INDITEX

ANNUAL REPORT 2018

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About this report

This Annual Report is presented in the form of an integrated report with the goal of informing all of the Company's stakeholders about how it creates value in the short, medium and long term. It is complemented by the information contained on the corporate website (www.inditex.com) and in the Statement on Non Financial Information appended to the Inditex Group's consolidated financial statements (available on the corporate website).

PRINCIPLES UNDERPINNING INDITEX'S ANNUAL REPORT

- **GLOBAL REPORTING INITIATIVE (GRI) STANDARDS**
  This report was drawn up in keeping with the GRI standards: In-accordance option: Comprehensive.
- A GRI reporter since 2002.
- GRI Community member.

UNITED NATIONS GLOBAL COMPACT PRINCIPLES
- This report includes the Communication on Progress referred to in the GRI index.
- The most recent Communication on Progress (COP) was rated 'GC Advanced' (the highest level awarded by the Global Compact).
- Global Compact member since 2001.

INTERNATIONAL <IR> FRAMEWORK PRINCIPLES
- This report follows the criteria prescribed in the Integrated Reporting Framework.
- Member of the International Integrated Reporting Council (IIRC) Business Network.

AA1000 APS (2008) ACCOUNTABILITY PRINCIPLES STANDARD

As prescribed by the above-mentioned standards, this report addresses all the material aspects that reflect Inditex's significant economic, environmental and social impacts or could substantively influence the assessments and decisions of its stakeholders. Those issues were identified and evaluated on the basis of a materiality assessment that involved the Company's main stakeholders.

More information on pages 38 and 39 of this Annual Report.

Among the principles used as the basis for drawing up this report, it is worth highlighting the Global Reporting Initiative (GRI) Standards. Inditex strives to embrace the best and latest reporting practices, as is evident in its application of the principles and recommendations set down in the GRI Standards since they were created. In addition, we are members of the GRI Community, a universe of companies from different sectors that collaborate with each other, demonstrate leadership in terms of reporting and form a community of practice and knowledge sharing.

GRI Community Inditex 2019

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This report includes a GRI Content Index; it is the report's main navigation tool and the first point of reference for report users. It was approved by the GRI Content Index Service for the fourth year running, as is shown in the customised GRI Alignment Service Organisational Mark featured on the first page of the index itself.

More information on page 408 of this Annual Report.

Elsewhere, for the second year in a row, it relies on the Business Reporting on the SDGs: An Analysis of Goals and Targets guide developed by the Action Platform for Reporting on the Sustainable Development Goals, organised jointly by the United Nations Global Compact and the Global Reporting Initiative, which Inditex has been part of from from the outset. This means that it provides an accurate account of its contributions to the United Nations Sustainable Development Goals (SDGs).

More information on page 294 of this Annual Report.

External assurance

Inditex's 2018 Annual Report has been assured by SGS ICS Ibérica S.A., in accordance with ISO 19011 and following the criteria prescribed in the Global Reporting Initiative (GRI) standards, the principles laid down in the International Reporting Framework and AccountAbility's AA1000 Accountability Principles Standard 2008 (AA1000APS).

A selection of 40 relevant disclosures were reviewed by KPMG Asesores in accordance with ISAE3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standard Board (IAASB), and the Guidelines on Corporate Responsibility Report Review Work issued by the ICJCE, Spain's Institute of Auditors. The selection was determined on the basis of the materiality assessment Inditex conducts together with its stakeholders each year.

The number of indicators reviewed by KPMG Asesores increased year-on-year, in line with the Group's continuous improvement philosophy, which extends to its reporting effort, all with a view to further enhancing the level of assurance it provides with respect to the transparency and veracity of the information it discloses.

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

More information on page 410 and 412 of this Annual Report.

YEAR REVIEW

Letter from the Chairman

Dear friends:

2018 was a very important year for the Inditex digital transformation strategy, which has been underway for several years now. We are on course to deliver the vision we set out for Inditex in 2020: a sales platform that is fully integrated (physical points of sale fully interconnected with our online outlets); fully sustainable (with all our stores meeting our eco-efficiency standards); and fully digital (with all our products available online in any corner of the world).

I will never tire of saying that our people are the most important part of that entire process. They are consistently at the heart of all our decisions. Our proposition is designed and managed by a team of over 170,000 professionals who share their creativity and passion for fashion with millions of customers. Indeed it is the diversity of our team that makes our Company what it is. We aspire to being known for our customer focus, our humility, our refusal to conform, and our capacity for teamwork so that we constantly do better.

In this report we will give an update on our key business model indicators along with those that explain how we create social, economic and environmental value. To do that we have framed our reporting within the United Nations 2030 Agenda and ambitious delivery of those Sustainable Development Goals (SDGs) most closely related to our value chain. Moreover, we reaffirm our adherence to the United Nations Global Compact and to the Guiding Principles on Business and Human Rights.

Quality, traceability and sustainability are the watchwords of our model, which encompasses the entire product life cycle end to end, from the selection of raw materials through to the very end of the cycle, with the clear goal of achieving a circular model capable of recycling both waste and used garments.

Our high standards also characterise our store selection strategy: our stores are located on the world's best shopping streets in landmark buildings in order to deliver the best possible shopping experience. We have been forward-thinking in adapting our stores to meet our customers' emerging needs. They have become larger, higher-tech and smarter places. One of the key enablers of this strategy has been our constant reinvestment in the business, year after year - over 1.6 billion euros in 2018 and a total of 9.4 billion euros in the last six years, 2 billion euros of which was devoted to technology and logistics innovation.

That investment has been targeted at our longstanding strategic commitment to research and development which differentiates Inditex from its peers. A particular example is our internally-developed radio frequency identification technology (RFID), but our commitment includes constant innovation aimed at improving every process in every area of the business. That spirit of continuous improvement is a hallmark of Inditex's culture and is only possible thanks to the enterprising nature and capacity for self improvement of the people who work here.

By placing the customer at the heart of this model we are better positioned to help them make informed decisions and enjoy the shopping experience. With the customer in mind, several years ago we embarked on an ambitious project for leveraging our RFID technology to integrate our store and online stock, an initiative which is delivering unprecedented inventory management efficiency. Our brands have adapted seamlessly to this new environment, receiving around 3 billion visits online and amassing more than 150 million social media followers between them.

> Quality, traceability and sustainability are our model's keywords. We have placed our supply chain workers in the centre to foster initiatives that promote social progress.

We firmly believe that our model only works if it is sustainable. For years, we have required that our suppliers comply with industry-leading sustainability criteria, based on the best possible social and environmental practices. Traceability is a key element of this in this respect. We constantly monitor all processes, and have placed the workers in our supply chain at the centre of our systems of control in order to foster initiatives that promote social progress. Because the majority of those workers are women, the measures are particularly concentrated on female empowerment and the promotion of gender equality.

Our garments are made by the best specialists in the industry. Most are made near to our base, in Spain, Portugal, Morocco and Turkey, but wherever the manufacturing takes place, it is always framed by a requirement to embrace best practices, underpinned by constant dialogue with all stakeholders (unions, NGOs and institutions), which means everyone must be constantly open to learning.

One such organisation is IndustriALL Global Union, which represents over 50 million workers. Inditex signed a pioneering Framework Agreement with IndustriALL in 2007 which has translated in practice into a joint plan

for monitoring all the factories we source from. We also work hand-in-hand with the ILO, the Sustainable Apparel Coalition, the Ethical Trading Initiative and a plethora of third sector organisations involved in the industry.

The 2016-2020 Environmental Sustainability Plan, the overriding objective of which is to circularise our processes, is entering its final year. It has led to the creation of the Closing the Loop Programme for the collection, reuse and recycling of used garments in 1,382 stores in 24 markets, and recovered over 34,158 tonnes of clothing for reuse and recycling since it started in 2016. Last year, we also implemented a scheme for picking up used clothing at home when delivering online orders in Beijing and Shanghai, a pioneering initiative through which we have already collected over 850,000 used garments.

We are working intensely on the reuse of raw materials. We are championing the recycling of cotton and researching new ways of separating fabrics with Tsinghua University in China and MIT in the US, through MISTI, with which a number of Spanish universities are collaborating. I am particularly proud to note that our commitment to more sustainable raw materials and processes has led to the commercialization of over 136 million garments distinguished with the Join Life label in 2018.

Our investments are supporting the growth of our suppliers. In Spain alone, our procurement effort generated 55,000 direct jobs at over 7,500 small and medium-sized enterprises which invoiced us for more than 5 billion euros of goods and services in 2018. They are similarly evident in our tax contribution, which in 2018 reached 6.2 billion euros worldwide, 1.7 billion euros of which was paid in Spain.

We create fashion and that is what we are known for. Our 700 designers, alongside all the 170,000-plus people who work at the Company, use their creative passion and put it at our customers' fingertips. Their success continues to explain our record top and bottom line performance: 26.15 billion euros in net sales and 3.44 billion euros in net profit. And that is why we continue to share that growth with our employees, with total remuneration of 4.1 billion euros in 2018.

Making a positive contribution to community wellbeing, education and the employability of at-risk groups, and the provision of emergency relief, remain at the top of our list of priorities. In 2018, we opened a new for&from store by Uterqüe, managed by people with disabilities. Overall, our community investment during the year directly benefitted 2.4 million people and was channelled through organisations such as MSF, Caritas, Entreculturas, the Red Cross and Water.org.

We plan to continue to work hard on all these areas of focus. Our priority will continue to be the generation of customer-centred social, economic and environmental value, framed by principles that always place people at the centre of all of our thinking. Thank you to all those people who, with their attitude, hard work, creativity and talent, continue to make Inditex such an exciting endeavour.

P. Isla

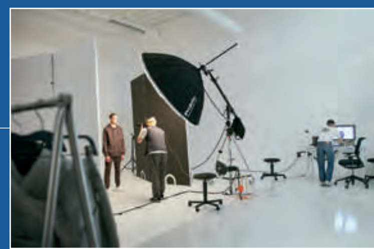
Pablo Isla

Chairman

This year's highlights

February

For the second year in a row, Inditex obtains the **gold medal** in the Sustainability Yearbook 2018, the highest accolade awarded by the sustainability investing specialist, RobecoSAM, which identifies the world's standard–setting sustainable companies. The stock index **FTSE4Good**, which tracks companies on their sustainability performance and has included Inditex since 2002, awarded the Group a score of 4.3 out of 5.



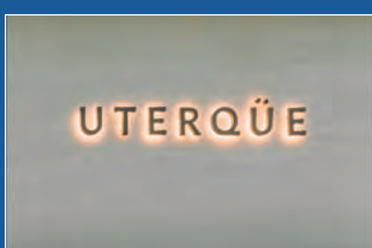
March

The Group extends its online presence in Asia and Oceania with **www.zara.com in Australia and New Zealand**; in parallel, Zara Home's online store in South Korea goes live.

April

The Group pays out **42 million** to some 88,000 employees under its extraordinary employee profit–sharing plan.

Uterqüe inaugurates its first *for&from* store, managed by people with disabilities, in San Sebastián de los Reyes (Madrid, Spain), in collaboration with the Prodis Foundation.



August

Uterqüe arrives in China with the launch of its platform on T–Mall. Entry into this new market is accompanied by a new store on West Nanjing Road, in Shanghai, in December.

Fortune ranks Inditex in the top 10 of its **Change the World ranking**, citing its positive impact on society, particularly social justice and human rights.

September

Inditex's chairman and CEO, Pablo Isla, announces that all of Inditex's brands would be available online anywhere in the world by 2020 during the inauguration of **Zara's flagship store on Corso Vittorio Emanuele in Milan** (Italy).

Inditex is named the **most sustainable company in the retail industry** by the Dow Jones Sustainability Index for the third year in a row.

October

Inditex signs the **New Plastics Global Economy Commitment**, championed by the **Ellen MacArthur Foundation** in collaboration with UN Environment, framed by its commitment to continuing to make every aspect of its activities increasingly sustainable.

May

Zara opens a pioneering store concept in Stratford (London, UK) designed to transform the shopping experience by **integrating store and online purchases**, specifically by introducing the Group's first dedicated online shopping section in the store.

Zara also inaugurates a flagship store in an historical building in the heart of Bilbao's Gran Vía (Spain).

June

Inditex unveils the **expansion of its head offices in Arteixo** (La Coruña, Spain). The three new buildings span around 80,000 square metres and feature the latest energy efficiency measures, which reduces consumption of potable water by 30% and of electricity by 45%.

July

Inditex joins the group of companies from all around the world that support the **Standards of Conduct for Business** issued by the Office of the United Nations High Commissioner for Human Rights for helping corporations to tackle discrimination against LGBT+ people.

November

Inditex joins the **Embrace Difference**, initiative backed by the European Round Table of Industrialists to promote diversity and inclusion as key sources of business value generation.

Zara inaugurates its new global online store *www.zara.com/ww, thus bringing its fashions to 106 new markets.*

December

Inditex renews its **collaboration with Médecins Sans Frontières** (MSF), earmarking a total of 2.4 million to fund its emergency, medical and refugee relief work.

Bershka unveils a novel shopping experience in the **Italian city of Cremona**, offering shoppers the chance to purchase in-store with the help of a new mobile app, Bershka Experience.

January 19

Oysho launches **Oysho Sport**, a new product section where customers can find all of the brand's **sports collections** organised by discipline: boxing, tennis, water sports, fitness, yoga, trekking, skiing, running and new additions such as cross-fitness and cycling.

RETAIL FORMATS

The digital transformation of our business model is evident in the ways in which our customers engage with our collections; those experiences are being continually adapted to their tastes and preferences, framed by our promise to provide them with quality, safety and sustainability. The fine-tuning and expansion of our retail space in prime locations on the world's leading shopping streets is enabling us to introduce the latest technology and our eco-efficiency principles. In 2018, Zara launched its global online store, marking a milestone in its commitment to having all of its brands available online worldwide by 2020.

Each brand's vitality is transmitted by means of innovative and creative commercial initiatives, collaborations with icons from the worlds of fashion, culture, sport and art, and through never-ending dialogue with our customers, which enriches our relationship, nurtures our fashion propositions and obliges us to constantly reinvent ourselves.

Photo: Employees at Zara Home's head offices (Arteixo, Spain).

ZARA

18,021*
net sales (€ million)

2,131
stores in 96 markets

154
online markets

(*) Includes Zara Home

Zara continued to earn global accolades for its collections and initiatives, its integrated shopping experience and its commitment to sustainability, with over 90 million garments put on sale under the *Join Life* label. The new exclusive and limited collection, ZARA SRPLS; global flagship stores such as the Zara Vittorio Emanuele (Milan), Zara Roppongi Hills (Tokyo), Zara Haussmann (Paris) and Zara Bilbao; the augmented reality experience, ZaraAR; and the special VIEW.S collection created with Bunka Gakuen University (Japan) are just a few examples of its robust vitality.

www.zara.com

PULL&BEAR

1,862
net sales (€ million)

974
stores in 75 markets

34
online markets

Pull&Bear made its first foray into the US market with its own online store and opened its first store in Algeria. The brand continued to champion a wide range of sports-related initiatives, from motorcycle racing to surfing, and launched collections with global reverberations, such as the line designed in collaboration with the singer Rosalía. Last year, this brand also became part of the Group's sustainable clothing initiative, *Join Life*.

www.pullandbear.com

Massimo Dutti

1,802
net sales (€ million)

766
stores in 76 markets

37
online markets

Massimo Dutti completed the brand-wide introduction of RFID technology, which is the key to the provision of integrated services and technological innovation such as its interactive dressing rooms and the *magic mirror* interactive customer service tool. It opened high-profile flagship stores during the year in cities such as Munich (Germany), Shanghai (China) and Lisbon (Portugal). The brand organised a new *See Now, Buy Now* catwalk, this time in Shanghai (China), and broadcast it live on the social media.

www.massimodutti.com

Bershka

2,240
net sales (€ million)

1,107
stores in 75 markets

35
online markets

Bershka launched two exclusive collections in collaboration with Converse in 2018. One of them boasted the participation of artist Miley Cyrus and was photographed by the legendary Ellen Von Unwerth, who captured the singer's energetic, brave and inclusive nature. Among the global flagships opened during the year, it is worth highlighting the new two-storey flagship store inaugurated in Milan (Italy). This brand also embraced Inditex's *Join Life* labelling standard during the year.

www.bershka.com

Stradivarius

1,534
net sales (€ million)

1,011
stores in 66 markets

32
online markets

In 2018, Stradivarius focused strategically on collaborations with influencers and renowned artists. It also launched its *STR Collection*, showcasing the brand's most urban and casual side. Another new development was the launch of its fragrance collection *STR Essentials*. Stradivarius also deployed its new eco-store concept at its flagship stores on Paseo de Gracia in Barcelona (Span) and Eindhoven (Netherlands) and in its refurbished and expanded stores in the White City (London) and Dubai Mall (United Arab Emirates) shopping centres.

www.stradivarius.com

OYSHO

570
net sales (€ million)

678
stores in 55 markets

34
online markets

One of the biggest milestones at Oysho was the launch of *Oysho Sport*, a new online section where customers can locate all of the brand's sports collections by discipline: boxing, tennis, water sports, fitness, yoga, trekking, skiing, running and new additions such as cross-fitness and cycling. The new website has dual access: Oysho or Oysho Sport. The brand also launched sales in Lithuania and continued to add to it collections under the *Join Life* label.

www.oysho.com

ZARA HOME

603
stores in 68 markets

38
online markets

Zara Home presented its new store concept and introduced collections under the Join Life label. The brand also opened a number of stores in new markets in 2018, such as Georgia and Ukraine, as well as high-profile flagship stores in Palma de Mallorca and Bilbao (Spain), Dubai (Arab Emirates), Nagoya (Japan) and Beijing (China). In parallel, it launched its online store in China and has plans to gradually add its products to the Zara websites in some markets, starting with the autumn/ winter collections.

www.zarahome.com

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UTERQÜE

101
net sales (€ million)

92
stores in 17 markets

32
online markets

Uterqüe made its début in Saint Petersburg (Russia) and refurbished two of its most emblematic stores in Barcelona and Madrid. The brand also opened its first *for&from*, in collaboration with the Prodis Foundation, in Madrid. Uterqüe took its alliance with the world of art a step further last year with the publication of its third art book, a series of portraits of 10 women created by the Madrid-based artist, Inés Maestre.

www.uterque.com

Inditex in figures, main indicators

Financial performance indicators

Net Sales (€ million)

	2018	2017	2016	2015	2014
Net sales	26,145	25,336	23,311	20,900	18,117
Like-for-like sales growth	4%	5%	10%	8,5%	5%
Online sales as % of total	12%	10%	N.R.	N.R.	N.R.

