaches of the Code of Conduct and Responsible Practices and other Inditex conduct regulations. In keeping with local best practices, the management and administration of this channel has been entrusted to an external supplier. It can be accessed by telephone and via the website, and is available 24/7.

Breakdown of communications by topic ¹⁰⁰

In 2021, the Ethics Committee handled a total of 257¹⁰¹ cases (315, 310 and 302 cases in 2020, 2019 and 2018, respectively).

Of these 257 cases processed by the Ethics Committee, 63 were linked to diversity and potential discriminatory behaviour or workplace/sexual harassment or other potential violations of fundamental rights. Of the cases closed after the relevant inves-

tigations, in four of the cases handled by the Ethics Committee, the existence of inappropriate conduct has been confirmed, although in none of the cases evidence of discriminatory and/or harassment has been observed, leading to the adoption of the appropriate measures, which in one case involved the termination of the employment relationship with the employee. Of the closed cases, also, no human rights violations in relation to suppliers of goods and services were observed either.

In 2021, nor have there been any significant (firm) legal actions registered in the Inditex Group, either through the Ethics Line or through other available channels, in connection with unfair competition and monopolistic and anti-trust practices.

Cases regarding corruption and bribery¹⁰²

Over the course of financial year 2021, the Ethics Committee dealt with 16 cases related to corruption and bribery between private individuals. Of the cases closed, corrupt practices were confirmed in two instances. In one of the cases the employee was dismissed and in the other evidence of irregular practices by an external employee was obtained, leading to the adoption of the relevant remedial, mitigating and/or preventive measures within that company in order to be able to maintain the commercial relationship with said service supplier. In none of those cases relevant aspects affecting the Company were observed.



100. In accordance with the Navex classification.

101. The total number of cases handled by the Ethics Committee does not include those that further to a preliminary review, are deemed to be beyond the scope of its authority. Including these latter, the total number of registered case amounts to 389.

102. Cases of this kind are included in the 'Business Integrity' category.



During 2021, 2020, 2019 and 2018, the Group has not been aware, either through its Ethics Committee or through other means, any legal proceedings concerning corruption or bribery having been brought against the Company.

During financial year 2021, the Ethics Line for U.S., Canada and Puerto Rico handled 77 cases in total (74 and 76 in 2020 and 2019, respectively), 72 concerning the United States, and 5 concerning Canada (59 and 64 concerning the United States, and 15 and 12 concerning Canada in 2020 and 2019, respectively).

Training, communication and awareness-raising

Internal and external communication and dissemination

The training of our employees and suppliers is key to building and growing our Compliance System. We trust them fully to uphold **the values, principles and ethical standards of conduct** that make up our corporate ethical culture.

At Inditex we promote the **communication and dissemination of the internal regulations** linked to the Group's Compliance System and, in particular, to

the Model of Criminal Risk Prevention. The Company disseminates and discloses the rules of conduct in force to all those bound by them, keeping them informed of the way in which Inditex pursues its compliance objectives.

Accordingly, the policies, procedures and instructions that make up the Inditex Group's Compliance System are available to all employees on the corporate intranet (INET), and can be accessed from any device.

Furthermore, the **'Compliance'** tab on the corporate website contains the main compliance regulations, publicly available to all our stakeholders. Especially notable are the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and the Integrity Policies of the Group, at the apex of the pyramid of the Group's conduct policies and the cornerstone upon which the Inditex Compliance System rests.

Likewise, in order to ensure our formal commitment, at the highest level, to the ethical and responsible behaviour that is part of our corporate ethical culture, and to the Compliance System, the **Compliance Function**, which is managed by the General Counsel's Office, is responsible for:

- **Adequately informing and updating** the members of the Board of Directors of Inditex, by means

of quarterly follow-up reports, in relation to (i) the work carried out by the Compliance Function, (ii) specific projects underway, (iii) the activities and results of the supervision of the Inditex Group's Model of Criminal Risk Prevention, and (iv) the status of the cases handled by the Ethics Committee.

- **Regularly report the compliance regulations** to all the officers and other supervisors of Group areas and activities (i.e., brand directors, directors and heads of corporate areas, directors of subsidiaries in other markets and their CFOs and

other directors, supervisors and heads of departments and activities), reminding them of their obligation to disclose the content of the regulations to all staff under their respective areas of responsibility. When identifying other possible addressees, the Compliance Function also takes into account the specific scope of the regulation being disseminated.

Over the course of 2021, the Compliance Function **disseminated and published** the following regulations on INET:

Regulation	Category	Date of approval
Store Disinfection Service Instruction	Instruction	1/03/2021
Store Cleaning Service Instruction	Instruction	1/03/2021
Instruction on Permission Management for SFI Compras Users	Instruction	1/03/2021
Personal Data Protection Procedure from Data Design and Processing	Procedure	10/05/2021
Corporate Security Policy	Policy	8/06/2021
Instruction for carrying out Risk and Impact Assessments in connection with Personal Data Protection	Instruction	18/08/2021
Procedure for Storing Personal Data	Procedure	27/08/2021
Procedure for Compliance Management regarding Personal Data Protection and Privacy – DPO Statute	Procedure	27/08/2021
Procedure for Providing Personal Information to Financial Institutions	Procedure	2/09/2021
Criminal Risk Prevention Policy – Mexico	Procedure	20/09/2021
Procedure for Security Personnel at Facilities	Procedure	29/11/2021
<i>Workplace Surveillance Policy (Australia)</i>	Policy	22/12/2021
<i>Corporate Parental Leave Policy (Australia)</i>	Policy	22/12/2021

Training measures

The promotion of the corporate ethical culture and the Compliance System of the Inditex Group is based on the implementation of training measures adapted to the risk profile of the different groups of employees that form part of Inditex. In this regard, at Inditex we periodically prepare specific content in accordance with the training needs of each group.

In particular, the Criminal Compliance Training Plan, which responds to the criminal compliance training

required by international standards and Circular 1/2016 of the Spanish Public Prosecutor's Office. This training plan is based on the Criminal Risk Map, created from the Matrix following its review and update and, consequently, Inditex has set the target of delivering training on the various risk events that are significant for the Company. This Plan is reviewed and, where applicable, updated annually in order to adapt it to the Map, which determines the training needs in connection with criminal Compliance.

Consequently, the Plan determines and identifies the beneficiaries of the training, namely Inditex employees who perform their jobs in areas with associated risks qualified as “high” in the Matrix, that is: (i) those who are responsible for the management of controls associated with a risk event; (ii) those who are involved in product purchase or contract third party supplies or services; (iii) those who, although not responsible for the management of a given control, take part in the control configuration process; and (iv) Group directors and authorised representatives.

In addition, within the framework of the Inditex Group’s current compliance training plan, we highlight the following **training actions** implemented in 2021:

New hires

All new Inditex Group hires receive from People teams **initial information on the Code of Conduct and Responsible Practices** and the Ethics Line, which they undertake to observe upon signing their employment contract. The contract includes a clause on adherence to this Code, or the relevant certification.

Considering the number of new hires during financial year 2021 in relation to the average workforce, 30.9% of all Group employees have received information concerning the Code of Conduct and Responsible Practices (11% of employees in 2020 and 29% in 2019 and 2018, respectively), undertaking, through their express acceptance, to comply with them, as per the following breakdown:

%Total				
Geographic Area	2021	2020	2019	2018
Spain	14%	2%	15%	14%
Rest of Europe	35%	11%	32%	33%
Americas	5%	17%	34%	42%
Asia & Rest of the world	43%	25%	45%	46%
Total	31%	11%	29%	29%

%Total				
Job classification	2021	2020	2019	2018
Management	2%	0.7%	2%	3%
Supervisor	2%	0.4%	2%	4%
Specialist	37%	13%	35%	34%
Total	31%	11%	29%	29%

Furthermore, in 2021 new hires received training in connection with Compliance:

• From the People team:

Group	Topic	Region	Attendees
New hires		Spain	3
		South Korea	1
		Germany	1
New hires	The How matters	Russia	2
		Mexico	1
		Croatia	1
		Sweden	1

- From the Compliance function:

Group	Topic	Region	Attendees
New Hires			
Foreign subsidiaries legal counsel	<i>Ethics and Compliance</i>	Nordic countries, Croatia, Russia	4
Headquarters employees	<i>Ethics and Compliance</i>	Spain	3

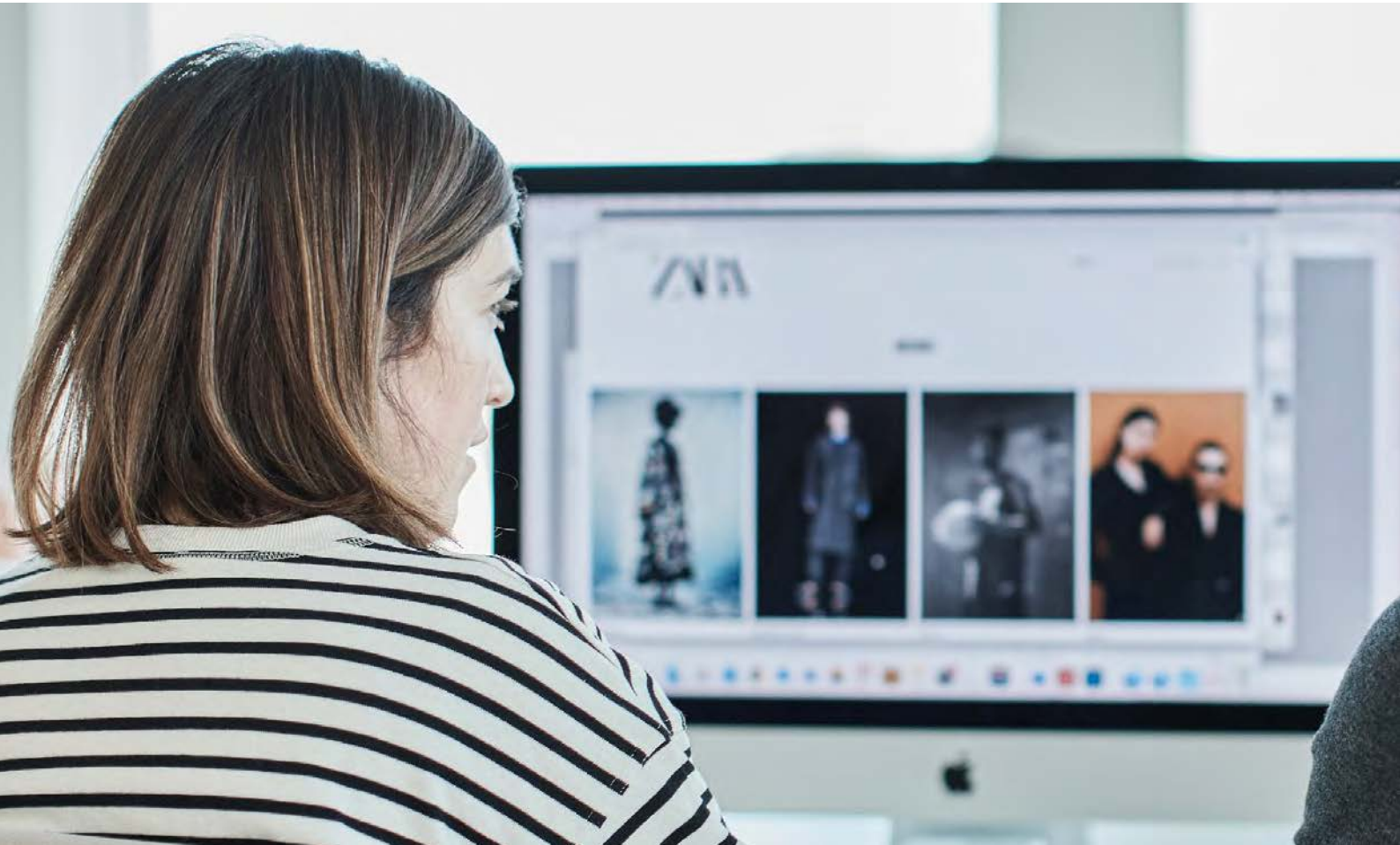
Current employees

We regularly provide training, either in-person or online, aimed at groups who, either because of their post and responsibilities or because of the type of activity they carry out, are exposed to a **greater risk of compliance breaches** and, in particular, to crimes related to corruption among private individuals.

In this regard, members of the Group's governing and executive bodies, due to their responsibilities and functions, receive periodic training.

In 2021, the Compliance Function held the following training sessions:

Group	Topic	Region	Attendees
Governing Bodies Senior Management			
Zara Holding Supervisory Board	Ethics and Compliance	Netherlands	18
Brands Management	Ethics and Compliance	Spain	4
Subsidiary management	Ethics and Compliance	France, Switzerland, Austria, Germany, Nordic countries, Turkey (ITX Trading)	5
Bangladesh Management	Ethics and Compliance	Bangladesh	1
Senior Management	Ethics and Compliance	Spain (online)	15
Corporate office			
Corporate, brands, logistics and factory staff	Ethics and Compliance	Spain	3,820
Corporate staff foreign subsidiaries	Ethics and Compliance	Austria, China, Belgium, USA, Switzerland (Retail+ITX Trading), Germany, Nordic countries, France, Turkey, Mexico, Canada	511
Staff bound by the Internal Regulation of Conduct (IRC)	Internal Regulation of Conduct (IRC)	Spain and Mexico	4
ITX Trading staff	Ethics and Compliance	Switzerland and Turkey	73
Stores Logistics-distribution Factories			
Zara Home stores area managers	Ethics and Compliance	Spain and subsidiaries	1,244
		Serbia	85
		Slovakia	5
		Bulgaria	268
Store staff	<i>'Buenos días' – Compliance</i>	Austria	267
		France	70
		Greece	6,082
		Turkey	558
		Ukraine	242



With regard to the above, it is worth highlighting the online training, provided in October and November 2021 and in January 2022, to all our headquarters employees at all the Group’s brands in Spain, including Tempe. The training focused mainly on disseminating our ethical and Compliance culture and on why the how matters, as well as on the organisation of the Compliance Function, essential internal regulations (Code of Conduct and Responsible Practices, most notably concerning the prevention of corruption, fraud and bribery and conflicts of interest), Integrity Policies and the Ethics Line, and on where this information is available by all staff.