Sales by brand (€ million)

	2018	2017	2016	2015	2014
Zara + Zara Home	18,021(*)	17,449(*)	16,168	14,294	12,142
Pull&Bear	1,862	1,747	1,566	1,417	1,284
Massimo Dutti	1,802	1,765	1,630	1,498	1,413
Bershka	2,240	2,227	2,012	1,875	1,664
Stradivarius	1,534	1,480	1,343	1,289	1,130
Oysho	585	570	509	452	416
Uterqüe	101	97	83	75	68

Sales by geography (% of total)

	2018	2017	2016	2015	2014
Spain	16.2%	16.3%	16.9%	17.7%	19.0%
Europe (excl. Spain)	45.1%	44.9%	43.9%	44.0%	46.0%
Americas	15.5%	15.6%	15.3%	14.7%	13.9%
Asia & RoW	23.2%	23.2%	23.9%	23.5%	21.1%
Total	**100%**	**100%**	**100%**	**100%**	**100%**

Financial structure (€ million)

	2018	2017	2016	2015	2014
Equity attributable to the parent	14,653	13,497	12,713	11,410	10,431
Net cash	6,705	6,387	6,090	5,300	4,010

Profit and cash flow metrics (€ million)

	2018	2017	2016	2015	2014
EBITDA	5,457	5,277	5,083	4,699	4,103
EBIT	4,357	4,314	4,021	3,677	3,198
Net profit	3,448	3,372	3,161	2,882	2,510
Net profit attributable to the parent	3,444	3,368	3,157	2,875	2,501
Cash flow generated	4,378	4,411	4,406	3,897	3,349

Financial ratios

	2018	2017	2016	2015	2014
ROE (return on equity)	24%	26%	26%	26%	25%
ROCE (return on capital employed)	31%	33%	33%	34%	33%

Commercial presence

	2018	2017	2016	2015	2014
No. of markets	202	96	93	88	88
No. of markets with stores	96	96	93	88	88
Number of stores	7,490	7,475	7,292	7,013	6,683
No. of markets with online sales	156	47	43	29	27

Differentiating and upgrading the store footprint

	2018	2017	2016	2015	2014
Gross openings	370	524	444	428	459
Refurbishments	226	122	233	215	187
Enlargements	112	144	191	171	194
Units absorbed	355	341	165	98	116
Net openings	15	183	279	330	343

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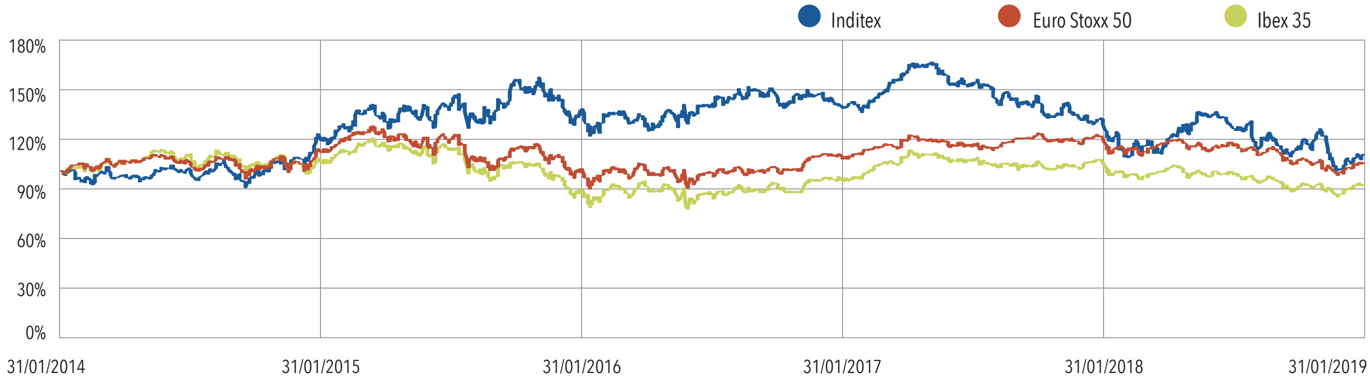
Share price performance during the last five years (Inditex vs Indexes)



Dividend growth (€ per share)

In May and November of 2018, a dividend of €0.75 per share corresponding to FY 2017 was distributed to shareholders, amounting to a 10.3% increase from previous fiscal year. Inditex's Board of Directors has proposed a new dividend policy at the Annual General Meeting. The proposed policy will see an increase of the ordinary dividend payout to 60% from 50%. The Board will further propose a total bonus dividend of €1 per share to be paid in relation to FY2018, FY2019 and FY2020.

The total dividend will be €0.88, which represents an increase of 17.3%.

	2018 (*)	2017	2016	2015	2014
Dividend	0.88	0.75	0.68	0.60	0.52

(*) Dividend proposal approved by the Board of Directors for submission at the Annual General Meeting.

Tax contribution in 2018 (€ million)

	DIRECT TAXES	TAXES COLLECTED	TOTAL
Spain	928	764	1,692
Europe (excl. Spain)	1,002	2,182	3,184
Americas	489	271	760
Asia & RoW	345	185	530
TOTAL	**2,764**	**3,402**	**6,166**

Diversity and sustainability indicators

	2018	2017	2016	2015	2014
No. of employees	174,386	171,839	162,450	152,854	137,054
Female-to-male employee ratio	75% / 25%	75% / 25%	76% / 24%	76% / 24%	78% / 22%
No. of nationalities (*)	154	153	147	90	83
Total energy consumption (GJ)	7,088,858	6,845,665	6,674,201	6,542,018	6,357,960
Corporate Community Investment (€ million)	46	48	40	35	25
Suppliers with purchase in 2018	1,866	1,824	1,805	1,725	1,625
No. of supplier audits	12,064	11,247	10,833	10,997	10,274
Headquarter effect: No. of suppliers in Spain / Amount invoiced (€ million)	7,220 / 5,248	7,185 / 5,177	7,240 / 4,629	7,092 / 4,129	7,032 / 4,021
Eco-efficient stores	5,494	5,068	4,519	3,778	3,408

(*) Includes employees with more than one nationality.


Profoto

BUSINESS MODEL

AND HOW IT EVOLVED IN 2018

Business model

Inditex is one of the world's largest fashion retailers. It has eight retail formats (Zara & Zara Home, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and Uterqüe) which sell their collections in 202 markets over an integrated offline-online store network. As of year-end 2018, it had a network of 7,490 stores in 96 markets and was selling its fashions online in 156.

The ability to anticipate and react to our customers' demands and offer them responsible fashion framed by a unique experience and relationship forms the basis of Inditex's business model. Inditex is working towards becoming a company that is fully digital, fully integrated and fully sustainable, all underpinned by its Right to Wear philosophy.

To this end, our business model is articulated around a solid corporate culture of sustainability which permeates every phase of our value chain: from how our garments are designed to how we engage with our customers, including vital areas such as logistics, supply chain management and our stores.

To meet our objectives, we boast a highly diverse team made up of over 174,000 people from 154 nationalities who speak 73 different languages. Constant dialogue with our stakeholders, transparency, respect and the safeguarding of human rights, in addition to making a positive contribution to our communities, are the key values of our sustainable business model.

ZARA GRAN VÍA, BILBAO

Stores

MODEL	PROJECTS	RESULTS
Our stores and online platforms are seamlessly integrated for direct interaction with our brands. Both points of sale generate dialogue that creates a unique bond with the customer which in turn provides feedback for our design teams	- Collections constantly updated - Sales footprint expanded and upgraded steadily since 2012 - Integrated shopping experience thanks to new technology: from RFID to integrated stock management - Click&Collect service - Self-service checkouts - Automated online order pick-up points - Same-day / Next-day delivery - Eco-efficient stores	- Net sales of €26.15 billion in 2018 - Sales growth of 7% in constant currencies - Growth of 27% in online sales to account for 14% of the total in the markets with online platforms - €3.44 billion of profit in 2018 - Presence in 202 markets - 7,490 stores - Online platforms in 156 markets - 85% of all stores eco-efficient (100% in China)

We engage with our customers from our integrated offline and online platform. At our points of sale we establish a unique relation which provides feedback for our design teams so that customer preferences are tangible in the brands' collections, which are refreshed twice a week, and in the shopping experience.

As part of this strategy, the year was once again marked by the ongoing effort to enhance the sales footprint: larger stores and new technology to offer an integrated shopping experience in which the store and online offerings virtually coincide. The result is that customers move between channels, benefitting from those channels´ strengths while mitigating the weaknesses of each one individually.

In fact, the new stores opened in 2018 are on average 39% larger than those opened in 2012. The shift is most evident at Zara, whose average store size has increased by 50% over the same time frame: from 1,452m2 in 2012 to 2,184m2 today. That growth has been driven by new store openings - larger flagship stores - as well as the fact that many of the new openings have entailed the absorption of one or more older, smaller units in the same catchment area.

To enrich the shopping experience we have been adding valuable services, such as: Click&Collect (order online and pick-up in-store); self-service checkouts; automated online order pick-up points in several Zara stores; Same-Day Delivery for online orders in 12 cities around the world at year-end 2018 and Next-Day Delivery in eight markets.

This upgrading of our stores, premium establishments located on the world's most important shopping streets, is also being driven by the introduction of eco-efficiency measures that deliver energy and water savings of 20% and up to 40% compared to conventional stores, respectively. Those measures are framed by the Group's environmental pledge to having all of its stores be eco-efficient by 2020. By year-end 2018, over 85% already met these criteria (100% in China).

The expansion and upgrading of our store network has been accompanied by the growth in our online sales platform, which accelerated during the year across all of the Group's retail formats, in line with the commitment, announced by Chairman Pablo Isla, to having “all Inditex brands available for purchase online all around the world by 2020”.

We are working towards becoming a company that is fully digital, fully integrated and fully sustainable by 2020, framed by our Right to Wear philosophy.

Design

MODEL	PROJECTS	RESULTS
The customer, at the heart of the process. We adapt supply to demand, with over 700 designers, alongside the Purchasing, Sales and Pattern-Design teams, work to create and constantly update our collections	- Project VIEW.S: collaboration with design schools such as Bunka Gauen University (Japan) - Collaborations with well-known figures from the worlds of art, culture, sports and music - The Join Life environmental excellence seal adopted by all of our brands	- Over 75,000 SKU - 373 stories between all the brands - 85% growth in Join Life garments - Zara SRPLS, Pull&Bear by Rosalía, Bershka Converse x Miley Cyrus, Stradivarius Essentials, Oysho Endless Waves, Zara Home Signature Collection, Uterqüe 10 Women, 10 Cities, 10 Years

Our fashion design, aligned with the tastes and needs of our customers and prevailing trends, is another cornerstone of the Inditex business model.

To create the responsible and quality fashions our customers demand, over 700 designers, and each brand's Purchasing, Sales and Pattern-Design teams, work to design and develop our collections. The process is dynamic and benefits from our involvement in every phase of the value chain and the inclusion of sustainability criteria from the design stage. As a result, Inditex has the ability to adapt to changes emerging throughout the season and react with new products, which arrive in its stores - offline and online - twice a week.

In 2018, this effort translated into over 75,000 SKU and growth of 85% in the number of garments featuring the Join Life seal of environmental excellence. As in prior years, it also materialised in new lines and capsule collections such as Zara SRPLS, Oysho Sport, STR Essentials, among many others, marketed through our stores and via the 373 fashion 'stories' put together by our universe of brands.

These stories respond to the need to give our customers an audiovisual glimpse of a selection of iconic pieces by means of a carefully staged presentation, with different scenarios and multiple narrative threads, in order to transmit the inspiration for and meaning of the new designs.

Production

MODEL

- 'Proximity manufacturing' to ensure the flexibility and quality required to introduce new designs twice a week
- Supply chain spanning 1,866 suppliers and 7,235 factories
- 12 clusters account for 96% of production
- Search for product excellence, safeguarding product health and safety and maximising sustainability
- Respecting and safeguarding Human Rights

PROJECTS

- Culmination of the Strategic Supply Chain Plan for 2014–2018 and introduction of the new plan, Workers at the Centre 2019-2022
- 12,064 audits (pre-assessment, social, special and traceability audits)
- Review, expansion and constant fine-tuning of our product health and safety standards (Clear to Wear, Safe to Wear, The List, etc.)
- Closing the Loop Programme
- Join Life

RESULTS

- 57% of productive capacity is proximity manufacturing
- 34,158 tonnes of clothing collected in our containers since 2016
- 88% of our waste is reused or recycled
- 136 million Join Life garments
- 19,780 controlled/limited substances added to The List
- Progress towards target of Zero Discharge of Hazardous Chemicals (ZDHC)

Our proximity manufacturing model is strategic as it locks in greater flexibility and higher quality, facilitating the ability to constantly update our collections. Inditex's supply chain in 2018 spanned 1,866 suppliers and 7,235 factories, grouped into 12 clusters. Fifty-seven per cent of factories are located in countries close to our head offices in Arteixo (A Coruña); principally Spain, Portugal, Morocco and Turkey.

Integrated management of our supply chain is a responsibility of a sustainability team of 4,925 professionals (between in-house and external staff), and contributed to by every area within the Company. Their job is to reinforce the integration of the social, environmental and product health and safety criteria we apply to all of the processes, facilities and people involved in making our products. We are similarly committed to ensuring the provision of sustainable environments for all of the workers comprising our supply chain, whose wellbeing is a constant priority.

To this end, all of the companies that work on making our products are bound by our Code of Conduct for Manufacturers and Suppliers. To verify compliance, we carry out different kinds of audits which encompass all facilities and every phase in the production cycle (from raw materials to finishing).

In addition to the audits, we run specific programmes for addressing specific supply chain challenges; those programmes cover social, environmental and product health and safety matters. Noteworthy among them are the Workers ar the Centre programmes in the social arena of supply chain management and the Clear to Wear and Safe to Wear standards and The List by Inditex in the product health and safety area, designed to sort and improve the chemical products used in manufacturing processes. On the environmental front, it is worth highlighting the Closing the Loop Programme, conceived to extend the life cycle of our products, and the Join Life label which singles out excellence in productive processes.

We partner up with a range of stakeholders and partners on this effort. Our partners range from local, national and international authorities to unions such as IndustriALL Global Union. We work with organisations such as the International Labour Organization (ILO), the United Nations Global Compact, the Accord on Fire and Building Safety in Bangladesh's Garment Industry (the Accord), the Zero Discharge of Hazardous Chemicals (ZDHC) initiative, the Organic Cotton Accelerator, Canopy and the Textile Exchange. And we team up with universities and research centres such as the Massachusetts Institute of Technology (MIT) and the Universities of Santiago de Compostela and Pompeu Fabra, to name a few.

We are committed to ensuring the provision of sustainable environments for all of the workers comprising our supply chain, whose wellbeing is a constant priority.

Logistics

MODEL	PROJECTS	RESULTS
- Centralised distribution model - Merchandise dispatched to stores around the world from central platforms twice a week - Integration of store and online stocks - Online order distribution reach: 156 markets	- RFID - Multishuttle areas - Process digitalisation	- Same-Day (12 metropolitan areas) and Next-Day Delivery (8 markets) of online orders - RFID fully deployed at Zara, Massimo Dutti, Pull&Bear and Uterqüe - Integrated stock management in 49 of Zara's markets with online sales - Growth in online sales of 27%

Thanks to our centralised distribution model, all of our products, regardless of where they are made, come to our chains' central logistics platforms in Spain. From there, they are distributed to all of our stores and to the Group's online distribution centres around the world.

Our stores receive new merchandise, including new designs, twice a week. The duration of this entire process, thanks to the systems and technology developed in great measure by Inditex, ensures that the average length of time elapsing from receipt of the merchandise in our distribution centres and delivery of the merchandise in our stores is 36 hours in Europe and a maximum of 48 hours in the Americas and Asia.

Inditex has invested over €2 billion in technology in the last six years. That effort has prioritised the logistics platform, which is a crucial enabler in the online-offline integration thrust and a cornerstone of the business model as a whole. The rollout of RFID technology at all of our brands (already fully deployed at Zara, Massimo Dutti, Pull&Bear and Uterqüe) is one of the most important landmarks, as it allows us to track every one of our garments at all times, from when they arrive at our central platforms until they are sold. Indeed, RFID technology has enabled the online-offline stock management system, thanks to which customers have better access to the products they are looking for, irrespective of where they are located.