This is one of our most important training areas, insofar as: (i) This training was received by employees who, in the course of their professional activity, have frequent relations with suppliers and/or officials or public authorities (primarily commercial teams). The workforces of the commercial teams of those brands represent 55% of the total number of employees in

the Group’s commercial teams (43%, 30% and 37% employees in 2020, 2019 and 2018, respectively); and (ii) training has been broadened to include employees from other departments and areas of headquarters who, while not belonging to the commercial teams, are also exposed to Compliance risk, which represents a total of 56% of the staff of Spain headquarters.

Accordingly, and in particular, 65% of Senior Management have received compliance training (65%, 33% and 100% of Senior Management in 2020, 2019 and 2018, respectively).

Moreover, it is essential to convey the corporate ethical and compliance culture and to raise awareness among third parties with whom we have direct business dealings. Thus, we highlight the online training sessions on compliance and corporate ethical culture provided throughout 2021 by the Compliance Function to the supplier cluster located in Bangladesh, as shown below:

Group	Topic	Region	Attendees
Suppliers	Ethics and Compliance	Bangladesh	117



Lastly, in October 2021, the new e-learning platform Train was launched with a channel dedicated to 'Culture and values'. This channel contains mandatory compliance training for all the workforce with access to the platform in corporate offices in Spain. It includes a short introductory video and a section on the Code of Conduct and Responsible Practices, another on 'Responsible Creativity' and a third on the need for respecting privacy: a core value for Inditex. 471 employees completed that course.

The Compliance Function will continue working to make more Compliance content available to employees through this channel on the e-learning platform.

In addition, Compliance content is being compiled for the e-learning platform for suppliers in cooperation with ITXTrading.

Lastly, it is notable that the Compliance Function works in conjunction with other corporate areas in a Framework Compliance Training Plan that will be implemented from 2022 onwards. This Plan will be presented to the Audit and Compliance Committee at its March 2022 meeting and includes, among others: (i) the analysis of applicable legislation, risks to

which the Company is exposed and the prioritisation of the groups at most risk; and (ii) a catalogue of training actions. This Plan will be periodically reviewed and the catalogue of training actions will be assessed and updated annually.

With this Plan, Inditex fulfils one of the essential pillars of any Compliance System, namely training, arranging under a single Compliance umbrella all training offered by the corporate areas tasked with compliance duties. The aim is to guarantee uniform and robust control of all the training provided at Group level so as to mitigate and/or avoid potential compliance breaches and help build a solid ethical and compliance culture shared by all our stakeholders (employees, suppliers, etc.)

Awareness measures

Acceptance of the Code of Conduct:

All our employees adhere to the Code of Conduct and Responsible Practices and receive specific training on the Code when they join the Group.

Furthermore, since November 2020, our headquarters and office employees of all the brands in Spain, as well as the employees of the headquarters in France and Portugal, must accept our Code of Conduct and Responsible Practices every time they access the Company's IT systems with their computers, prior to such access. In 2021, this initiative was implemented in most of the countries where the Group operates and has employees. Implementation of this initiative is scheduled for completion in 2022.

All our suppliers agree to adhere to the Code of Conduct for Manufacturers and Suppliers before commencing their business relationship with the Group.

Annual reminder of gift ban – Ethics Committee:

Annually, an email is sent from the Ethics Committee to remind recipients of the provisions of the Code of Conduct and Responsible Practices and of the Policy on Gifts and Business Courtesies, regarding the acceptance and receipt of gifts from suppliers, along with a letter template to be sent to the suppliers reminding them of such prohibitions. In 2021, for the first time this email was sent to all headquarters employees of the Group's brands in Spain and to the officers and Compliance Delegates of the Group's foreign subsidiaries.

Compliance section in Intranet (INET) and corporate website::

In order to achieve the highest possible degree of dissemination and awareness of our corporate ethical culture, all our internal rules of conduct are published and easily accessible on our corporate website, in the 'Compliance' section, 'Corporate Ethics' sub-section, and on INET for our employees. Below is a breakdown of the visits to INET, to Compliance-related content and to the 'Compliance' section:

43.518

VISITS TO INET'S COMPLIANCE SECTION (TOTAL)**Other communication and awareness actions**

Furthermore, at Inditex we implement a number of dissemination and internal communication initiatives for our employees, in particular the following: (i) notices on the Code of Conduct and the Ethics Line displayed in the stores of the various brands and markets, providing direct access to these documents in the local language via a QR code, (ii) the publication of online news capsules on INET and (iii) other communication and awareness actions (ethics/integrity sessions, push notifications, etc.).

Additionally, all the Inditex Group's stores and its retail concepts in Europe, Asia and America currently have notices in the workplaces. These notices show a QR code through which our employees can access the content of the Code of Conduct and the Ethics Line.

5.9.3. Good corporate governance

GRI 102-5; 102-8; 102-18; 102-19; 102-20; 102-22; 102-23; 102-24; 102-26; 102-27; 102-28; 102-29; 102-31; 102-33; 102-34; 102-35; 102-36; 102-37; 102-38; 102-39; 103-2; 103-3; 201-3; 405-1 AND 405-2

2021 MILESTONE**The Board of Directors of Inditex agrees to appoint Marta Ortega as Chair, and Óscar García Maceiras as Chief Executive Officer.**

In November 2021, Inditex's Board of Directors approved the appointment of Marta Ortega Pérez as Chair of the Group, as a proprietary director, effective from 1 April 2022. Furthermore, Óscar García Maceiras was appointed as the Chief Executive Officer of Inditex with immediate effect.

Corporate governance means the manner in which companies are organised, managed and controlled. It is therefore a general and transversal part of the management and organisational framework of the Compliance System which seeks to ensure compliance at all times, at the highest level, i.e., by the management team and the members of the Board of Directors, with the existing rules, recommendations and best practices in this area.

Inditex has set up a Corporate Governance System which is an essential part of corporate Compliance, comprising a series of rules, procedures and mechanisms to guarantee that the directors and the management team, who are responsible for the governance of the Company, act **diligently, ethically and transparently** in the exercise of their duties, are accountable for their activity—which is subject to verification and control, both internal and external—and at the same time ensure the balance of powers and the respect and equality of all our shareholders, especially non-controlling interests.

It is Inditex's Board of Directors responsibility to ensure that the **Company fulfils its social and ethical duties** and its duty to act in good faith in dealings with our employees and third parties, that no person or small group of persons holds decision-making power within the Company that is not subject to checks and balances, and that no shareholder receives privileged treatment with respect to the others.

The Board performs its duties in accordance with the corporate interest, meaning the **long-term viability and maximisation of the value of the Company in the common interest of all our shareholders**, which must not prevent consideration of the other legitimate interests, public or private, that converge in the course of our business activity, and especially of our stakeholders: our employees, customers, and suppliers, and civil society at large, determining and reviewing its business and financial strategies according to this criterion, endeavouring to strike a reasonable balance between the proposals chosen and the risks undertaken.

Consequently, the goal of maximising the Company's value may only be seen as the continuous creation of value for each and every one of our main stakeholder groups.

In short, Inditex has instrumented a concept of good corporate governance that is a strategic vehicle for developing our ethical, efficient and competitive business model.

To achieve these objectives, applicable legislative developments and recommendations are implemented and good corporate governance practices are systematically strengthened within the main body overseeing corporate governance, namely the Board of Directors, as well as its committees. In the process to approve and/or amend any internal regulations, priority is given to establishing standards that improve governance and, therefore, the confidence of investors, shareholders and other stakeholders.

Thus, in the financial year 2021, Inditex's internal corporate governance regulations were amended to adapt them to the new developments and modifications introduced pursuant to Law 5/2021, of 12 April, which amends the revised text of the Spanish Companies Law, approved by Royal Legislative Decree 1/2010, of 2 July, and other financial regulations, on fostering the long-term engagement of shareholders in listed companies (hereinafter, 'Law 5/2021').

Inditex's Corporate Governance System achieves full compliance with the regulatory requirements set forth in the applicable legislation, and practically total adherence to the recommendations outlined in the Good Governance Code ('GGC') of Spanish National Securities Market Commission (CNMV).

The 2021 Annual Corporate Governance Report, approved by the Board of Directors at its meeting of 15 March 2022, which is available on our corporate website (in the 'Compliance' section, 'Good Corporate Governance' sub-section, 'Annual Corporate Governance Report') and on the CNMV website, provides comprehensive and reasoned information on the Company's governance structure and practices.

5.9.3.1. Organisation and operation of corporate bodies

Annual General Meeting:

The Annual General Meeting is the supreme and sovereign body for expressing the will of our shareholders.

Inditex structures and makes available to its shareholders the means necessary for guaranteeing equal treatment and the exercise of their rights to attend, and encourages maximum participation in the Meeting.

Accordingly, in a context still shaped by the existence of specific measures restricting mobility in certain areas of Spain, and in order to guarantee the normal functioning of the Company and the attainment of its targets, as well as to protect the interests of our shareholders and other stakeholders, the Annual General Meeting was held at first call on 13 July 2021, **with shareholders and proxy holders attending both in person and virtually, by remote, real-time video-conferencing**. All directors attended the meeting in person with the exception of Mr Amancio Ortega Gaona.

Considering the special circumstances of uncertainty unleashed by the outbreak of covid-19, at the Annual General Meeting held on 14 July 2020, our shareholders were allowed to attend and participate remotely, and Inditex's internal regulations were amended to enable this option for future financial years, taking into account the circumstances prevailing at each given time.

In addition, at the 2021 meeting shareholders approved the partial amendments to the Articles of Association and the Regulations of the Annual General Meeting in order, among other purposes, to permit virtual only Annual General Meetings, in accordance with the provisions of the new section 182 bis of Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated text of the Spanish Companies Act.

Board of Directors and Committees

The Board of Directors is tasked with the management, administration and representation of the Company (except in matters reserved for the remit of the Annual General Meeting), and it is therefore the Company's most senior decision-making, supervisory and control body.

In accordance with Inditex's internal regulations, the Board of Directors generally delegates the manage-

ment of ordinary business to the executive bodies and to our management team, concentrating its activity on the **general supervisory function**, which includes guiding the policies of Inditex, controlling the management bodies, assessing the performance of officers, adopting the most important decisions for the Company and acting as a liaison with our shareholders.

The Board of Directors currently consists of 11 members. Members are re-elected every four years.

In discharging its duties, the Board of Directors also has an Executive Committee and a series of delegated and specialised Committees according to matters and competences: (i) the Audit and Compliance Committee; (ii) the Nomination Committee; (iii) the Remuneration Committee; and (iv) the Sustainability Committee.

The composition of the governing bodies at 31 January 2022 is as follows:

Composition of the governing bodies at 31 January 2022

Board of Directors	Audit and Compliance Committee	Nomination Committee	Remuneration Committee	Sustainability Committee
Executive Chairman: Mr Pablo Isla Álvarez de Tejera	-	-	-	-
Deputy Chairman: Mr José Arnau Sierra	Member	Member	Member	Member
Chief Executive Officer: Mr Óscar García Maceiras	-	-	-	-
Members				
Mr Amancio Ortega Gaona	-	-	-	-
PONTEGADEA INVERSIONES, S.L. (represented by Flora Pérez Marcote)	-	-	-	-
Bns. Denise Patricia Kingsmill	Member	Member	Member	Chair
Ms Anne Lange	Member	Member	-	Member
Ms Pilar López Álvarez	Chair	Member	-	Member
Mr José Luis Durán Schulz	Member	-	Member	Member
Mr Rodrigo Echenique Gordillo	Member	Member	Chair	-
Mr Emilio Saracho Rodríguez de Torres	Member	Chair	Member	-
Secretary of the Board				
Mr Javier Monteoliva Díaz	Secretary, non- member	Secretary, non- member	Secretary, non- member	Secretary, non- member

Work was carried out in 2021 to design and implement a new corporate governance model at Inditex (to be effective gradually and fully operational from 1 April 2022), in which the roles of Chair of the Board of Directors and Chief Executive Officer will be separated, and the position of Chair will be a non-executive role, in accordance with the recommendations of institutional investors and proxy advisors in Spain.

In this regard, the Board of Directors of Inditex, at its meeting on 29 November 2021, acting on a prior proposal by the Nomination Committee, passed by unanimous vote, among others, the following resolutions:

- To accept the resignation of Mr Pablo Isla Álvarez de Tejera as Executive Chairman and Member of the Board of Directors of Inditex and its Executive Committee, effective from 31 March 2022. Mr Pablo Isla Álvarez de Tejera shall continue to serve as Executive Chairman until that date.
- To appoint by co-opt Ms Marta Ortega Pérez as Proprietary Director to cover the vacancy produced by the resignation of Mr Pablo Isla Álvarez de Tejera from his post as Executive Chairman, and to appoint her as (non-executive) Chair of the Board of Directors, in both cases effective from 1 April 2022.
- To accept the resignation of Mr Carlos Crespo González as Chief Executive Officer and Member of the Board of Directors of Inditex and its Executive Committee and appoint him Chief Operating Officer & Head of Digital and Sustainable Transformation, in both cases effective immediately.