The new multishuttle areas in several logistics centres, coupled with process digitalisation and its perfect synchronization across all logistical activities of those centres, render store and customer service more efficient.

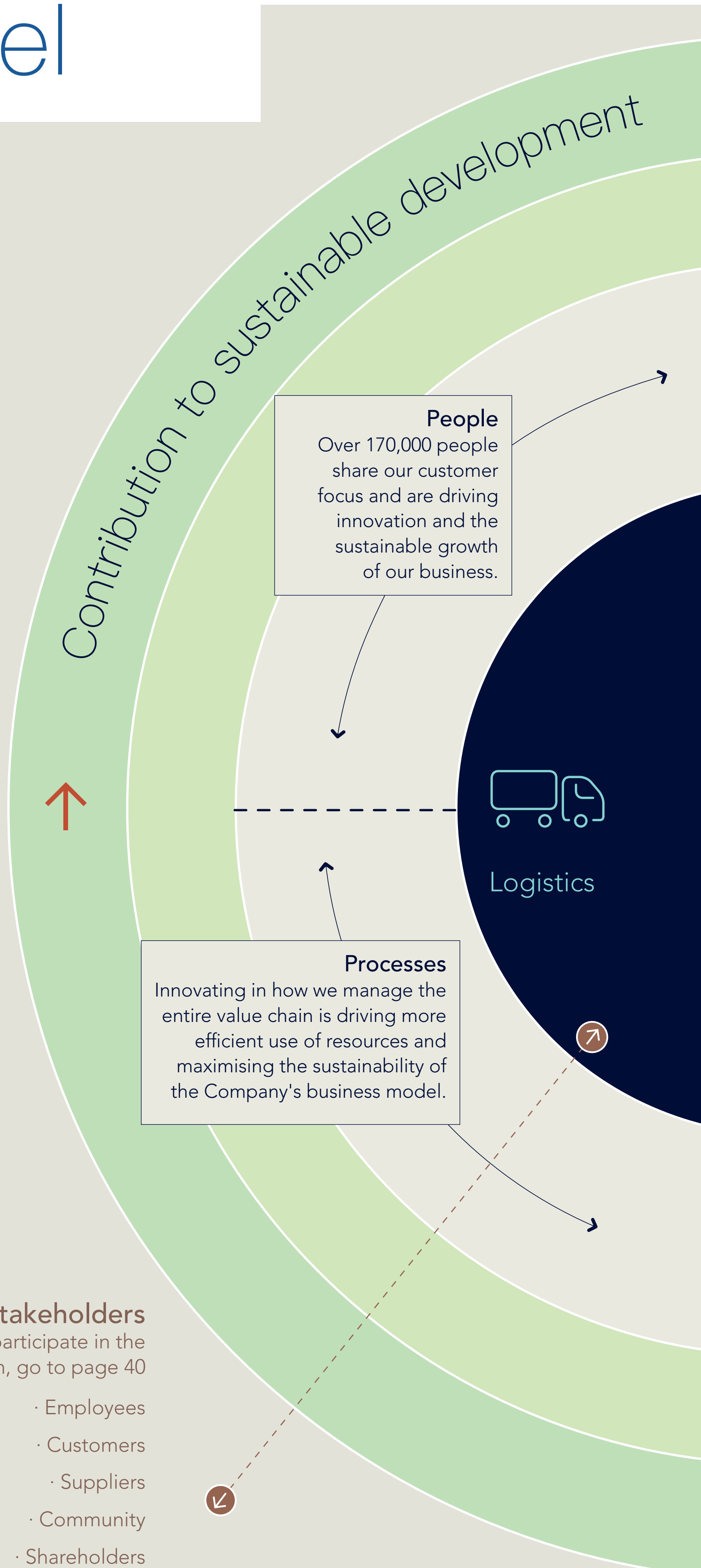
Business model

Corporate values

- Customer orientation
- Humility
- Self-imposed high standards
- Refusal to conform
- Teamwork
- Creativity
- Diversity
- Innovation
- Respect for Human Rights
- Contribution to sustainable development
- Environmental awareness

Guiding Principles

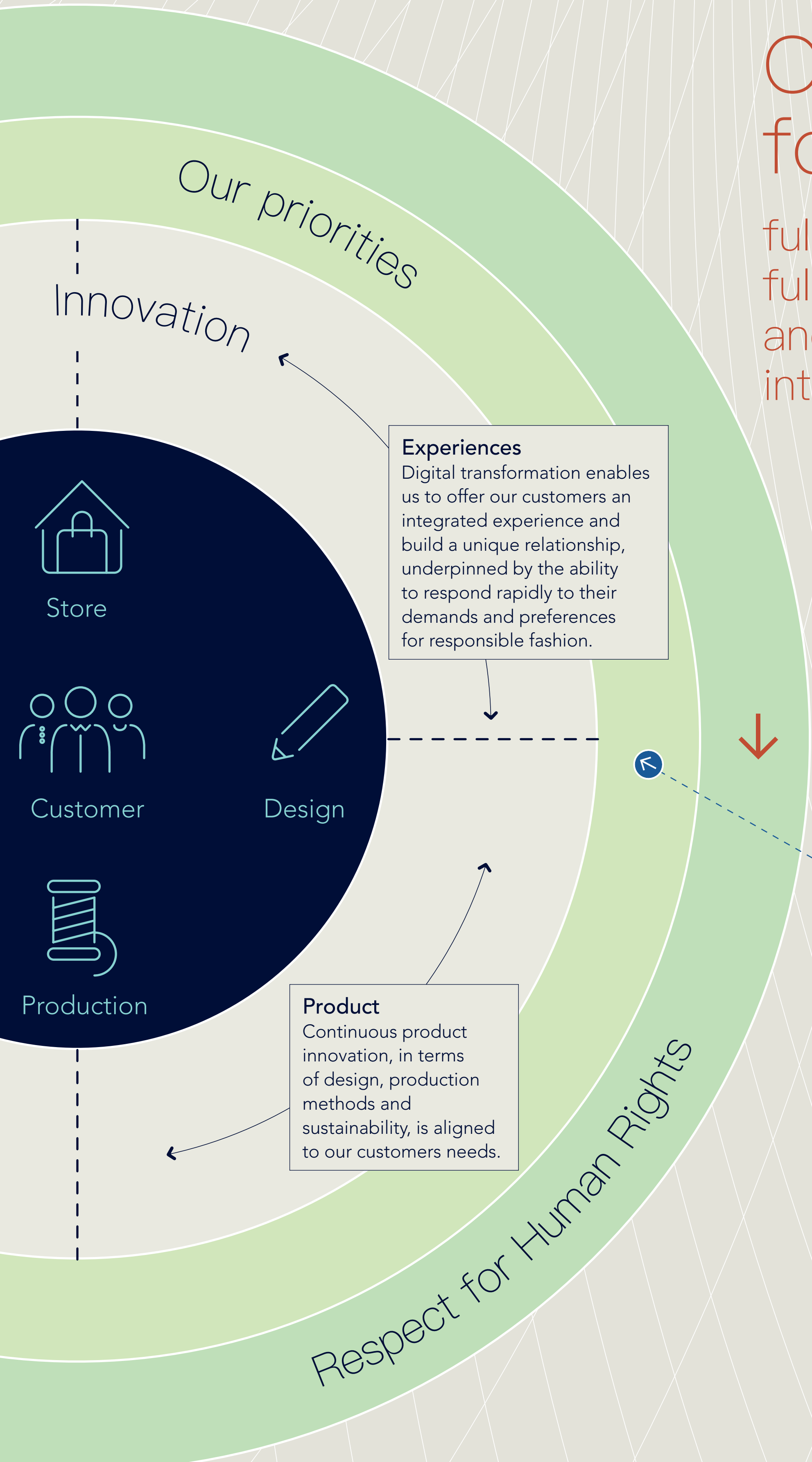
- Human Rights Policy
- Diversity & Inclusion Policy
- Code of Conduct and Responsible Practices
- Code of Conduct for Manufacturers and Suppliers
- Right to Wear



Stakeholders

Engagement with stakeholders (who participate in the materiality analysis) – for more information, go to page 40

- Employees
- Customers
- Suppliers
- Community
- Shareholders
- Environment



Outlook for 2020

fully digital, fully sustainable and fully integrated

Our priorities

- Our customers (page 48)
- Our people (page 58)
- Integrated supply chain management (page 86)
- Socially responsible supply chain (page 96)
- Excellence of our products (page 146)
- Circularity and efficient use of resources (page 168)
- Contribution to community welfare (page 192)
- Tax transparency (page 218)
- Creating value for our shareholders (page 226)
- Compliance, good Corporate Governance and ethical culture (page 232)

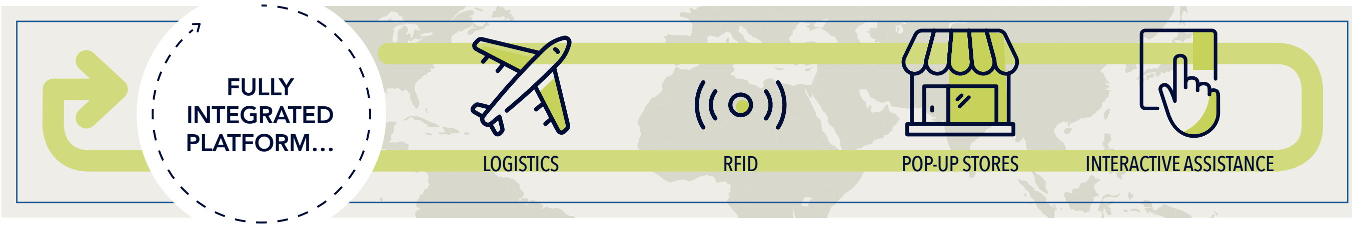
Performance in 2018 and outlook for 2020

Towards a fully integrated, fully digital and fully sustainable platform

Every link in Inditex's value chain pivots around the customer. The ability to adapt our fashions for their tastes and preferences, while ensuring the highest standards of health and safety, framed by our commitment to quality and sustainability, are hallmarks of Inditex´s identity.

The technological revolution and digitalisation of our customers' purchasing habits are shaping new expectations for products and the shopping experience. Having anticipated this shift in paradigm, Inditex embarked on a process of digital transformation and sustainability-driven innovation with the objective of becoming a fully integrated, fully sustainable and fully digital platform by 2020.

Over these last six years we have invested more than €9.4 billion in the Company's growth and transformation; €2 billion of that sum has been earmarked to introducing ground-breaking technology into our model. In 2018, we raised our capital expenditure to €1.6 billion, further accelerating this process.



Inditex's strategy of integrating its physical and online stores is articulated around the shift in customer preferences. In a world in which consumers have fully embraced new technology and digital interactions into their everyday lives, their engagement with our brands needs to be able to take place in the same manner, in order to preserve our unique relation with our customers.

To make this happen, we are working on several initiatives. The most visible is our effort to introduce new technology and upgrade existing technology in our stores, which is taking place in parallel with the growth in our overall sales footprint, which increased by 5% in 2018. While continuing to open new flagship stores on the world's most popular shopping streets, we have refurbished nearly 90% of our stores in the last six years, in most instances increasing their sales floors to be able to offer a similar collection on the store floor as our customers can find online.

Among the flagship store openings and expansions completed in 2018, which have been equipped with the latest technology to enable integration with the online platforms, the Zara stores in Stratford in London, on Bilbao's Gran Vía and on the Corso Vittorio Emanuele in Milan, stand out. The average size of the new store openings by the Group in 2018 was 39% larger than in 2012, and 50% bigger in the case of Zara.

In parallel, we have developed an innovative and unique management system based on radio frequency identification (RFID) technology, which identifies, locates and assigns a code to each garment which then accompanies it from the distribution centre until it is sold. That effort has required the introduction of technology in every link in the value chain.

The system, already fully deployed at Zara and rolled out at Pull&Bear, Massimo Dutti and Uterqüe in 2018, coupled with the nearly 250,000 next-generation devices that have been fitted in our stores, is the foundational technology which has enriched the customer-brand interaction, irrespective of the channel our customers choose to use at any given point in time. Customers can decide whether to perform the various steps comprising the purchase process in a store or online, depending on their preferences and the occasion.

In addition, the RFID system has laid the groundwork for introduction of our integrated stock management system, which is giving our customers better chances of finding the products they are looking for by bringing up stock availability in-store and online when placing orders.

Integrated stock management in the markets in which we have stores as well as an online presence is enhancing our ability to give customers what they want by maximising the availability of our collections. It is also enabling us to deliver online orders on the same day they are placed - available in 12 metropolitan areas - or the next day - in another eight markets.

In addition, we can offer our customers the choice of collecting their online orders in one of our physical stores thanks to the Click&Collect service. Or vice-versa, they can place orders online from our stores and have them delivered to a pick-up location of their choosing, or if they prefer, to the store of their choice. Other enabling technology includes the automated online order pick-up points already introduced in 11 Zara stores in five different markets. This technology is also enables customers to return or exchange items bought online in the Group's stores.

By year-end, the integrated stock management system was operational in 49 markets in which Zara has an online and physical store presence. Our goal is to have the system fully deployed in all of our brands by 2020, along with our RFID technology, which is currently in the process of being implemented at Bershka, Stradivarius, Oysho and Zara Home.

The RFID system is the foundational technology which has enriched the customer–brand interaction, irrespective of the channel our customers choose to use at any given point in time.

The introduction of technology into our customer relationship model has mirrored the strict principles articulating our business model. Our teams remain alert to the technology our customers want to use. In this manner, the customer becomes familiar with our technology instinctively and the technological evolution of our model is similarly natural.

In 2007, Zara Home was the first of our brands to begin to sell its products online, leading the charge for Zara's foray into the world of e-commerce in 2010, followed by the rest of the brands thereafter. From the outset, the online sales model has been built taking an integrated approach: its *raison d'etre* was always to address the need to maintain a unique relationship with our customers, regardless of the channel chosen to reach out to us.

This integrated model is the source of the Company's digital expansion, spearheaded by our online platforms, which are integrated with our stores. The digital transformation challenge has been technological and logistical, marked by multiple initiatives in the logistics and operations fields and the ultimate aim is to guarantee the correct, nimble and integrated functioning of all of the elements comprising our value chain.

Thanks to the progress made in 2018, the products of all of the Group's brands would be available to purchase online anywhere in the world by 2020. Framed by that strategy, it is worth highlighting the launch last year of the global Zara store (www.zara.com/ww) in 106 markets in which the brand does not have actual stores, as well as the inauguration of the online platform in Australia and New Zealand.

The Zara app was also upgraded during the year, adding tools that make it easier to browse and improving the search function. The new app also brings up a selection of trends, new collections and the latest stories thanks to the 'corner store' system available at the top of the application that improves navigation.

Pull&Bear, for its part, inaugurated its online store in the US. Bershka's online platform went live in South Korea in the SSG platform. And Uterqüe launched online sales in Mexico, one of this brand's most important markets, and in China, with an online store on the T-Mall platform. In parallel, Uterqüe opened its first flagship store in the country, on one of Shanghai's top shopping streets, West Nanjing Road.

Zara Home also launched its online store in China and plans to gradually add its products to the Zara websites in some markets, starting with the autumn/winter collections.

To better understand the scale of the Group's sales activity, the brand's respective websites registered 2.95 billion visits in 2018, growth of 500 million from the year before, and handled as many as 9,500 orders per minute. Online sales increased by 27% year-on-year to account for 14% of the total in the markets with integrated offline-online platforms. The brands' profiles on the most popular social media added 22 million new followers to lift the total to 143 million.

Inditex has its own eco-efficient store standards, which it constantly updates. They are set down in the Eco-efficient Store Design, Construction, Management and Assessment Manual. The eco-efficiency criteria translate into energy savings of 20% and water savings of 40% compared to conventional stores. Delivery of those savings depends crucially on centralised, real-time control of the electric and air-conditioning installations through the EcoTool platform. By year-end, a total of 3,191 stores were connected up to this programme.

We are making good progress on our pledge to make all Inditex stores eco-efficient by 2020. At year-end 2018, 86% of the Group's stores, 5,494 stores, were eco-efficient, including all 600 of the Group's stores in China, the first market in which this commitment has fully materialised.

Over the course of 2018, Inditex certified eight new establishments under the most stringent green building standards, which now cover 38 of its stores: 27 Gold LEED; 10 Platinum LEED; and 1 BREEAM. The Group has also certified 10 distribution centres and corporate head offices: 1 Platinum LEED; 8 Gold LEED; and 1 BREEAM.

The progress made positions us to reiterate our goal of having a fully sustainable platform by 2020, a year for which we have set additional objectives. One is related with our circular economy programme, Closing the Loop, created under the scope of the Environmental Sustainability Plan 2016-2020. Its purpose is to foster textile recycling at every step, from garment recovery and reuse to promotion of best recycling practices and reintroduction of recycled fabric into the textile cycle.

Our used-clothing containers are currently present in 1,382 stores in 24 markets. We plan to lift that figure to 2,000 by 2020, matching the number of containers placed on streets all over Spain in collaboration with Caritas. The programme is rounded out with the home pick-up service in Spain, which was also set up in Beijing and Shanghai (China) in 2018.

Since embarking on the programme in 2016, we have recovered over 34,000 tonnes of clothing. In keeping with the 'reunite, reuse and recycle' principle underpinning the Closing the Loop Programme, we collaborate with 12 non-profit entities, a mix of recycling firms and technology specialists, which guarantee that the clothing collected does not end up in landfills and gets a new lease of life.