- To accept the resignation of Mr Óscar García Maцейras as General Counsel and Secretary of the Board of Inditex and its various Committees and appoint him by co-optation as executive director and Chief Executive Officer, in both cases effective immediately.

Mr Isla's resignation came in the context of his mutually agreed departure from the Company and completes the process of generational handover piloted by him and by the founder, controlling shareholder and director of the Company, Mr Ortega, so as to ensure an orderly and planned succession of the Chair.

At the same meeting, the Board of Directors also approved the creation of a Management Committee as part of the Company's new organisational structure, as the Company's new Management coordination body and in support of the Chief Executive Officer in discharging his duties. Said Committee is conducive to collegiate decision-making in accordance with international best practices on corporate governance.

Detailed information on the regulation, organisational and operational rules, composition, mission and competencies and the main activities carried out or lines of action of the Audit and Compliance, Nomination, Remuneration and Sustainability Committees for the financial year 2021 is provided in the Annual Corporate Governance Report (ACGR), as well as in the relevant reports on proceedings, which will be published on the Company's website in accordance with GGC Recommendation 6.



Executive Committee

The powers of the Board are delegated to the Executive Committee, except those that cannot be delegated by law or under the Articles of Association, and those others necessary for the responsible exercise of the general supervisory function of the Board of Directors.

In 2021, the Executive Committee did not hold any meetings.

The Committee's composition on 31 January 2022 was as follows:

The Committee's composition on 31 January 2022

DIRECTOR	POSITION	CATEGORY
Mr Pablo Isla Álvarez de Tejera	Executive Chairman	Executive
Mr José Arnau Sierra	Deputy Chairman	Proprietary
Mr Amancio Ortega Gaona	Member	Proprietary
Mr Óscar García Maceiras	Member	Executive
Ms Pilar López Álvarez	Member	Independent
Mr José Luis Durán Schulz	Member	Independent
Mr Rodrigo Echenique Gordillo	Member	Independent
Mr Emilio Saracho Rodríguez de Torres	Member	Independent

5.9.3.2. Key indicators of the Inditex's Corporate Governance System

ITEM	2021	2020	2019	2018
Quorum for attendance at the Annual General Meeting	88.74%	88.72% ⁽¹⁰³⁾	87.62% ⁽¹⁰⁴⁾	88.24% ⁽¹⁰⁵⁾
Number of directors	11	11	11 ¹⁰⁶	9
Executive Directors	2	2	2	1
Independent Directors	6	6	6	5
Proprietary Directors	3	3	3	3
Meetings of the Board	7	7	5	5
% of attendance	100%	100%	100%	100%
Meetings of the Audit and Compliance Committee	5	5	5	5
% of attendance	100%	100%	100%	100%
Meetings of the Nomination Committee	4	4	5	5
% of attendance	100%	100%	100%	100%
Meetings of the Remuneration Committee	3	4	5	3
% of attendance	67%	100%	100%	100%
Meetings of the Sustainability Committee	4	3	-	-
% of attendance	100%	100%	-	-

103. Of which 24.37% is free float.

104. Of which 23.28% is free float.

105. Of which 28.95% is free float.

106. At the Annual General Meeting held on 16 July 2019, the number of members of the Board of Directors was increased from nine (9) to eleven (11), at which time Mr Carlos Crespo González was appointed as the new Chief Executive Officer and a vacancy was created. Such vacancy was filled by co-option appointment by the Board of Directors, at its meeting of 10 December 2019, and subsequently ratified by the Annual General Meeting on 14 July 2020

5.9.3.3. Main lines of action by Inditex corporate bodies in 2021:

- Update of the internal corporate governance regulation governing the activities of the various bodies in order to adapt them to the new developments introduced by Law 5/2021.
- The agenda of matters discussed by Inditex corporate bodies shaped by sustainability:
 - Update at the 2021 AGM of the sustainability commitments (announced at the 2019 AGM).
 - Update of the Business Plan to bring it into line with the economic and social reality in the wake of the pandemic crisis and strategic priorities.
 - Monitoring of the degree of compliance with the sustainability goals announced at the 2021 AGM.
 - Analysis of the financial impact of climate change.
- Design and approval of a new Directors' Remuneration Policy for the financial years 2021, 2022 and 2023 and the new Long-Term Incentive Plan, increasing the importance and weight of sustainability metrics in long-term variable remuneration from 10% to 25%.
- Planning of the process of generational handover and succession of the Chair and the resulting change in the corporate governance structure.

5.9.3.4. Remuneration to Directors and Senior Management

Directors' remuneration

Inditex has a **Directors' Remuneration Policy**, approved by the Annual General Meeting on 13 July 2021, in force for the financial years 2021, 2022 and 2023. This Policy is available on the Company's website in the new section entitled 'Compliance', under 'Good Corporate Governance', 'Annual General Meeting'.

2021 AGM

Directors' remuneration policy for FY 2021, 2022 and 2023	Favourable votes: 98.42%
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Since the approval in 2015 of the first Directors' Remuneration Policy, the Annual Reports on Remuneration to Directors for the financial years 2017, 2018, 2019 and 2020 have taken into account and described in detail the criteria laid out in the policy, receiving broad support from shareholders in the advisory say-on-pay and, in addition, from institutional investors and Proxy Advisors.

2021	2020	2019	2018
96.74%	99.26%	99.39%	99.36%

This new Remuneration Policy does not envisage significant variations with respect to the previous one (approved in 2018 and which the current one replaced), although it does introduce the following main new developments:

- Variable annual remuneration is afforded more weighting so as to strengthen the pay-for-performance equation, in line with market practice and with the corporate governance guidelines.
- The possibility of increasing the weighting of non-financial targets to which annual variable annual remuneration is linked is established.
- The maximum amount of long-term variable remuneration, expressed as a percentage of fixed remuneration, is adjusted; and
- The possibility of increasing the weighting of non-financial targets to which long-term variable remuneration is linked is established.

As considered by the Board of Directors, following a favourable report by the Remuneration Committee, this Remuneration Policy:

Is reasonably proportionate to the Company's size, its financial position and the market standards at comparable companies;

It establishes the channels to avoid undertaking unnecessary risks, permitting an adequate and efficient management thereof; and

It is aligned with the long-term strategic priorities of the Company and the interests of its shareholders and other stakeholders.

In financial year 2022 work is ongoing on the amendment of the Remuneration Policy so as to adapt its content to the new organisational structure outlined in section a) above, and which will be submitted to shareholders for their approval at the next Annual General Meeting.

Remuneration of directors in their status as such:

The remuneration of the directors in their status as such consists of a fixed annual remuneration for each of them, depending on their membership and positions held on the Board and its Committees, the amount of which is decided by the Annual General Meeting for each financial year or for periods established by the General Meeting. This amount is stipulated expressly in the Remuneration Policy and constitutes the only remuneration received by the Directors for serving on the Board and its Committees.