Elsewhere, the Join Life label, which distinguishes environmental excellence in the selection of raw materials and sustainable processes for making our clothes, has been introduced by all our retail brands. Last year the number of Join Life garments put on sale increased by 85% to 136 million units.

In 2018, we also implemented new measures for enhancing our logistics and transport operations, which enabled us to reduce, among other things, the number of vehicles leaving our distribution centres for European destinations and to circumvent 1,480 routes. Improvements made to inbound flows similarly prevented 5,163 truck trips.

In parallel, under our Green to Pack initiative, we continued to improve the cardboard boxes that transport our garments, prioritizing the use of recycled materials, thus extending its usability.

All of these environmental sustainability initiatives are carried out in tandem with the development of programmes designed to oversee the social sustainability of our activities, with an emphasis on safeguarding human rights all along our supply chain, by means of the traceability and monitoring system and formulation and execution of the Workers at the Centre strategy, the axis of the social sustainability plan for the supply chain for 2019-2022.

The milestones attained in this area in 2018 included the execution of the Transition Accord in Bangladesh, with which we are striving to extend an initiative of critical importance to the safety of garment factories in this supply market. Our social sustainability efforts similarly extended to ongoing collaboration with suppliers, unions, governments, NGOs and international organisations.

Our social and environmental efforts enabled us to once again win the gold medal in the Sustainability Yearbook, awarded by RobecoSAM, which identifies standard-setting sustainable companies. Also, the Dow Jones Sustainability Index (DJSI) named Inditex the most sustainable company in the retailing industry for the third straight year, awarding it top scores in Management Systems and Environmental Policy. Lastly, the Global 100 Most Sustainable Corporations ranking compiled by Corporate Knights and the Carbon Disclosure Project, CDP, also singled out our environmental performance.

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:

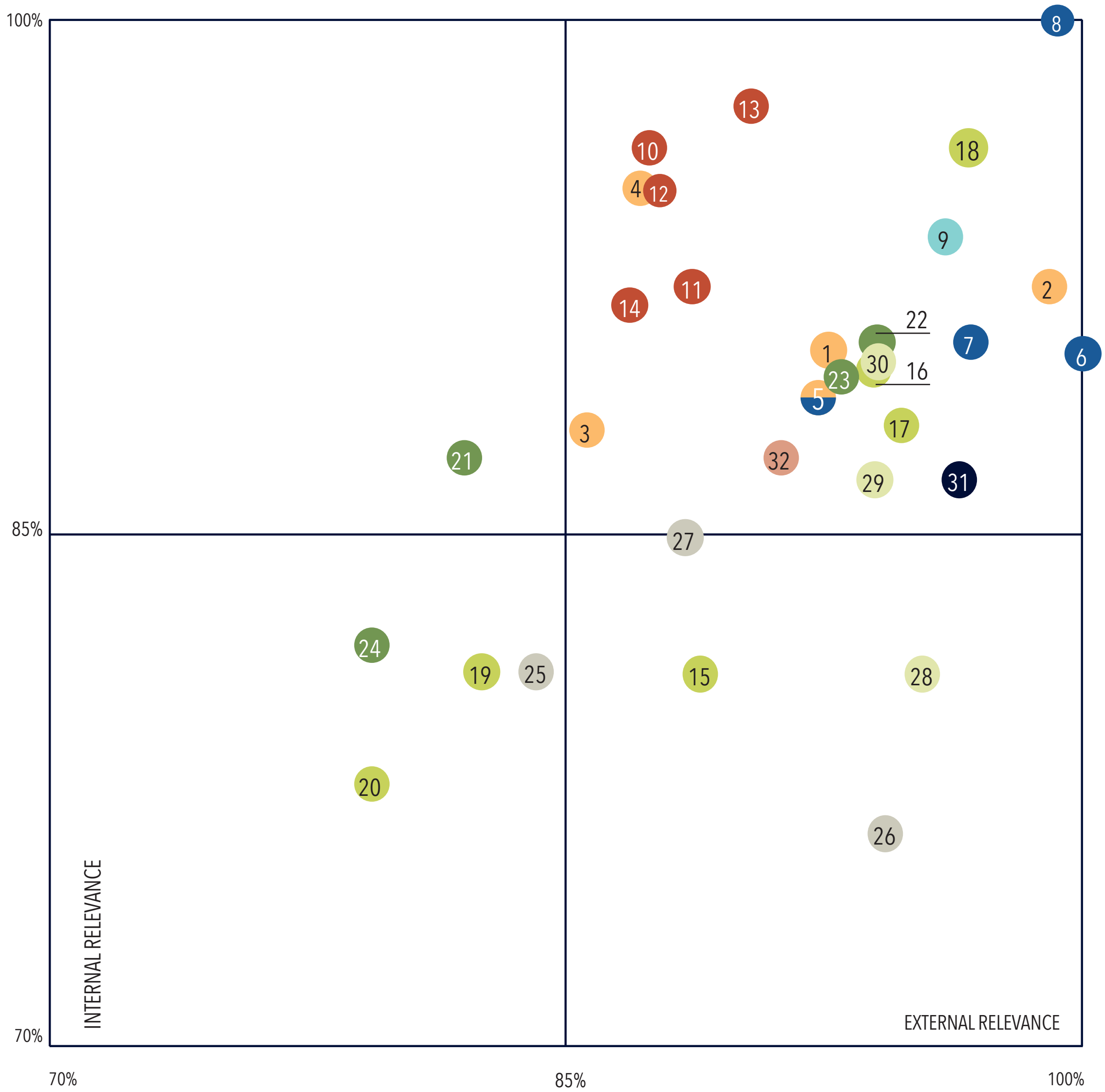
Inditex's Social Advisory Board, Aalto University, Better Work - International Labour Organization (ILO), Bill & Melinda Gates Foundation, BSR, Centre for Business and Public Sector Ethics of Cambridge, COGAMI (Confederacion Galega de Persoas con Discapacidade), Cotton Connect, Spanish Red Cross, Ellen 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.

102-21, 102-29, 102-43, 102-46

Materiality matrix



Our priorities

Our people	Socially responsible supply chain	Integrated supply chain management	Our customers	Excellence of our products
1 Diversity and Inclusion **2** Labour practices (own operations) **3** Attracting and retaining talent **4** Developing human capital **5** Women empowerment	**5** Women empowerment **6** Responsible purchasing practices **7** Promoting socially sustainable production environments **8** Respecting human and labour rights in the supply chain	**9** Transparency and traceability of the supply chain	**10** Customer relationship management **11** Brand management **12** Integrated customer experience **13** Cybersecurity and data protection **14** Technological innovation	**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

Circularity and efficient use of resources	Contribution to community welfare	Compliance, good Corporate Governance and ethical culture	Creating value for our shareholders	Tax transparency
21 Circularity **22** Energy and climate change **23** Use of water **24** Packaging	**25** Investment in the community **26** Relationship with stakeholders **27** Socioeconomic impact on society	**28** Corporate Governance **29** Risk management and control systems **30** Corruption and bribery	**31** Regulatory compliance and responsible practices	**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.

Defining Inditex's strategy for engaging with stakeholders

Identification

It involves identifying all the stakeholders who may be related to Inditex throughout our value chain and in the environment where we carry out our business activity.

Definition of priorities

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

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

Definition of the strategy

A specific strategy is created for each stakeholder based on their characteristics and needs. Specific goals and commitments are defined, as well as the tools for dialogue to be used with each one.

The relationship models with stakeholders are always based on transparency and ongoing dialogue but they have different foundations depending on the target group.

STAKEHOLDERS

COMMON PRINCIPLES	DIFFERENT RELATIONSHIP AND DIALOGUE TOOLS:
ONGOING DIALOGUE TRANSPARENCY	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
EMPLOYEES Any person who works for the Inditex Group, whether at stores, offices or logistics centres.	- 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	- On request - Ongoing dialogue - Ongoing dialogue - Ongoing dialogue - Ongoing dialogue - Ongoing dialogue	- Respect for human and labour rights - Fair and decent treatment - Data protection & privacy - Commitment with information security	- Store employees - Office employees - Employees at logistic centres - Trade union representatives	Our people
CUSTOMERS Any person who purchases any product marketed by any of Inditex Group's different brands.	- Specialized customer service teams - Stores and online - Social networks - Information Security and Data Protection & Privacy (Data Protection Officer - DPO) Departments	- On request - Ongoing dialogue - Ongoing dialogue - On request	- Clear and transparent communication - Integration into the entire business model - Responsible design and manufacturing - Data protection & privacy - Commitment with information security	- Store customers - Online store customers - Potential customers	Our customers Excellence of our products
SUPPLIERS Companies that are part of Inditex's supply chain as well as their respective employees.	- 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	- Ongoing dialogue - On request - Ongoing dialogue - Ongoing dialogue - Ongoing dialogue - Ongoing dialogue	- 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	- Direct suppliers - Manufacturers - Workers - Trade union organisations	Integrated supply chain management Socially responsible supply chain
ENVIRONMENT Set of natural elements present in the environment where Inditex develops its business model.	- Social Advisory Board - Commitment to NGOs - Environmental sustainability teams	- Biannual - Ongoing dialogue - Ongoing dialogue	- Respect for the environment - Protecting biodiversity - Sustainable management of natural resources	- Environmental protection organisations - Governments	Circularity and efficient use of resources
COMMUNITY All people or entities that are part of the environment in which Inditex carries out its business model.	- Social Advisory Board - Cooperation with NGOs - Sponsorship and Patronage Committee	- Biannual - Ongoing dialogue - Biannual	- Contribution to social and economic development - Commitment to improving global welfare	- NGOs - Government and public administration - Academic institutions - Civil society - Media	Contribution to community welfare Tax Transparency
SHAREHOLDERS Any person or entity that owns one or several Inditex Group shares.	- Annual General Meeting of Shareholders - Sustainability indexes - Investors relations	- Annual - Annual - Ongoing dialogue	- Social interests and the shared interests of all the shareholders - Promotion of informed participation	- 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
2. Zero Hunger
3. Good health and well-being
4. Quality education
5. Gender equality
6. Clean water and sanitation
7. Affordable and clean energy
8. Decent work and economic growth
9. Industry, innovation and infrastructure
10. Reduced inequalities
11. Sustainable cities and communities
12. Responsible comsumption and production
13. Climate action
14. Life below water
15. Life on land
16. Peace, justice and strong institutions
17. Partnerships for the goals

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.

RESPECTING ALL UNIVERSALLY RECOGNIZED RIGHTS

PRIORITIZING THE RIGHTS MOST CLOSELY LINKED TO OUR BUSINESS MODEL

NON-LABOUR HUMAN RIGHTS

- Respect for the rights of minorities and communities
- Right to privacy
- Right to health
- Right to freedom of opinion, information and expression
- Right to the security of the person
- Contribution to the fight against corruption
- Right to the environment and to water

LABOUR HUMAN RIGHTS

- Forced or compulsory labour is rejected
- Child labour is rejected
- Discrimination is rejected and diversity is promoted
- Respect for freedom of association and collective bargaining
- Protecting worker's health and safety
- Just, fair and favourable working conditions

102-16, 103-2

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.

DUE DILIGENCE IN THE SUPPLY CHAIN

Social Sustainability Teams in the 12 main production areas specialized in managing the supply chain in a socially responsible way

2017

Training on Guiding Principles and due diligence for Social Sustainability teams.

June 2018

Establishment of standardized processes to identify and prioritize impacts on the supply chain.

October 2018

Creation of an impact matrix for each one of the relevant production countries (clusters) and the global supply chain.

December 2018

Determination of priority impact areas to define the 2019-2022 Social Sustainability Strategy.

2019

Launch of the new strategy for a socially sustainable supply chain '2019-2022 Workers at the Centre' based on respecting Human Rights and identifying impacts.

More information on page 145 of this Annual Report.

OUR PRIORITIES

OUR CUSTOMERS

Customers have always been at the centre of Inditex's business model. Technology is a key tool for adapting this model to customers' new approach to the world of fashion. With it, we are able to provide an integrated and sustainable experience, and a unique relationship.

Photo: A customer at our Zara SoHo store in New York.

SDG	TARGETS	INDITEX'S CONTRIBUTION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.8**	At Inditex, we provide our customers with the information needed to foster a responsible consumption model. This applies to both our brick-and-mortar and online stores since the aim of our integrated store model is to maintain ongoing dialogue with customers in order to meet their needs. In 2018, our customer service centres received 30 million enquiries with a level of service of 94%.

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

R&D INDICATORS – OUR CUSTOMERS		
	Inditex researches and develops technology to assist customer decision-making and improve their shopping experience, paving the way for a single, integrated and obstacle-free relationship between the stores and the online platform. In turn, the ability to provide excellent customer service is underpinned by its research into and development of analytical technology and tools designed to enhance its logistics, transportation and distribution processes. More information about our R&D projects on page 57 of this Annual Report.	
	Investment earmarked to R&D	€ 114,620,597

Inditex has engaged an independent study to identify and measure the R&D effort in each of the Group's areas. The results are reported on in the various chapters outlining Our Priorities and are expressed in terms of investment (in euros) and the key projects carried out. The overall results of the study as well as an explanation of the assessment and the criteria used, is available in the "Sustainability, in figures" chapter.

More information on pages 292 and 293 of this Annual Report.

Customers, at the centre of our business model

Customers have always been at the centre of Inditex's business model; our business activity revolves around them.We have built and developed technologically an industrial model based on their constant needs and expectations, both in terms of our products and their shopping experience.

On the one hand, the life cycle of our creations, from when they are designed to when they are made, is quick. This agility would not be possible without the integration and flexibility that characterize all the phases of our value chain: design, production, logistics and distribution and sale at stores and online.

The human factor is what makes a difference when it comes to achieving this goal. The more than 170,000 people who work at Inditex are involved in identifying customers' needs and preferences. We listen, and our response can be seen in our products, as well as in the evolution of the customer experience when customers connect with our brands, regardless of their preferred channel or specific need.

In this regard, technology is a key tool for adapting this model to the customers' new approach to the world of fashion, in order to provide an integrated and sustainable experience and to have a unique relationship. That is why in recent years we have invested over 2 billion euros on technological innovation, applied to the different steps of our value chain always aiming for a customer service model that allows us to build a unique and long-term relationship.

SHOPPING, A SINGULAR AND INTEGRATED ACT

We work proactively so that customers see our shopping experience as **a singular act, regardless of what channel they use**, in a process where the inflexibility between physical and online channels disappears. It is a philosophy that aims to achieve a truly integrated relationship between the customers and brands.

LISTENING AND RESPONDING

Customers' demands come together with our designers' creativity through multiple channels: brick-and-mortar stores and online. This is what both our product teams and teams related to the shopping experience are fuelled by. They continuously evolve in an integrated way so that customers continue to be the protagonists of the relationship.

CUSTOMERS

A LONG-TERM RELATIONSHIP

We encourage having a close relationship with our customers and we work hard to earn their brand loyalty. Our commitment to understanding each one of our customers is the same as when we opened our first store in 1975.

CREATING EXPERIENCES

When customers explore our brands, they have a specific experience in mind: one that is not always related specifically to shopping, and that changes depending on the moment. That is why we want to create what they request and provide **an experience that goes beyond shopping to become a hands-on experience with fashion.**

1. Shopping, a singular and integrated act

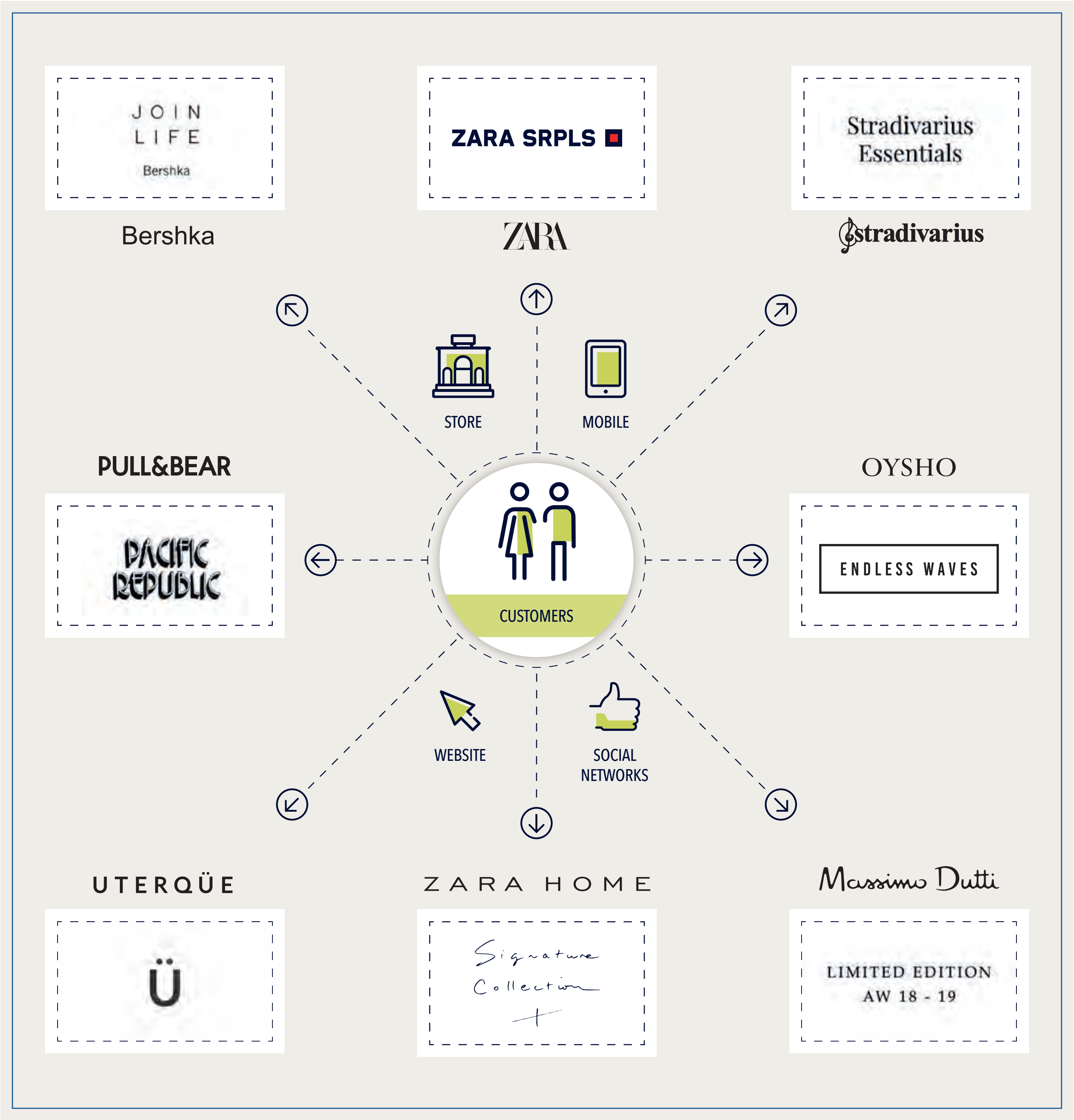
Our customers' preferences evolve and we evolve with them thanks to our business model that keeps them at the centre of our business activity. We have always adapted our fashion designs to their tastes and preferences, and we have developed our customer relations to make sure it always meets their expectations.