The Remuneration Policy sets forth the necessary criteria for determining the maximum annual amount for all Directors, regardless of their category.

Executive Directors

The principles and rationale of the Remuneration Policy in relation to the remuneration of executive directors for the performance of executive duties are, among others, as follows:

- **Moderation:** remuneration is proportionate to the Company's description and the business model, always based on the principle that it should be neither excessive nor insufficient, in order to avoid assuming inappropriate risks.
- **Link to strategy and Pay for Performance:** a significant part of the remuneration is linked to achieving results that reflect the Group's strategic priorities.
- **Alignments with the stakeholders, sustainability and environmental commitment:** the design of the Remuneration Policy is reviewed periodically to ensure alignment between the achievement of results and the sustainable creation of shareholder value.

Progress in Environmental, Social and Governance (ESG) matters and the environmental commitment are important criteria in Inditex's remuneration programme.

In addition, the interests of the employees as a whole and other stakeholders are taken into account when determining the remuneration of the executive directors.

- **Long term:** it is consistent with the long-term values and objectives of the Company.

The executive directors' remuneration package consists of a fixed component, a short-term or annual variable remuneration component and a long-term or multi-year variable remuneration component.

The **variable components** of executive directors' remuneration, linked to achieving the Group's targets, are sufficiently **flexible** so as to allow its shaping to the extent that, under certain circumstances, it is possible that no variable remuneration may be received at all, in which case the fixed remuneration would represent 100% of the total remuneration. **In no case** are there **guaranteed variable remunerations**.

In 2021 the Annual General Meeting approved a new long-term incentive plan, which is a continuation of the previous plan:

- Two overlapping cycles of at least a three-year period of measurement of objectives.
- Mainly share-based.
- Linked to metrics consistent with Inditex's long-term strategic objectives, including sustainability objectives. These objectives are aligned with the Group's sustainable strategy, which takes into account all Inditex's stakeholders, and encourage the implementation of this strategy.
- Retention of shares granted for at least one year.

The main new development under this new Plan is the increase in the weighting of sustainability metrics from 10% to 25%.

During financial year 2021, the overall remuneration of the Board of Directors amounted to 21,232 thousand euros, as set forth in section C.1.13. of the 2021 Annual Corporate Governance Report, approved by the Board of Directors at its meeting of 15 March 2022.

Remuneration of Senior Management

The aggregate remuneration of the members who were part of the Senior Management during financial year 2021 amounted to 69,204 thousand euros, as set forth in section C.1.13. of the 2021 Annual Corporate Governance Report, approved by the Board of Directors at its meeting of 15 March 2022.



The average remuneration accrued in 2021 amounted to 3,294,158 euros (1,323,636, 1,434,163 and 1,944,018 euros in 2020, 2019 and 2018, respectively). The average remuneration of female Senior Managers was 2,800,975 euros and that of male Senior Managers was 3,455,140 euros (993,144 euros and 1,426,915 euros in 2020; 1,033,309 euros and 1,555,634 euros in 2019; and 1,725,866 euros and 2,008,180 euros in 2018, respectively).

5.9.3.5. Vision and challenges: towards sustainable governance

Sustainability is one of the essential elements of the Inditex's Corporate Governance System. In this regard, this system has been in a continuous process of review and improvement, evolving in line with international guidelines and best practices in this area and, in particular, with ESG (Environmental, Social and Governance) criteria, towards a system of sustainable governance.

The Group's commitment to sustainability is reflected at the highest level of the Company, starting with the most senior governing bodies, with sustainability as a factor integrated in the decision-making process.

Accordingly, the Inditex Corporate Governance System provides a comprehensive vision that promotes responsible governance, in order to preserve the interests of our shareholders, while at the same time reflecting and taking responsibility for the environmental, social and reputational impact of our activity, in the quest to maximise the long-term corporate interest through the necessary continuous creation of value for each and every one of our stakeholders.

The result is a **socially responsible and sustainable business model**, in continuous participatory dialogue and aimed at the common benefit of all related strata.

Our Corporate Governance System integrates sustainability by means of the following elements:

Integration of sustainability into the Company's management and corporate strategy

In order to adapt the organisational structure at the most senior level to the Group's strategy, clearly oriented towards social and environmental sustainability, at its meeting of 11 June 2019, the Board of Directors approved the creation of the Sustainability Committee¹⁰⁷, as a delegated committee of an informative and consultative nature, responsible for advising the Board on matters within its sphere of compe-

107. More information in section 4.2. Sustainability, the basis for transformation of this Report.

tence and for supervising and monitoring proposals in the areas of sustainability in respect of human rights, social, environmental and product health and safety concerns, as well as for nurturing the commitment to the Sustainable Development Goals.

In other words, the Committee is the body responsible for monitoring our social and environmental sustainability strategy and practices. All of this enables the corporate strategy to be defined, taking into account the opportunities, risks and impacts derived from sustainability, as well as the procedures for establishing, measuring and achieving sustainability objectives, considering the interests of all our stakeholders and without losing sight of the precautionary principle in the Company's decision-making. All of this is faithfully reflected in the Group's Sustainability Policy¹⁰⁸, approved by the Board of Directors at its meeting of 14 December 2020, which merges the previous Environmental Sustainability and Corporate Social Responsibility Policies into one, and reflects the Group's new vision and strategy in terms of sustainability.

Establishing appropriate mechanisms to reflect the expectations of our stakeholders

The Sustainability Committee is also the body responsible for relations with the various stakeholders in the area of sustainability.

In particular, it is tasked with supervising and evaluating—in coordination with the Audit and Compliance Committee in respect of those matters within its competence—both the strategy of communication and relations with the various stakeholders, as well as the procedures and channels of communication in place at Inditex to guarantee proper and seamless communication with them.

Furthermore, the **Social Advisory Board** is the Company's permanent external body which acts in an advisory and consultative capacity in matters of social and environmental sustainability. It is made up of persons or institutions external to and independent of the Group. It arranges and institutionalises dialogue with those spokespersons considered key in the civil society in which we develop our business model and, in addition, it plays an important role in determining the materiality matrix, in which it participates in collaboration with our stakeholders. The Social Advisory Board acts as the main spokesper-

son of the Sustainability Committee, maintaining an effective and continuous dialogue.

The following are members of the Social Advisory Board:

Cecilia Plañol

Ezequiel Reficco

Javier Sardina

Paula Farias

Víctor Viñuales

All of which also contributes to better identification and prevention of the sustainability risks and impacts in our business operations.

The existence of robust sustainability monitoring mechanisms

The **Sustainability Committee** is responsible for overseeing and monitoring sustainability proposals in human rights, social, environmental and product health and safety aspects, as well as monitoring social and environmental sustainability strategy and practices.

In addition, the Committee is further tasked with supervision and verification of the process of preparing regulated and non-regulated non-financial information. This procedure is carried out in coordination with the **Audit and Compliance Committee**, which is responsible for the ultimate supervision and evaluation of the preparation process and the integrity of the non-financial information included in the Integrated Director's Report, ensuring compliance with all legal requirements, and also dealing with the process of independent verification of this information. Such coordinated action ensures a global view of the effective implementation of policies relative to their respective areas of competence, as well as enhancing the quality of non-financial information made available to the market.