By listening to each customer, we have learned that their relationship with our brands is not static. It varies depending on the moment and circumstances, which determines how they interact with us. That is why our investment in technology—over 2 billion in the last 6 years—has helped to integrate stores and online so that the shopping process sheds any type of inflexibility.

We want to guarantee a unique relationship with our brand, equivalent to the sum of all the possible experiences the customer wants to establish to interact with us through the channel that he or she prefers.

2. Listening and responding

Our organisation and industrial model revolves around customers who look for the latest fashion trends and constantly provide us with their feedback. Thanks to our high level of creative capacity and lots of flexibility when it comes to production, we transform that information into new items that are introduced in our collections twice a week. Our teams present these new items in the most visual and attractive way possible by using numerous tools; including the arrangements in stores, window displays located in the best shopping areas, the banners of each brand´s websites and apps and the editorials and social media posts that combine innovation and creativity. In 2018, 373 editorial pieces were launched from all the Group's brands.



3. Creating experiences

Our stores have over 250,000 cutting-edge technological devices including iPods, iPads, PDAs, TGTs, interactive screens and large videowall formats, among others. We have been incorporating this technology with the principal goal of ensuring our customers have an integrated experience, multiplying their opportunities to have a relationship with our brands and contributing to the continuation of processes that began away from our stores.

What´s more, incorporating technology in all areas of the Company has allowed for other innovations, such as integrated inventory management in-store and online. This goal, which has already been reached for Zara,

ZARA VITTORIO EMANUELE (MILAN)

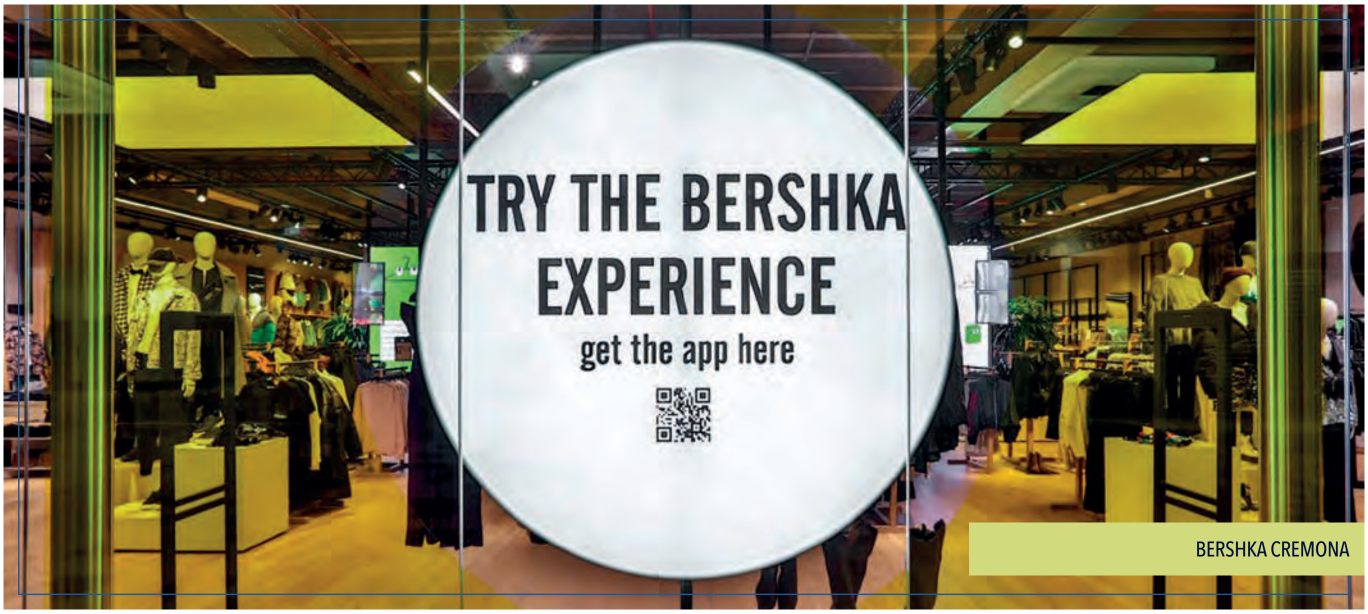
After a major expansion and refurbishment, the iconic flagship store reopened its doors with the latest technologies and the new online section which incorporates Automated Order Collection Points. During the work, a pop-up store was available to customers for online orders, an innovative temporary concept.

Massimo Dutti and Uterqüe and is in progress for the rest of the brands, provides customers with more products to choose with instant availability, regardless of whether they are in a store warehouse or online. The availability of stock is also optimized by assigning products to the channel with the highest probability of sale.

The innovations also allow us to create temporary or innovative experiences such as incorporating virtual reality in the presentation of Zara Studio's collections in our over 100 stores around the world; creating pop-up stores for online orders such as those in Milan, Roppongi Hills in Tokyo and Stratford in London; and incorporating the Bershka Experience at the flagship store in Cremona.

AUGMENTED REALITY EXPERIENCE ZaraAR

ZaraAR was the brand's first experience with augmented reality. At over 100 stores around the world, customers were able to bring models to life through three experiences based on the Studio collection launched in select stores. The models came to life on the devices by pointing them towards the QR codes located on the window displays, registers and counters in these stores.



BERSHKA CREMONA

Bershka launched the first integrated store Bershka Experience in Cremona, Italy. Customers can interact with the store in a traditional way but also using an app that lets them scan items in the store itself, reserve dressing rooms and receive the selected items there. It also has a Social Corner so that customers can have their photo taken or record videos and share them on social networks.

4. A long–term relationship

Our customers must feel unique and listened to. We must give them a voice and more importantly, we must respond to them and provide personalized (when appropriate) solutions as quickly as possible.

Currently, we collect multichannel feedback, incorporating our customers' ideas and concerns that are expressed through email, telephone, surveys, group activities, the website itself, Whatsapp and social networks—where we already have 143 million followers— in our business decisions.

During each interaction, we try to foster long-term relationships with our customers through three key goals: conversation, trust and personalized contact.

4.1. Conversation

To foster a high-quality relationship with customers, understanding their preferences is a must. Through innovative tools like ON Academy and using virtual reality apps, we provide our store and customer service staff training on the products, store processes, our customer focus, respecting diversity and inclusion. In 2018, this programme was expanded to 11 markets, reaching 105,000 employees.

More information on page 74 of this Annual Report.

4.2. Trust

We assign the highest priority to the protection of our customers' personal data, including privacy by design and by default in our processes.

As a guarantee of our commitment to information security, we have the ISO 27001 certificate, the international standard for information security, as well as the security accreditation of PCI DSS payment methods (Payment Card Industry - Data Security Standard).

During fiscal year 2018, we have continued to favour transparency and information on the use of our customers' personal data, aligning our policies and procedures regarding privacy and data protection to the new requirements and rights included in the General Data Protection Regulation of the European Union (GDPR).

In this sense, the Group carries out a continuous improvement of its information security management model and data protection and privacy, through the work of the Departments of Information Security and Data Protection and Privacy, as well as the Security Committee and the Data Protection Officer (DPO) of the Group.

Over 143 millions followers on social media.

Principle social networks of each brand

Zara	Facebook	Instagram	WeChat	Twitter	Weitao	Others	TOTAL
	26.000.000	30.600.000	1.800.000	1.400.000	16.000.000	4.500.000	**80.332.862**
Pull&Bear	**Facebook**	**Instagram**	**WeChat**	**Twitter**	**Weibo**	**Others**	**Total**
	6.900.000	5.200.000	249.000	370.000	104.000	296.000	**13.119.563**
Massimo Dutti	**Facebook**	**Instagram**	**WeChat**	**Twitter**	**Pinterest**	**Others**	**Total**
	4.200.000	1.700.000	231.000	78.700	51.000	78.400	**6.339.127**
Bershka	**Facebook**	**Instagram**	**WeChat**	**Vkontakte**	**TM Br Hub**	**Others**	**Total**
	11.200.000	6.600.000	263.000	213.000	755.000	754.000	**19.785.000**
Stradivarius	**Facebook**	**Instagram**	**WeChat**	**Vkontakte**	**Pinterest**	**Others**	**Total**
	5.600.000	5.200.000	113.000	74.000	60.000	149.000	**5.513.209**
Oysho	**Facebook**	**Instagram**	**WeChat**	**Vkontakte**	**Weibo**	**Others**	**Total**
	3.300.000	1.800.000	101.000	50.000	113.000	8.300	**11.055.299**
Zara Home	**Facebook**	**Instagram**	**WeChat**	**Twitter**	**Pinterest**	**Others**	**Total**
	2.200.000	4.300.000	63.000	82.000	113.000	97.200	**6.855.287**
Uterqüe	**Facebook**	**Instagram**	**WeChat**	**Twitter**	**Weibo**	**Others**	**Total**
	468.000	304.000	7.000	19.000	9.000	586	**807.000**

4.3. Contact

Our digital channels connect us with our clients daily. In 2018, we were contacted 30 million times with an average of 94% in level of satisfaction of service. We work to communicate mainly through private instead of mass channels, which is why last year we launched Whatsapp as a new communication channel in the United Kingdom, Ireland and Spain.

Response to our customers in 2018

	No. of Contacts	Level of service	Complaints sheets
Zara	19,320,000	96%	3,355
Pull&Bear	3,033,792	94%	508
Massimo Dutti	1,366,782	89%	325
Bershka	1,874,696	85%	481
Stradivarius	1,511,405	97%	430
Oysho	922,297	80%	266
Zara Home	905,907	92%	134
Uterqüe	97,864	93%	35
TOTAL	**29,032,743**	**94%**	**5,534**

R&D IMPROVING THE CUSTOMER EXPERIENCE

PROJECTS UNDERTAKEN IN 2018

CUSTOMER COMMUNICATION

New services in the Zara app

The Zara app is one of the ways we reach out to our customers. The new location-aware services added last year use geolocation technology to let customers know in which store they can receive their orders the fastest and to automatically notify them of the availability of products in their online shopping baskets as soon as the items arrive at a store.

PRODUCT AVAILABILITY

Demand prediction model

We are analysing each brand's sales using algorithms and machine learning technology to enhance the supply of new products. Moreover, the system is self-reinforcing, by generating demand-side information that can be used to adapt and expand production going forward.

PRODUCTION AND STORE EFFICIENCY

Use of automated guided vehicles (AGVs)

AGVs comprise an autonomous transportation system for the transfer of garments within our store warehouses. They move on the basis of floor markers and avoids having to put up rails, thus accelerating the time taken to deliver products to customers and reducing damage to the items in the process. The AGV system is also improving in-store garment traceability via its remote connection system.

Checkout management model

In order to improve the shopping experience during the payment process, we are using a number of statistical models to determine the optimum number of checkouts that need to be bin operation to keep queues and wait times within the defined quality parameters.

OUR PEOPLE

Our 174,386 employees represent 154 nationalities and speak 73 different languages. Their commitment creates a culture that is centred around diversity, humility, collaboration, innovation and sustainability. We are committed to providing them with stable and safe working environments where equal opportunities, professional development and continuous learning are a reality.

Photo: Employees in Inditex's Paris offices.

SDG	TARGETS	INDITEX'S CONTRIBUTION
3 GOOD HEALTH AND WELL-BEING	**3.4**	In line with our Occupational Health and Safety Policy, we continued to make the highest health and well-being standards a priority and take all necessary actions to guarantee the safety of all our employees. Thus, in 2018, we continue to opt for the implementation and renewal of the OHSAS 18001:2007 certifications in our work centres.
4 QUALITY EDUCATION	**4.4**	At Inditex, we believe that each and every person in our Company is the driving force behind what we do. Therefore, one of our main priorities is to give our employees training opportunities, so that they can acquire new skills and develop their talent. Our people philosophy is based on talent management from the perspective of a responsible employer.
	4.5	
5 GENDER EQUALITY	**5.1**	Women play an essential role at Inditex: they represent 75% of the Group's employees and hold 79% of the management positions. Hence, initiatives which aim at reinforcing gender equality are an essential part of our corporate culture.
8 DECENT WORK AND ECONOMIC GROWTH	**8.5**	At Inditex, we are committed to guaranteeing stable and safe work environments that foster work-life balance as well as equal opportunities and professional development. Accordingly, continually improving employment quality is a priority for us.
	8.6	
	8.8	

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

R&D INDICATORS – OUR PEOPLE

In 2018, Inditex invested over €6 million in R&D activities in order to develop and overhaul the analytical tools that enable optimal management of all of the processes related with the Company's human capital. Those tools facilitate the talent attraction and recruitment processes, help plan Inditex's workforce optimally and contribute generally to diligent, swift and effective administration. Inditex also rolled out platforms that facilitate the tasks performed by its employees, as well as a number of tools in the areas of training, communication, the promotion of healthy habits and career development.

More information about our R&D projects on page 77 of this Annual Report.

Investment earmarked to R&D	€ 6,069,731

Inditex has engaged an independent study to identify and measure the R&D effort in each of the Group's areas. The results are reported on in the various chapters outlining Our Priorities and are expressed in terms of investment (in euros) and the key projects carried out. The overall results of the study as well as an explanation of the assessment and the criteria used, is available in the "Sustainability, in figures" chapter.

More information on pages 292 and 293 of this Annual Report.

What we are like

The 174,386 people working for Inditex in 2018 represent 154 nationalities and speak 73 different languages. Their commitment creates a culture that is centred around diversity, humility, collaboration, innovation and sustainability.

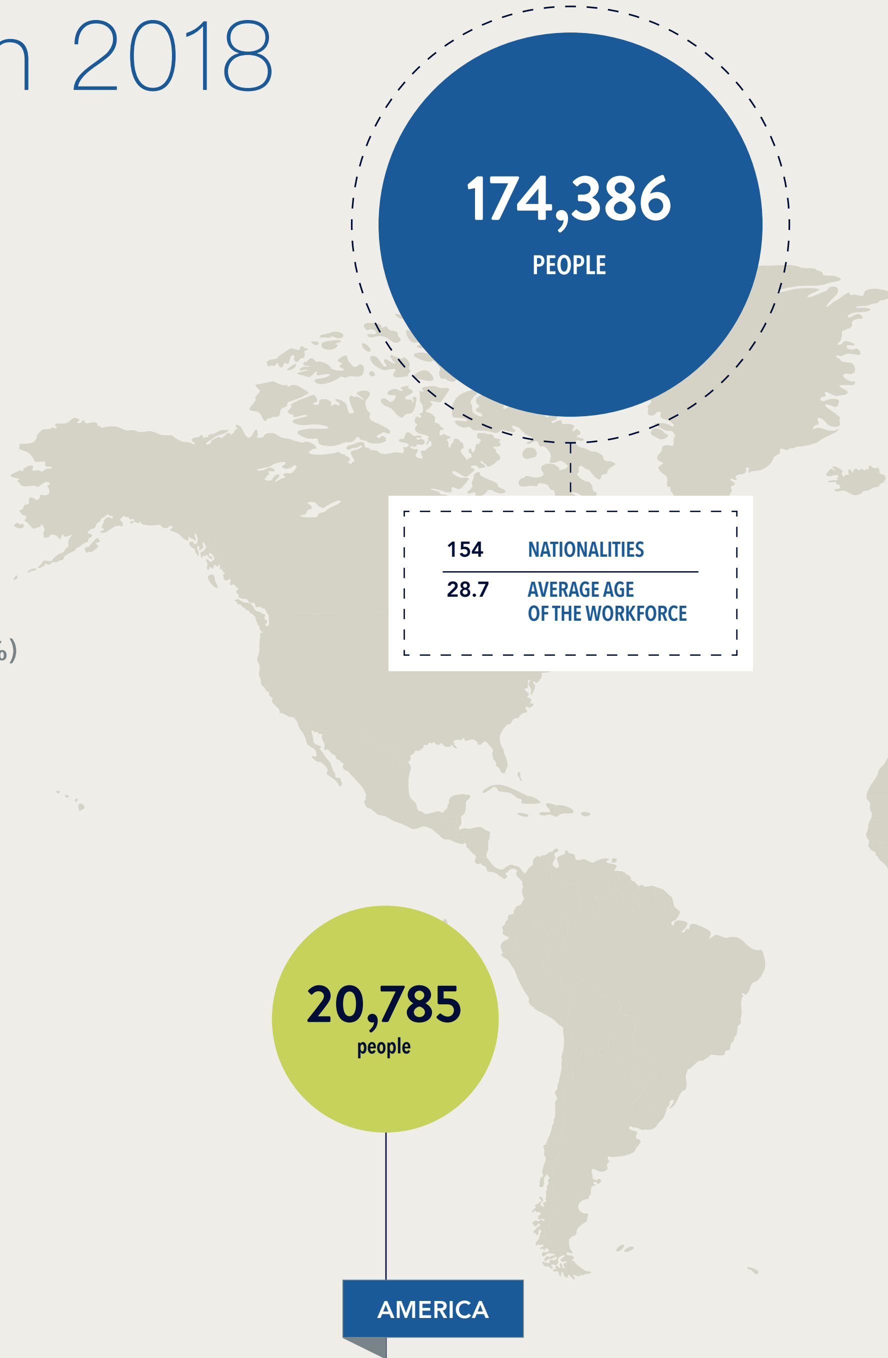
We have a team where women are the majority (75% of the workforce and 79% its management positions) and which is characterized by its generational diversity and its youth (62% of the employees are under 30 and the average age is 28.7). The store is the main area of operation (it involves 87% of the Group's staff and over 152,000 employees in total), and we have established a significant international store network (Spain, the market where our headquarters are based in, has around 48,000 people, 28% of the workforce).