For this purpose, Inditex has also developed the **Policy on Disclosure of Financial, Non-Financial and Corporate Information**, approved by the Board of Directors at its meeting of 14 December 2020. The aim of this Policy is to establish the framework for action and define the general principles that will

108. More information in section 4.2. *Sustainability, the basis for transformation* of this Report.

govern the Company's reporting of financial, non-financial and corporate information through regulated and non-regulated channels, with the main purpose of ensuring the protection of stakeholders and the orderly functioning of the market. The Sustainability Committee is tasked with guaranteeing the effective application of this Policy.

Among the various principles defined in the aforementioned Policy, we highlight the following: (a) it assumes as a strategic objective the transparency of information relating to the Company in relations with our stakeholders; (b) it ensures that the dissemination of financial, non-financial and corporate information adequately reflects the Company's principles and strategy in environmental, social and governance (ESG) matters; and (c) it ensures that such information when disseminated through non-regulated channels is truthful and consistent with the same information previously disseminated through regulated channels.

The **Audit and Compliance Committee**, as the body responsible for overseeing and controlling the effectiveness of the internal risk management and control systems, oversees and assesses financial and non-financial risks and those deriving from the Group's actions in relation to its social and environmental sustainability practices, and so on.

The members of the Sustainability Committee, including its chair, are also members of the Audit and Compliance Committee. The overlapping presence of directors on both committees and the report that the chair of the Sustainability Committee presents at the meetings of the Board of Directors regarding the main issues discussed at their respective meetings ensure that the most relevant social and environmental sustainability issues are taken into

consideration in the deliberations of the Audit and Compliance Committee, allowing for a better identification of the risks and opportunities associated with these matters.

The **Ethics Committee** is the internal body reporting to the Board of Directors, through the Audit and Compliance Committee, which ensures compliance with the rules of conduct and specifically with the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers.

In order to ensure adequate monitoring, as described in section 5.9.2 Compliance and criminal risk *prevention systems*, above, the Ethics Committee reports to the Audit and Compliance Committee at least every six months.

The link between sustainability performance and the remuneration system for our executive directors and Senior Management

As detailed above, in accordance with the Remuneration Policy, the remuneration package for executive directors consists of a fixed component, a short-term or annual variable remuneration component and a long-term or multi-year variable remuneration component.

This remuneration mix strikes a balance between achieving short-, medium- and long-term objectives, rewarding ongoing achievement, maintained over sufficient time to appreciate the contribution to long-term value creation.

In addition, the variable remuneration of our executive directors, both annual and multi-year, is linked to the fulfilment of certain sustainability targets (environmental, social and corporate governance). These tar-



40%

FEMALE DIRECTORS

goal established by the Board of Directors to be achieved before the end of 2022.



gets are aligned with the Group's sustainable strategy, which takes into account all Inditex's stakeholders, and encourage the implementation of this strategy.

Thus, the Board of Directors agreed to link the annual variable remuneration of the executive directors for the financial year 2021 to, among other criteria, progress in the implementation of Inditex's global sustainability strategy. This progress will be measured according to the indicators announced at the 2021 Annual General Meeting, with a maximum weight of up to 15% of the total annual variable remuneration.

Moreover, in accordance with the new Long-Term Incentive Plan also approved by shareholders at the aforementioned Annual General Meeting in

2021, the weight of sustainability metrics to which the multi-year remuneration is linked has been increased to 25%.

As a result, in financial year 2021, the weight of sustainability goals over total variable remuneration has been at least 20%.

Details of the targets, the measurement criteria and the performance scales for each of the sustainability targets linked to the variable remuneration of the executive directors are set out in the 2021 Annual Report on Directors' Remuneration, approved by the Board of Directors at its meeting of 15 March 2022, and available on the corporate website (in the 'Compliance' section, under 'Good Corporate Governance', 'Remuneration Report') and on the CNMV website.

The linking between sustainability targets and the remuneration system also applies to the Group's Senior Management.

Our commitment to diversity embodied by the composition of the governing bodies

The **Inditex Diversity and Inclusion Policy**¹⁰⁹, approved by the Board of Directors in December 2017, and partially amended in December 2020, establishes the framework that promotes the values of diversity, multiculturalism, acceptance and integration in all the Group's entities and is driven by the most senior levels of the Company.

Thus, the Nomination Committee is the Board of Directors specialised body involved in the process of selection, nomination, ratification and re-election of our Directors. The Nomination Committee's guiding principle is to guarantee diversity in the composition of the various collegiate governing bodies of our Company, including diversity of knowledge, skills, experience, age, international experience or geographic origin and, in particular, gender, among the criteria for consideration.

As the Nomination Committee noted in its analysis of the needs of the Company and of the Board of Directors, included in the relevant report dated 7 June 2021, the following conclusions may be drawn with regard to the current composition of the Board of Directors of Inditex:

- There is diverse membership in terms of origin, knowledge and experience, with particular emphasis on technological profiles and expertise in sustainability in line with the Group's strategic axes.
- There is a balanced representation of men and women.

109. More information in section 5.1.1. Diversity, inclusion, equality and work-life balance of this Report.

These conclusions were ratified by the Board itself, in its report approved on 8 June 2021. Both reports were published on the corporate website when the Annual General Meeting of Inditex was called.

Moreover, Inditex's Nomination Committee advocated that the proposals for the re-election and appointment of directors in the future should be oriented towards maintaining or strengthening the presence in the most senior governing body and its delegate committees of the following: (i) profiles with experience in technology and in the field of sustainability and environmental, social and corporate governance (ESG) issues in general, in line with the Company's priority strategic pillars; (ii) considerable diversity in, among other matters, professional experience, competences, personal skills, sector-specific knowledge, gender and age; (iii) a balanced composition among the different directorship types, ensuring a majority presence of non-executive directors, as well as the presence of a representation of proprietary directors such as to guarantee the existence of effective counterweights; and (iv) the progressive board refreshment, combined with the presence of profiles with broad experience and knowledge of the Company, the Group, the business and the retail sector in general.

In any event, in keeping with the commitments acquired, Inditex's Nomination Committee considered that in the future selection of directors it should be an immediate priority to promote gender diversity, so as to complete the process of meeting the aforementioned targets set for 2022, while not compromising the strictest criteria of suitability and merit in making all appointments.