Our organisation is strongly horizontal and focused on our activity to create and distribute fashion. The professional classifications (manager, supervisor and specialist) are wide and store employees play an important role in all of them.

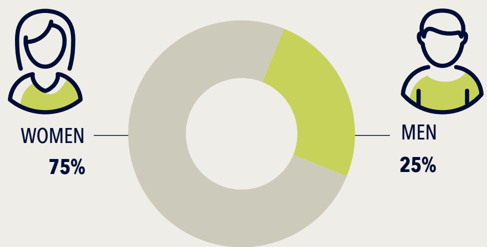
We are committed to guaranteeing stable and safe work environments that foster as equal opportunities and professional development (especially through internal promotion and training programmes). Thus, in 2018, we invested over 2.7 million hours in training, with 146,446 participants. More than half of the positions related to the Zara product and marketing areas have been covered internally.

Our efforts in terms of employment quality also become evident when looking at the overall rate of employees with permanent employment contracts, which reaches 73%. As a result of the reality in the retail sector, where many employees seek to find a balance between their job and other activities, the percentage of full-time staff is 51%. In any case, FTE (full-time equivalent) employment amounted to 89.3% in 2018, which is a relevant indicator when it comes to explaining employment quality. With regard to remuneration, Inditex has wage parity: overall, the wage gap is 0.8% in favour of women.

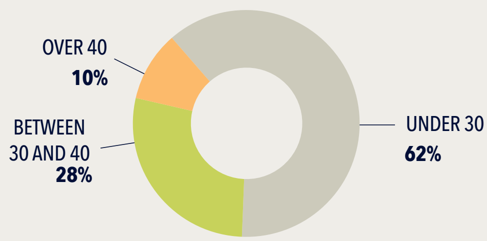
Our people in 2018



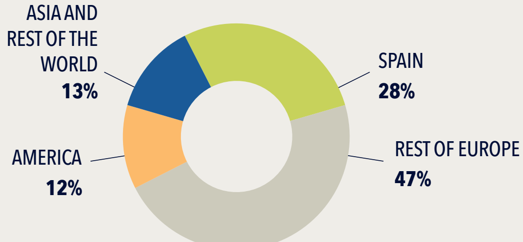
WORKFORCE DISTRIBUTION BY GENDER (in %)



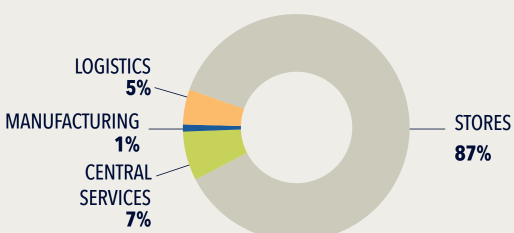
WORKFORCE DISTRIBUTION BY AGE (in %)



WORKFORCE DISTRIBUTION BY GEOGRAPHIC AREA (in %)



WORKFORCE DISTRIBUTION BY ACTIVITY (in %)



	PEOPLE
Argentina	885
Brazil	2,810
Canada	2,466
Chile	878
United States	6,267
Mexico	7,137
Uruguay	342

	PEOPLE		PEOPLE
Australia	1,504	Japan	3,979
Bangladesh	57	Kazakhstan	723
Cambodia	4	Morocco	16
Mainland China	11,680	New Zealand	99
Hong Kong SAR	1,252	Pakistan	2
Macau SAR	181	Singapore	4
Taiwan, China	649	South Africa	548
South Korea	1,514	Vietnam	13
India	1,227		

	PEOPLE
Albania	263
Germany	5,874
Austria	1,477
Belgium	2,818
Belarus	298
Bosnia and Herzegovina	360
Bulgaria	733
Croatia	1,078
Denmark	335
Slovakia	302
Slovenia	267
Finland	269
France	9,414
Greece	4,014
Holland	2,856
Hungary	1,067
Ireland	882
Italy	8,600
Luxembourg	179
North Macedonia	155
Monaco	36
Montenegro	123
Norway	383
Poland	4,617
Portugal	7,001
United Kingdom	5,486
Czech Republic	643
Romania	2,864
Russia	10,365
Serbia	899
Sweden	833
Switzerland	1,506
Turkey	4,896
Ukraine	1,326

(*) Does not include Spain

1. Diversity, inclusion, equality and work–life balance

Diversity, multiculturalism and respect are values which are part of the Inditex DNA. Our goal is that each person can be who they are and develop their maximum potential as part of a diverse, creative and innovative team, regardless of their race, ethnicity, gender or gender identity, sexual orientation, age, religion, nationality, or any other essential characteristics.

Therefore, fostering a diverse and inclusive work environment in order to improve the company performance and achieve the corporate goals is a priority for Inditex that has been endorsed at the highest level in its Diversity and Inclusion Policy.

Spearheaded by Senior Management and approved by the Board of Directors in 2017, the Diversity and Inclusion Policy sets out the framework for diversity, respect and integration and must be complied with in all segments and companies of the Group. Furthermore, it governs all actions with regard to Inditex's Human Resources: selection and recruitment, remuneration, benefits, promotions, transfers, professional development, and terminations, among other aspects.

By virtue of our Diversity and Inclusion Policy and the Code of Conduct and Responsible Practices – which determines that our employees must treat other employees as well as candidates, suppliers, contractors and customers with maximum respect – Inditex has a *zero-tolerance* policy regarding discrimination of any kind.

Furthermore, since early 2018, Inditex collaborates with ENAR (European Network Against Racism), an entity that works towards ending institutional racism and discrimination in Europe. In December 2018, Inditex hosted in Brussels the 10th meeting of the Equal@ work platform, which gathered companies, social partners, NGOs and public and academic authorities committed to diversity and inclusion in order to find solutions for the participation of ethnic minorities in the labour market.

Our goal is that each person can be who they are and reach their maximum potential as part of a diverse, creative and innovative team.

1.1. Gender equality

Women play an essential role at Inditex: they represent 75% of the Group's employees (131,385 people) and hold 79% of the management positions. Therefore, initiatives which aim at reinforcing gender equality are an essential part of our corporate culture.

In the case of Spain, the market where our headquarters are based in and where Inditex's design, manufacturing and logistics activities are centred, the already approved equality plans, as well as those which are being negotiated, include measures regarding selection, recruitment, promotion, training, occupational health, remuneration and work-life balance. Through them, we seek to avoid situations of inequality from a gender perspective and to guarantee equal opportunities.

These plans also provide action protocols against sexual harassment and/or harassment based on gender which have been developed within the negotiating commissions of these Plans.

GEEIS: Gender equality certifications

Gender Equality European & International Standard

In addition to the equality plans in Spain, in 2018, Inditex's subsidiaries have launched work plans which promote gender diversity, specifically through the GEEIS certification (*Gender Equality European and International Standard*).

Belgium has become the Group's first subsidiary to obtain this certification, which recognizes companies that promote equality between men and women within their organisation and help to define opportunities for improvement in promoting gender equality in the work centres.

More information at https://www.arborus.org

Moreover, Inditex is strongly committed to the recruitment and integration of women who are victims of gender-based violence. In 2013, the Group and the Ministry of Health, Social Services and Equality signed a collaboration agreement to raise awareness of this problem and to foster the incorporation of victims in the workplace.

In this regard, the Salta project, which is implemented in 13 subsidiaries of the Group and which aims at the inclusion of vulnerable young people, also covers the victims of domestic violence as a group.

More information on page 84 of this Annual Report.

In 2006 and in addition to these actions, Inditex ratified the *Equal Diversidad Activa* (Equal Active Diversity) project, which was co-financed by the European Union and directed by the Spanish Coordinator of the European Women's Lobby and Fundación Carolina.

ClosinGap: companies fighting against the gender wage–gap

In January 2019, Inditex joined the company cluster *ClosinGap*, which consists of eleven big companies whose objective is to quantify the economic impact of the wage gap on society, detect areas for improvement and to initiate public policies and corporate practices in this regard.

In order to quantify the impact, companies analyse existing gaps in health care, pensions, the digital environment, work-life balance and joint responsibility, leisure, tourism, consumption or mobility in bimonthly reports. Within the framework of this initiative, Inditex will develop a report about the gender gap in education.

More information under http://closingap.com

Women play an essential role at Inditex: they represent 75% of the Group's employees and occupy 79% of the management positions.

1.2. Inclusion of disabled people

At Inditex, we are committed to complying with the principles of universal accessibility, in particular, for our disabled employees and customers.

All our work centres are designed in a manner that allows accessibility and usability and also fosters the autonomy of disabled people. At the same time, we are committed to making specific technical changes regarding mobility or other sensory, visual or auditive impairments in the centres that require it.

As of the closing of the financial year 2018, Inditex directly employs 1,498 people with disability and has at the same time implemented alternative measures that are equivalent to 186 workers. The legislative heterogeneity in the markets where the Company operates implies that it is not always possible to talk about standards comparable to those in Spain. This may be due to the absence of minimum quotas or due to a strict respect for personal intimacy and, as a result, the right to not disclose the disability prevails.

Besides Spain, where there is strong awareness around integrating people with disabilities at work, action plans with different social agents have been launched in subsidiaries such as France and Uruguay in order to facilitate their access to employment.

An example of an initiative aimed at socio-occupational integration for people with disabilities is the *for&from* project, which consists of building a network of social franchises within different brands of the Group managed by non-profit organisations and, mainly, staffed by people with disabilities.

More information on page 84 of this Annual Report.

1.3. LGBTI+ inclusion

In order to ensure an inclusive work environment also for the LGBTI+ community (lesbians, gays, bisexuals, transgender and intersexual people), we signed *the Standards of Conduct for Business for LGBTI+ inclusion* promoted by the United Nations in 2018. Those standards, which have been drafted in collaboration with the *Institute for Human Rights and Business*, are based on the Guiding Principles on Business and Human Rights and include the contributions of hundreds of companies from a variety of sectors.

At the international level, Inditex has been a member of the *Open for Business* coalition since 2016, which brings together leading global companies that advocate for the inclusion and rights of the LGBTI+ community. This international platform works to show that more inclusive companies are better for business and that companies that promote the inclusion of the LGBTI+ community are more dynamic, productive and innovative.

REDI: LGBTI+ inclusion in companies

RED EMPRESARIAL POR LA
DIVERSIDAD E INCLUSIÓN LGBTI+

In 2018, Inditex joined REDI (Red Empresarial por la Diversidad y la Inclusión LGBTI+ – Corporate Network for Diversity and LGBTI+ inclusion) in Spain, a platform which aims at promoting an inclusive environment within organisations and supports the fact that employees are valued regardless of their identity, gender expression or sexual orientation. Together with the other associated companies, Inditex advocates for raising awareness among employees to help eradicate stereotypes that can make the full integration of LGBTI+ people in the workplace difficult.

More information at http://www.redi-lgbti.org

1.4. Work–life balance

At Inditex, we believe that professional and personal life must be balanced in order to guarantee optimal performance and the fulfilment of our people.

In this sense, we encourage measures, especially within the framework of equality plans, that facilitate work-life balance and emphasize joint responsibility in particular.

During the financial year 2018, more than 2,000 employees in Spain benefitted from maternity and paternity leave and 99.3% of them came back to their position. Furthermore, 16% of the employees benefitted from part-time to care for children.

At the international level, Inditex also promotes work-life balance policies and policies to improve the rights guaranteed by local laws. In Italy or France, we take measures which focus on the quality of the working life to develop talent and professional motivation. Furthermore, there is commitment to provide more flexible work hours and limit night and Sunday shifts. With regard to professional development, we seek to avoid that employees are penalized in their professional lives because of maternity and/or paternity leaves as well as any other absence due to a family situation.

Moreover, thanks to the Spanish Law on the Protection of Personal Data and the Guarantee of Digital Rights adopted in 2018, we are committed to guaranteeing the right to digitally disconnect from working life. This policy, which aims at guaranteeing that rest times, leaves and holidays are respected, will define the right to disconnect, including actions for training and raising awareness regarding the reasonable use of technical tools.

Notwithstanding the actions that Inditex may present at a corporate level, the right to digitally disconnect is already part of Massimo Dutti's second Equality Plan, and it will be included in the negotiations of upcoming equality plans of the different Group companies.

At the international level, these policies already exist also in subsidiaries such as France, a pioneer in this matter, where we currently advocate for a digital disconnection linked to an improved work-life balance.

102-13, 103-2, 401-3, AF23, AF26, AF27

2. Talent management and employee experience

Talent is a key element so that Inditex can transfer its passion for responsible fashion to its customers. This enthusiasm is shared by all our people whose work is characterized by their drive, commitment, creativity and customer-orientation.

Our people philosophy is based on talent management from the perspective of a responsible employer. Therefore, we thrive on offering quality employment in a motivating environment that allows our employees to experience professional growth.

2.1. Talent attraction

Inditex Careers

Inditex Careers is the Group's employer brand, which channels our actions to attract better talent through the different contact points with candidates: social media, stores, universities or schools.

We publish all our job offers for the different business areas, markets and brands on our website (www.inditexcareers.com). We also give our people a channel where they share who we are, as well as their everyday experience working in our teams. With over six million visits from 217 markets in 2018, Inditex Careers is already our main source of contact with potential candidates.

Inditex Careers in social media

In 2018, we have continued to strengthen the presence of *Inditex Careers* through our official profiles on LinkedIn, Facebook, Instagram, Twitter, Wechat and Weibo – the last two target the Chinese market. We regularly offer relevant contents for our candidates using these profiles: from Inditex employee stories to local and international news and projects.

Inditex Careers' social media contents and channels are managed in a coordinated manner from nine relevant new markets for the Company. More than 25 people from the local recruitment teams, *Talent Centres* and Communication, are directly involved in this effort. This way, we ensure that we represent different realities and offer relevant local stories for our potential candidates in their own language, while also conveying how Inditex and our employer brands work.

Our official profiles on social media have over 1.3 million followers, and we have published over 1,900 original contents throughout the financial year.

"This project has been a challenge and a learning experience for me because it included designers with a very diverse international background." ***VIEW.S project***

Attracting talent for our stores: *Talent Centres*

The *Talent Centres* have been operated for over a decade and are present in 10 markets which are relevant for the Group from a commercial point of view, where we have over 3,000 stores. They work as meeting points with our candidates where recruitment tasks and talent management for all Inditex brands are carried out.

After opening the *Talent Centre* in Lisbon towards the end of 2018, we are already present in 12 cities, along with Madrid, Barcelona, London, Milan, Paris, Moscow, Istanbul, New York, Mexico City, Shanghai and Beijing.

Attracting creative talent and product–oriented roles

The eight Inditex brands have a multidisciplinary team focused on developing and creating the collections that are sold in the 202 markets where we operate through our integrated platform of stores and online. There are more than 700 designers in this team, and their work is complemented by the Purchasing, Marketing and Pattern areas of each brand, all centralized in Spain.

Attracting creative talent and product-oriented roles is, therefore, key for the Group, and this involves two lines of action: opting for the best talent from the leading design schools, and developing an important branding strategy that seeks to consolidate Inditex as an attractive company for these multidisciplinary profiles.

Our collaboration with design schools is dynamic and has a long tradition. In 2018, we worked with 36 schools in eight different markets, which we visited to explain our project personally and get to know their students. Within the framework of this project, we have an international and national scholarship programme which was created in 2015 and targets students of the penultimate year studying fashion design and styling. During the financial year, we repeated our collaboration with London's prestigious Central Saint Martins and supported five students with the collection they present as their final project.

We also search for creative talent through the main international fashion fairs: Los Angeles, New York, Paris, London, Milan, Copenhagen and Berlin. And we actively identify talent through social media campaigns, such as Instagram, LinkedIn and channels that specialise in fashion.

VIEW.S project

VIEW.S is a collaboration between Zara and the main fashion schools, whereby students create a capsule collection together with Zara's design teams.

The first VIEW.S collection was developed in Japan and is the result of the cooperation between Zara Man and Bunka Gakuen University design school. The collection was available at the stores in Shinjuku, Nagoya and Shinsaibashisuji as well as on *zara.com*.

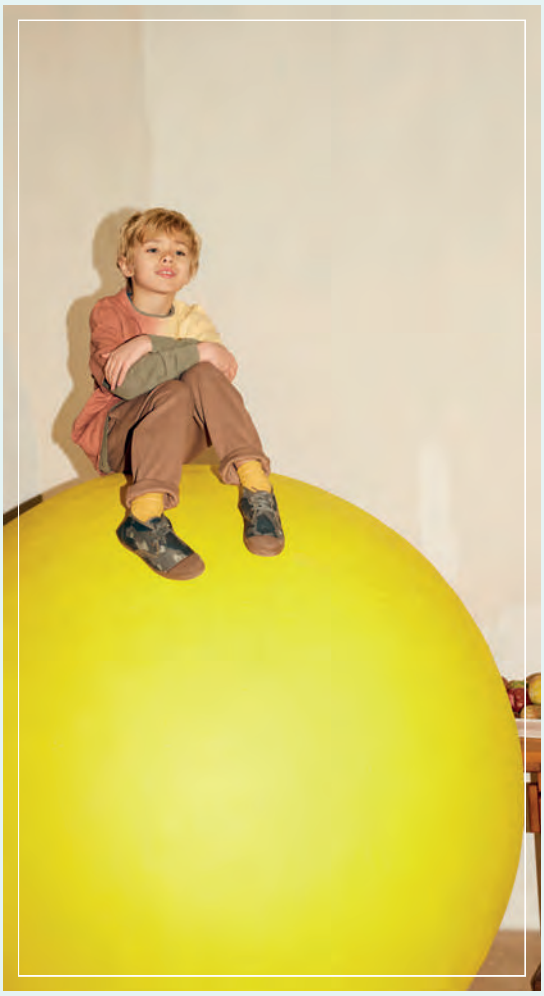


Photo: Collection VIEW.S

"I've learned things that you can't learn at school: working as a team with a global company and thinking about the needs of real customers. In addition, I felt like I was growing and expanding my possibilities for the future." ***VIEW.S project***

Attracting technological and digital talent

Attracting and hiring technological profiles is a challenge for our Company's future growth and development. In 2018, we dealt with two topics in this regard: hiring a significant number of such digital profiles and incorporating them in the business teams, which meant change for the organisational model and the way of working.

In order to give visibility to this strategy, we have created our own technology brand, ZARA TECH (*techteams.es*), and with it, we have participated in the main events of the sector. Through these events, we bring Zara's technology closer to the community and we connect our teams to new methodologies and digital environments.

During the financial year, we also launched our Cantera Tecnológica Programmes for Big Data (DATA_GO) and Development (ZARA_CODE).

Carolina. *Born 24 years ago in Ibiza, she balanced her studies at the University of Barcelona with a job at one of our Zara stores where she became an assistant manager in one of the establishments. She applied for the* ***Zara Go!*** *Programme and is now a buyer at Zara Woman.*

Teresa. *Born 22 years ago in Ourense, she studied Advertising and Public Relations in Madrid. She joined the Company through the creative profile junior talent Programme* ***Zara Go!*** *and currently works as a stylist on the zara.com set team.*

2.2. Talent development

Convinced that our growth and evolution is closely linked to our people, at Inditex, we continue to believe in internal promotion. This policy is especially visible in the store. In 2018 for example, over half of the positions related to the Zara product and marketing segments have been covered internally by the store's staff.

In addition to the store, we continue setting professional development programmes in the logistics area, which is a key segment of our business.

The main resources we use to grow internal talent are training and development programmes for our teams and initiatives in order to find talent and foster internal promotion, among which we highlight continuing projects such as *InTalent* and *Inditex Go!, and specific* initiatives such as *Misión Holanda*.

InTalent

Through our *InTalent* Programme, available in 41 markets, we give the store teams internal growth opportunities within the Company. It's a simple tool that we use to internally connect people looking for a new challenge through job openings. In 2018, over 48,000 people were registered, and over 3,000 opportunities were offered.

Inditex Go!

The *Inditex Go!* Project has become a vehicle to train our future managers. It serves to identify, select and develop young talent from among the employees in our stores and recent university graduates. The people selected through this programme spend between three and six months training in store before they are incorporated into the position that best suits their profile. Once there, they are included in a professional development programme, where they take on responsibilities from day one.

The profile selected and the areas it is applied to have also evolved alongside business needs. The programme started in 2013 as a response to the needs of the Zara commercial departments. The warm welcome for this type of profile in the teams led it to be expanded to Massimo Dutti, Oysho, Zara Home and Pull&Bear as well as the logistics area. Furthermore, from purely focusing on commercial profiles, like *product manager*, the programme has opened to other types of profile, such as purchasing, distribution, logistics and management control.

Over 200 people have participated since the launch of the programme. The majority continues to be with Inditex, growing and acquiring new responsibilities.

We have training and development programmes for our teams and initiatives to find talent, notably *InTalent, Inditex Go!* and *Misión Holanda.*

*What really motivated me to take part in Misión Holanda was the desire to learn and work in a completely new place. The Company gave me this opportunity and I believe that it is a great recognition — **José Manuel, Automatic Systems***

*During my training in Spain, I was warmly welcomed by my Spanish and Dutch co–workers. The atmosphere was fantastic and made working in Lelystad easier and more fun — **Merel, Automatic Systems***

*I had the training in Zaragoza's Plataforma Europa. I acquired all the information needed for a good start in Lelystad in a short period of time — **Niels, Area Manager***

Misión Holanda

On the occasion of the start of operation of Zara's new Logistics Connection Point in Lelystad (Netherlands) in 2019, we worked on two specific development programmes in 2018: one to find talent in our distribution centres in Spain to work on the centre's launch and another one to develop at the local team.

Through the *Misión Holanda* Programme, we selected a team of 60 people from our distribution centres. This team will support the launch of the new Logistics Connection Point in Lelystad (Netherlands) throughout 2019. The participants took part in a specific development programme with internal trainers, including language courses, and training in leadership, diversity and ability to give *feedback*.

Furthermore, a training and development programme for the local team in Lelystad has been launched. A total of 80 warehouse managers, automatic systems managers, transport technical assistants and administrative assistants, among others, have been trained at the Group's headquarters and Zara distribution centres in Spain (Zara Logística, Plataforma Logística Meco, Plataforma Europa and Plataforma León).

The plan covered three areas: business (including training in the store, technical training on the job and technical training in departments of the distribution centre); skills (the selected candidates received training in personal efficiency, leadership, ability to give *feedback* and diversity); and languages.

2.3. Training

Training is another lever we use for talent development. Inditex's culture is eminently practical and, as a result, team training mainly takes place on the job (*on-the-job* training). Furthermore, Inditex's policy in this regard is based on an internal training model. To make sure this model works correctly, Inditex identifies and maintains a network of internal trainers to convey the Company's culture and operations and ensure the success of new recruits.

Training in our stores is focused on three types of contents: product knowledge, store processes and customer-orientation. In addition, cross-sectional contents are included, such as occupational health and safety or diversity and inclusion. The training for people who are in charge of teams focuses on technical aspects of their role and people management.

Since 2017, Inditex has *ON Academy*, an online (eLearning) training platform for employees of all brands. This project is available in 11 markets (Spain, the United Kingdom, Ireland, the United States, France, Italy, Germany, Mexico, Romania, Greece and Portugal) and reaches over 105,000 people.

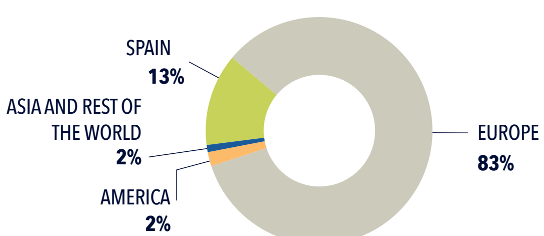
During the financial year 2018, we invested over 2.7 million hours in training, corresponding to programmes which target a variety of groups within the Inditex Group. The training has reached a total of 146,446 participants.

we invested over 2.7 million hours in training and reached a total of 146,446 participants.

Training for our employees in 2018

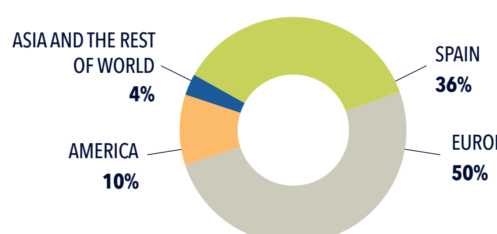
	STORE		LOGISTICS	MANUFACTURING	CENTRAL SERVICES
	SALES ASSISTANTS	MANAGERS			
ONBOARDING TRAINING	Mentorship Programme		Onboarding plan	Onboarding training	
CLASSROOM-BASED ONBOARDING TRAINING	Onboarding training courses		Onboarding training		Welcome
	Initial training at our Talent Centres (virtual reality)				
TECHNICAL/ SPECIALISATION TRAINING	Customer service, training on the product (On Academy, Versus), store processes	Product: Visual merchandising Processes: RFID People: Employment law	Fork-lift training, Working at height, etc.	AccuMark CAD, Fabrics, etc.	Job-specific training
SKILLS	Development days	*A Medida*, skill workshops	Communication, Teamwork		Personal effectiveness, Communication
LANGUAGES	busuu			English	Chinese, Spanish, French and English
IT			Office software		Office software, Specific programmes: Power BI
HEALTH AND SAFETY	Health and Safety				
SUSTAINABILITY	Sustainability				Sustainability
DIVERSITY AND INCLUSION		Diversity and inclusion			Diversity and inclusion

TRAINING HOURS BY GEOGRAPHIC AREA IN 2018 (in %) (*)



Total training hours: **2,751,823 hours**

Training participants by geographic area in 2018 (in %) (*)



Total training participants: **146,446**

(*) Data on training hours and participants for 44 markets, which represent 94.5% of Inditex employees. 40% of the total training corresponds to in-store onboarding training. Different criteria, established for each country and brand, and for different jobs, are applied to generate estimates for this training.

Main training programmes

Initiatives	Description	Scope	Goals
ON ACADEMY	Online training platform (*eLearning*)	- Launched in 2017 for store employees from all brands. - Available in 11 markets (Spain, the United Kingdom, Ireland, the United States, France, Italy, Germany, Mexico, Romania, Greece and Portugal). - It reaches over 105,000 people.	The platform contains different learning units about products and the world of fashion in general. Employees can follow the sessions voluntarily and at their own pace from any mobile device.
ONBOARDING PROGRAMME (VIRTUAL REALITY)	An experience launched in 2018 to welcome new store employees using virtual reality.	- Over 1,000 new recruits have already tried it in four Talent Centres (Madrid, Barcelona, Milan and Beijing).	- Acquaint the new employees with the Group and the store operation.
EFASHION	220 hours of online training on comprehensive fashion business management, designed in collaboration with the IED Madrid (*Istituto Europeo di Design*)	- Started in 2012 for store teams. - Since its launch, it made the training of 998 people possible through its different editions in Spain, France and Italy.	The course is structured into three learning units: product, business and image, and communication. It aims to improve the professional skills and competencies of participants.
VERSUS	Gamification initiative to provide training on the world of fashion and textile products.	- A game between employees from different countries and brands launched in 2017 which continued to grow throughout 2018. - Since its beginnings, over 22,750 employees from 23 markets and all of the Group's brands have participated. They compete in individual and team-based rankings using their knowledge of the product and the fashion industry.	Participants compete in individual and team-based rankings (one for each store) and test their knowledge of the product and the world of fashion in general.
BUSUU	Mobile application for language learning	- Launched in 2017, at the end of 2018 it was available in 53 markets. - Over 58,000 people signed up after the last invitation to join. - Over 4,500 people have achieved at least one official certificate. - Nearly 17,000 employees did the in-store English course.	The *app* lets users learn up to 12 languages (English, Spanish, French, German, Italian, Portuguese, Polish, Turkish, Russian, Arabic, Chinese and Japanese) from basic to upper-intermediate level (levels A1 to B2 of the Common European Framework of Reference for Languages). It offers the option to obtain official certificates for languages (available in six languages at the moment) as well as an English course for in-store customer service custom-made for Inditex.
A MEDIDA PROGRAMME	A training programme for the development of people management skills for store managers.	- Between 2017 and 2018 over 2,000 people have been trained in Europe and North America. - They received training in skills such as communication, motivation, organisation, delegation, performance orientation or the ability to give feedback.	- The training is given through practical 2-hour workshops for each skill taught to small groups by the Company's internal trainers and very close to the reality in the stores. - Each person finishes the workshop by defining a small action plan for the skill they are working on.
ADVANCED MANAGEMENT PROGRAMME	An advanced training programme designed in collaboration with *Instituto de Empresa* business school.	- Created in 2017. Its duration is 13 months and its first edition ended in October 2018. - Development for 60 Inditex employees with various profiles.	The programme, which involves 180 class hours and lasts 13 months, combines video conferences and in-person sessions to complete the management and retail training of future managers. The content is about strategy, management and leadership skills. New trends in the sector are also discussed through innovation-project tasks, talks given by experts and a personal development plan.

103-2, 404-2

Testimonials

On–Boarding VR

The new store employees who joined the VR *Onboarding* Programme in 2018 describe it as *"a very fun experience"* which allowed them to *"learn how the store works"*.

The project's goal is to acquaint them with the Group and the store operation. According to the balances, it meets its goals, as it allows to put the training into practice. *"It allowed me to get an idea of what I will have to do when I start working in the store,"* they recall.

eFashion

According to one of the employees at Oysho, who followed the programme, this online training programme offers, *"an inspiring, creative and very motivating vision of the world of fashion"* and provides *"relevant knowledge about fabrics, patterns or store operation"* which, in the case of another trainee, helped them to "discover a creative part inside me that I did not dare to experiment".

Those who participated in the initiative also highlight that it means *"a great challenge, at a professional and personal level"* and *"a great opportunity to learn, create and renew our knowledge"*.

Versus

With *Versus*, training and fun go together. Two employees in Greece highlight the *"constant motivation"* and that the learning process is *"really a lot of fun"*. For some teams, it even becomes *"an obsession"*. *"We played all the time because we wanted to be one of the top teams and accomplished to be number one,"*, the participants say. For them, those were *"10 very intense days"* that help to foster teamwork, *"We all came together and made a great team"*.

busuu

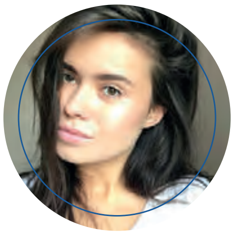
The reactions of the employees who download and use this mobile language learning application leave no doubt about its success. *"Once more, Inditex helps us to continue evolving. Thank you, Inditex. Thank you, busuu,"* was the evaluation of one user. Another one of our people rejoiced and commented "I love this app! It's really addictive, it is a lot of fun and like a game!".

A MEDIDA

Josefine (Commercial Supervisor at Zara)
"I was in a workshop about Organisation. We worked in a team to solve daily tasks and achieve the best results in the store. It was very interesting and useful, especially working and deciding as a team."

Artem (Store Manager at Zara)
"I took part in the A Medida Motivation workshop. I learned that five minutes are enough to understand how we can motivate someone."

Veronika (Commercial)
"The Feedback workshop gave us the opportunity to share our experiences with co–workers, analyse our own mistakes and charge positive energy."



2.4. Engagement

One of the lines of work that Inditex follows to manage our people's talent is to promote initiatives and projects which help create a motivating environment. *INet*, the Group's intranet, plays a key role. It is a tool that allows us to constantly communicate with the employees in a direct and easily accessible manner, thanks to its digital services.

INet, connecting with our people

INet is our main internal communication channel. It eliminates the distribution of printed materials,with the subsequent reduction of carbon footprint; and digitalizes the information to respond to the needs of our people. It is also coherent with the Company's strategy regarding innovation.

The content offered through INet makes it much more than an intranet and allows us to reach all of our employees who are spread out geographically and have very different work profiles. During 2018, the platform registered over 13 million logins.

INet is available for web browser and as a mobile *app* and is constantly evolving. We include new features and contents each year and we digitalise processes, such as viewing the payroll or accessing sites about benefits, among others.

The *INet* mobile *app*, which has nearly 137,000 users connected in 49 markets all over the world, underwent a full revamp in 2018 in order to improve the user experience with a new clean and practical design that simplifies usability as much as possible. A new *newsfeed* was designed, so the latest news can be viewed, as well as a new customizable menu where icons to access the different sections can be organised.

The *INet* app's new version opts for quality content and, as a new feature, includes the inspiration section, which encourages the users to participate. Its first global project was *World of Fashion by VOGUE*, an exclusive collaboration with VOGUE Spain that allows our employees to view new articles about the world of fashion that are released especially for our staff on a daily basis.

The *app* also integrates new projects, such as *Inquietos* (Spain) or *Eu Sou* (Portugal), where we invite our employees to be the protagonists in a documentary mini-series. Thanks to this, we can discover special talents beyond the work sphere, from musicians to elite athletes, filmmakers or dancers.