With regard to gender diversity, the Committee has unceasingly endeavoured to maintain the highest possible levels of female representation. A clear example of this is that in 2019 the 30% target established in the Director Selection Policy in force at the time and recommended by the Good Governance Code for Listed Companies had already been exceeded. Furthermore, in the amendment to Inditex's internal regulations, approved by the Board of Directors at its meeting of 14 December 2020, the Committee established a **new target of 40% of female Directors out of the total number of members of the Board, to be reached before the end of 2022.**

Governing Bodies	%
Board of Directors	36%
Audit and Compliance Committee	43%
Nomination Committee	40%
Remuneration Committee	20%
Sustainability Committee	60%

According to the subsequent analysis carried out by the Nomination Committee, and included in the corresponding report dated November 2021, as well as the suitability report commissioned from an independent external advisor, the appointments of Ms Marta Ortega Pérez, as Proprietary Director and non-executive Chair (although effective from 1 April 2022), and of Mr Óscar García Maceiras, as Executive Director and Chief Executive Officer, mentioned in section a) above, contribute, among other factors, and in terms of diversity, to: (i) strengthening the diversity of the directorship types; (ii) reinforcing the representation of women, exceeding the target of 40% established for 2022; (iii) enhancing experience in areas that constitute strategic priorities of the Company, achieving an adequate balance between skills and experience, appropriate for the interests of the Company and of the Group, combining profiles that have extensive experience and knowledge of the Group, the business and the retail sector in general, together with other profiles with training, skills, knowledge and experience in other areas and sectors; and (iv) a progressive board refreshment, while at the same time ensuring that Inditex's values are preserved and the stability of the project is maintained due to the extensive experience of both professionals.

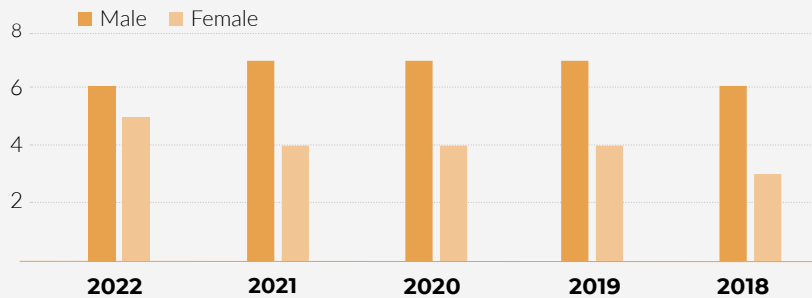
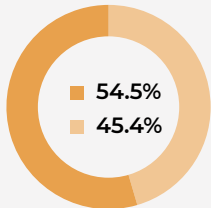
Moreover, the Committee is also responsible for the appointment and removal of members of Senior Management, and must also ensure gender diversity and the promotion of female leadership, **facilitating the existence of a significant number of female senior executives.**

This commitment to diversity is evidenced both in the terms of reference of the Board of Directors and the Nomination Committee and in the **Diversity of Board of Directors Membership and Director Selection Policy** (available on the website in the 'Compliance' section, under 'Good Corporate Governance', 'Annual General Meeting'), as well as in the Group's Diversity and Inclusion Policy.

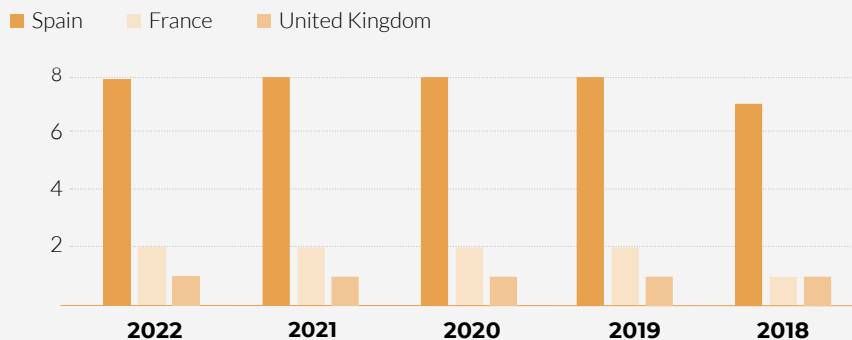
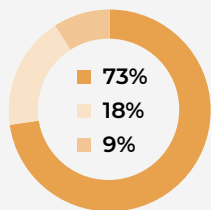
Main diversity indicators applying to the Inditex Board of Directors for the last four financial years (2018, 2019, 2020 and 2021).

BOARD OF DIRECTORS

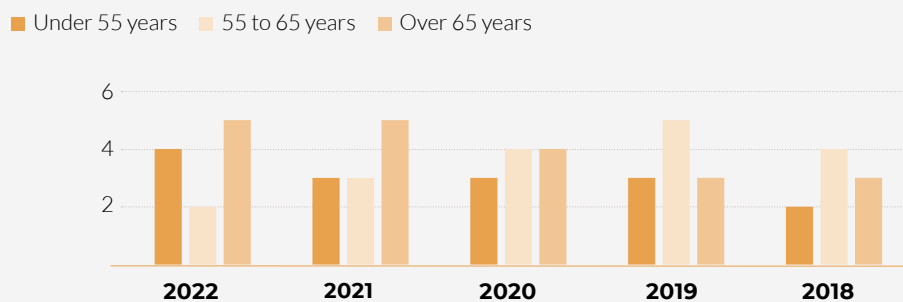
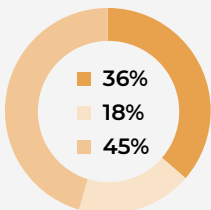
BY GENDER



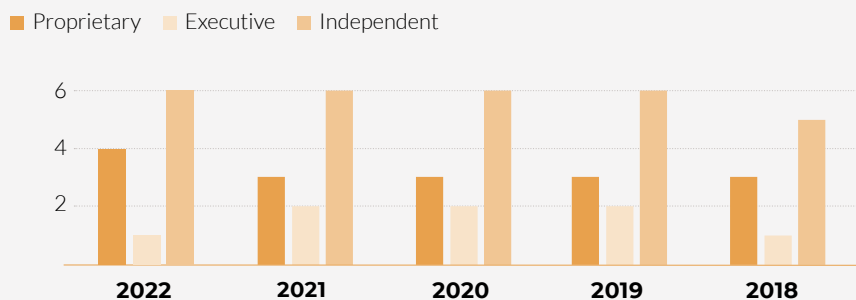
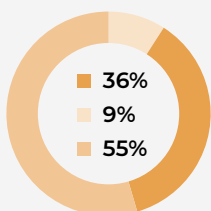
BY GEOGRAPHICAL AREA



BY AGE



BY CATEGORY





Indicators for financial year 2022 correspond to the situation of Inditex’s Board of Directors as at 1st April 2022, date on which the appointment of Ms Marta Ortega Pérez as new director and (non-executive) Chair of the board will become effective, following the departure of Mr Isla, so far Executive Chairman.

Diversity in a company’s governing bodies ensures there are **multiple perspectives**, helping

to identify risks and opportunities and, therefore, to achieve corporate objectives. In addition, the diversity promoted by the governing bodies and Senior Management encourages the promotion of equal opportunities throughout the organisation, as well as nurturing a diverse and inclusive workplace, which contributes fundamentally to the achievement of Inditex’s corporate objectives and a better business performance.