INet also serves as the Company's channel to convey messages and values through internal campaigns with a global reach, notably Earth Hour or the International Day for the Elimination of Violence against Women, among others.

2018 figures for *INet*

INet is available in 22 languages and reaches 96% of the workforce.

Audience data (*):

- Page views: 54 million
- Monthly average page views: 4.5 million
- Logins: 13.4 million
- Monthly average logins: 1.1 million
- Devices: 59% mobile phone / 40% PC / 1% tablet

Mobile application: 137,000 users connected in 49 markets

(*) Source: Google Analytics

R&D TO THE SERVICE OF OUR PEOPLES

PROJECTS UNDERTAKEN IN 2018

At Inditex, we encourage all of the people working in our organisation to be open-minded about innovation and to search tirelessly for new ways of doing things.

This innovative approach is also evident in how we manage our people, in the services we offer them (information management, talent attraction, recruiting, career development and training opportunities) and in how we encourage their engagement.

HUMAN CAPITAL MANAGEMENT

Inditex develops solutions based on big data analytics with clearly measurable outputs (KPIs). These KPIs in turn, help us draw clear lines in decision-making processes related with employee perfomance, their progress within the organization and full development of their knowledge and skills.

Modules updated:

Organisational structure	Personal area	Training
Payroll	Recruitment	Compensation website
Time & Attendance	Work shift planner	

Data inputs

We adapt and update the human resources management software in key areas such as Time & Attendance, Payroll, Training and the employee's personal areas with multiple goals: efficiently consolidating relevant information about Inditex's human capital and its management; ensuring full and optimal use of our people's skills and know-how; and standardising information across our business markets.

Data outputs

Creation of human resources datamarts that enables the processing and use of large volumes of information and the identification and resolution of problems.

TALENT ATTRACTION

Inditex Careers

This is our employer brand, which we articulate around our employment website and with an active social media presence. We manage vacancies and candidates using the New Recruitment Tool (NRT), which was developed in-house.

Chatbot Inditex Careers

We have launched a chatbot to enable candidates to register directly from their social media accounts (we have started off with Facebook Messenger). Developed in four markets, it makes it easier for candidates to sign up for available job opportunities.

Gamification in recruitment

In 2018, we tested Inditex Careers Challenge, which introduces gamification into our recruitment processes with the aim of better identifying the skills our candidates have.

SKILLS DEVELOPMENT AND TRAINING

Inditex actively searches for innovative methodologies for the training and development of its employees.

In 2018, 1,576 of Inditex's people worked on projects related to R&D

Onboarding with virtual reality

We use virtual reality technology to receive our new sales assistants during their welcome training.

Gamification

Thanks to Versus, a quiz app about the world of fashion, we enhance knowledge about our products.

ENGAGEMENT AND INTERNAL COMMUNICATION

Innovation has been key in developing and reinforcing our internal communication effort and in inspiring and engaging our professionals with the organisation and its strategic objectives.

INet

We use INet to facilitate the flow of information and communication within the organisation. Available in app and website format, in 2018 we added new services and features.

Digitalisation

We highlight two projects: payroll digitalisation, a function already available in 34 markets; and extension of the extension of employee QRs in services such as vending machine and lunchroom payments and its use as a discount card.

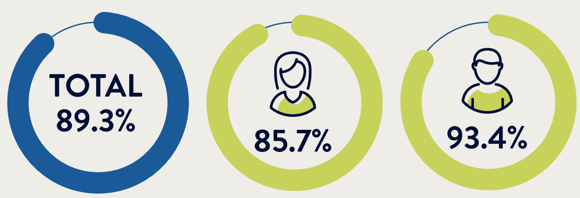
Inspiration:
World of Fashion by Vogue

Through the site World of Fashion by Vogue we provide daily updates about the latest trends in fashion.

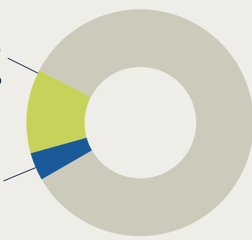
At year–end 2018, the INet application was available in 49 markets with over 137,000 employees connected

Inditex employment in figures

% FTE EMPLOYEES (Full-Time Equivalent)



WORKFORCE DISTRIBUTION BY JOB CLASSIFICATION (in %) (*)



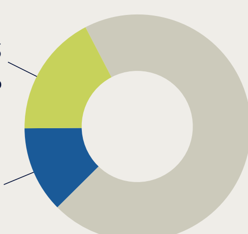
WORKFORCE DISTRIBUTION BY ACTIVITY AND GENDER (in total figures)

	STORES	LOGISTICS	CENTRAL SERVICES	MANUFACTURING	TOTAL
Women	119,447	4,125	7,110	691	131,373
Men	32,610	5,804	4,437	162	43,013
WORKFORCE	**152,057**	**9,929**	**11,547**	**853**	**174,386**

WORKFORCE DISTRIBUTION BY RETAIL FORMAT AND GENDER (in %)

	Women	Men
ZARA	74%	26%
ZARA HOME	77%	23%
PULL&BEAR	71%	29%
MASSIMO DUTTI	72%	28%
BERSHKA	77%	23%
STRADIVARIUS	87%	13%
OYSHO	96%	4%
UTERQÜE	85%	15%

WORKFORCE DISTRIBUTION BY TIME AT THE COMPANY (in %)



IN SPAIN:

48%	12%	40%

(*) Management: Employees in management positions with responsibilities for interdisciplinary work groups related to design, manufacturing, distribution, logistics, stores, technology, sustainability and further, broader services. Store managers are included in this category. Supervisors: employees that comprise part of the interdepartmental and transversal work groups in design, logistics and stores, as well as sustainability, technology and further, broader services. Specialist: employees who contribute individually to Groups activities in design, manufacturing, distribution, logistics, stores, technology, sustainability and its broader services.

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

GENDER	PERMANENT	TEMPORARY
WOMAN	74%	26%
MAN	71%	29%
AGE		
UNDER 30 YEARS	63%	37%
FROM 30 TO 40 YEARS	86%	14%
OVER 40 YEARS	93%	7%
JOB CLASSIFICATION (*)		
MANAGEMENT	90%	10%
SUPERVISORS	88%	12%
SPECIALISTS	70%	30%
TOTAL	**73%**	**27%**

WORKFORCE DISTRIBUTION BY TYPE OF WORKING DAY AND GENDER, AGE AND JOB CLASSIFICATION (in %)

GENDER	PART-TIME	FULL-TIME
WOMAN	51%	49%
MAN	43%	57%
AGE		
UNDER 30 YEARS	58%	42%
FROM 30 TO 40 YEARS	41%	59%
OVER 40 YEARS	27%	73%
JOB CLASSIFICATION (*)		
MANAGEMENT	2%	98%
SUPERVISORS	9%	91%
SPECIALISTS	57%	43%
TOTAL	**49%**	**51%**

GENDER PAY GAP (in %) (**)

	2018
SPAIN	1.0%
EUROPE (EXCLUDING SPAIN)	0.2%
AMERICA	0.3%
ASIA AND THE REST OF THE WORLD	0.0%
TOTAL	**0.8%**

AVERAGE PAY BY JOB CATEGORY (in total numbers) (*)

JOB CATEGORY	TOTAL SALARY IN EUROS
MANAGEMENT	47,804
SUPERVISORS	27,963
SPECIALISTS	18,480

AVERAGE PAY (in total numbers) (***)

GROSS ANNUAL SALARY IN 2018 IN EUROS IS **20,996**

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

(***) The average pay is defined as the mean value of salaries in the entire Group converted to euros using the average exchange rate in 2018.

3. Employment quality

3.1. Remuneration policy

Concerning compensation, Inditex keeps common criteria which are applied to the entire Group and adapted to the specific characteristics of each market and work environment where we operate, always in line with its culture and values while bearing in mind the identity of each brand of the Group.

In 2018, personnel expenses were 4.135 billion euros. Out of this total, 3.428 billion were paid in salaries. Another 707 million euros were social security contributions for our employees.

This sum includes, within the financial year, a total amount of 619 million euros for bonuses and variable remuneration. The variable remuneration is one of the key elements of our compensation policy and applies to employees of all areas of business in the Group.

Inditex's most characteristic variable remuneration system is the monthly commission which rewards the store employees' commitment to relevant aspects, such as opinion about the product, store coordination and organization as well as sales results. Decision-making and initiative are encouraged at all levels and the responsibility taken is rewarded proportionally.

Personnel expenses (in thousands of euros)

	2018	2017
Salaries	3,428,015	3,274,697
Inditex's social security contributions	707,672	686,540
TOTAL	**4,135,687**	**3,961,237**

In addition to the *variable* remuneration, during the financial year 2018, Inditex distributed 32 million euros among 92,000 employees who have been with us for more than two years. This is the second cycle of the Profit Sharing Plan 2017-2018, through which 10% of the increased revenue is distributed among the workforce.

Out of the 32 million euros distributed, seven million correspond to the profit increase and 25 million correspond to an additional contribution made by the Company to complete the Plan. Since the first plan was approved for the 2015-2016 period, Inditex has distributed 153 million euros among its employees. As of 2019, a new plan starts with specific objectives, which, in the case of stores teams, will be linked to the store's increase in sales.

Merco and Universum: Inditex's employer brand

- For an eighth consecutive year, **Merco Personas** has named Inditex the *Best Company to work for in Spain*.
- ***Universum***, on the other hand, ranks the 100 best companies to work for based on university student surveys. In 2018, Inditex once again received the third place in the Business and Sales category, which also achieved in 2015, 2016 and 2017.

Beyond these policies, Inditex has formulas adapted to the interests of its employees under the labour legislation framework for each of its subsidiaries. An example of this is flexible remuneration, which is available to all employees in Spain and lets employees choose products and services, such as medical insurance, the restaurant card or the nursery cheque, which lead to tax savings.

Regarding employee benefits, Inditex has the *Más x Menos* service, a specialized site that channels third-party discounts for employees of the Group. It is available in Spain, Portugal, Italy and Mexico and gives employees access to discounts from other countries, which considerably broadens the range of offers available.

3.2. Gender pay gap

In terms of methodology, wage gap is the most representative indicator to review gender wage gap. Wage gap is calculated based upon the median salary in each market, weighted with the weight of each activity area within the Group (store, HQ, logistics and factories). Such median is weighted in turn with the weight of each market on the aggregate number of employees. As a result, a global reliable indicator of wage gap between male and female workers is obtained.

The outcome of the analysis carried out shows wage parity between men and women at Inditex. In terms of aggregate remuneration, women are paid 0.8% more than men in the Group.

Since the approval of the first Profit Sharing Plan in 2015, Inditex has distributed a total of 153 million euros among its employees.

When divided by geographic areas, the percentage does not vary much: in Spain a woman's pay is 1% above a man's pay; in Europe an America it slightly falls to 0.2% and 0.3% respectively; in Asia and the rest of the world salaries for men and women are practically at the same level (0%).

Furthermore, due to the method used at Inditex, where employment is converted to the *full-time-equivalent (FTE) model*, the percentage of the total is 89.3%, which is equivalent to 155,727 full time employees.

In this sense, the overall average pay at Inditex – understood as the mean value of salaries in the entire Group converted to euros using the average exchange rate in 2018 – reached an annual gross salary of 20,996 euros.

To put this figure in context, it is important to point out that Inditex's workforce in Spain, the market where its headquarters are based, only represents 28% of the total and a relevant part of the remaining 72% of the workforce are located in markets where salaries converted to euros translate into lower average remunerations.

3.3. Social relations

Inditex is firmly committed to respecting the labour rights of its employees throughout the world and, in particular, the right of participation, which is viewed as an essential component of sustainable development in its business model.

An important part of this commitment is the Global Agreement which Inditex signed with the global union federation UNI Global Union in 2009. It encompasses commerce and distribution unions, among others, and represents more than 20 million workers worldwide. The Agreement applies to 100% of the Group's workforce and sets out minimum rights, given that legal and contractual provisions and collective bargaining agreements which grant more rights, are observed in any case.

Regarding collective bargaining by country, the percentage of employees covered by local agreements in Europe is about 70%. Due to opening new markets (especially in Asia) this percentage with regard to local collective bargaining agreements is slightly lowered to 60% at a global level.

Inditex's European Works Council

100% of the Inditex Group's employees are covered by a Global Agreement signed with UNI Global Union. Furthermore, in Europe, their interests will be strengthened thanks to the implementation of the European Works Council.

This is the result of continuous, open and constructive dialogue between Inditex and the trade unions. On September, 25th 2018, the Agreement for the foundation of the European Works Council was signed within the Inditex Group, a step which shows the relationship between Inditex and the trade unions.

This Council was created to become a body that guarantees and ensures the effectiveness of information and acts as an advisory body for the workers in transnational matters. The European Works Council's first plenary meeting took place during the first semester of 2019.

3.4. Occupational Health and Safety

Index's Occupational Health and Safety Policy firmly upholds that occupational health and safety enable and increase productivity and guide the way in which the Company carries out its business activities.

Thanks to these rules, we keep the achievement of the highest standards in Health and Safety a priority and take all actions to guarantee the safety of the workers, customers and suppliers in the work centres.

During the financial year 2018, we continue to opt for the implementation and renewal of the OHSAS (*Occupational Health and Safety Assessment Series*) 18001:2007 certifications, which define the requirements for establishing, implementing and operating an effective Occupational Health and Safety system. The standard was renewed for all companies and brands of the Group in Spain, Italy, the United Kingdom, Ireland, Portugal, Mexico, Greece and Turkey and it was extended to Japan and Croatia.

The estimation for 2019 is to advance with the transition to the new ISO 45001:2018 certification system, the highest international standard for Management Systems. Besides including all companies of the Group which have already been certified under OHSAS 18001, it will be extended to Russia, Germany, and Bulgaria. The first Distribution Centre outside of Spain in Cajamar (Campinas) in Brazil will also be certified.

During the financial year the following external OHSAS 18001:2007 management audits have been carried out:

Management System Audits	Number
Own Managed Stores	628
Logistic Centres	5
Factories	4
Central Services	19

Throughout 2018, we have taken different actions to ensure safety in the work centres. We have implemented Emergency and workplace Self-protection plans in 33 markets, South Korea, United States, Greece, Italy, Japan, Mexico, Poland, the United Kingdom, Romania, Russia, South Africa and Turkey, among others.

Furthermore, we have developed evacuation simulations or fire safety training and actions that address special situations in case of civil emergencies. For example, in Turkey 228 stores in nine cities developed a protocol for the event of natural disasters. And in France 382 store managers, cashiers and sales teams have been trained by specialists to manage customer relations.

As part of the actions taken to intensify traffic safety in the logistic centres, a Mobility Plan was implemented in 2018 for Plataforma Europa in Zaragoza and another one for Plataforma Meco and the procedure for the plan regarding the logistic centre in Arteixo has been started. During 2019, the plans will be launched for the platforms in León, Narón and Cabanillas.

Accident rate indexes:

SPAIN

	Incident Rate[1]	Frequency Rate[2]	Severity Rate[3]
OWN MANAGED STORES			
Women	18.00	14.70	0.41
Men	20.70	14.60	0.25
LOGISTIC CENTRES			
Women	107.80	70.90	1.96
Men	126.50	78.80	1.65
OWN FACTORIES			
Women	73.80	53.60	1.82
Men	167.70	102.00	3.00
CENTRAL SERVICES			
Women	3.20	1.80	0.05
Men	2.20	1.20	0.07

EUROPE

	Incident Rate[1]	Frequency Rate[2]
Women	19.30	16.90
Men	17.00	14.70

ASIA AND REST OF THE WORLD

	Incident Rate[1]	Frequency Rate[2]
Women	6.70	5.40
Men	3.50	2.80

AMERICA

	Incident Rate[1]	Frequency Rate[2]
Women	12.00	9.10
Men	11.40	8.50

[1] Rate of Incidents with leave = (Number of accidents resulting in leave *1,000) / Average number of workers.

[2] Frequency Rate = (Number of accidents resulting in leave *1,000,000) / Number of hours worked.

[3] Severity Rate = (Number of leave days *1,000) / Number of hours worked.

Fostering healthy habits

Inditex encourages and promotes its identity as a Healthy Workplace, a distinction based on the World Health Organization's model which identifies the mainstreaming in people's Health and Safety management based on physical and psychosocial aspects, resources allocated to the workers' health and participation in the community. All companies in Spain already received the certification in the year 2015, in 2018 the United Kingdom and Ireland received it and Italy will be included in 2019.

In 2018, the World Day for Safety and Health at Work was dedicated to the prevention of accidents while travelling to work and a global awareness campaign was carried out with the participation of all markets where Inditex operates and all companies of the Group in Spain.

Among the specific actions, *INhealth* is noteworthy. This is a site that focuses on promoting health and healthy habits for employees of the Group and was joined by Switzerland and Turkey in 2018. As of the closing of the financial year, it had 60,173 active users in Spain, Greece, Italy, Mexico, Portugal, the United Kingdom, Switzerland and Turkey.

Other notable actions related to health were the organization of the Pink October for breast cancer prevention in markets such as Brazil, the United Kingdom, Italy and Spain; the implementation of a protocol to prevent harassment and discrimination with the participation of 165 workers from Australia; or the *Fit@Work* bag activity launched in Germany. The latter activity included 2,000 workers receiving a healthy *pack* to do specific exercises for the prevention of musculoskeletal disorders.

Furthermore, 199 of our people in the United Kingdom took part in the Wellness Week in Central Services, which included healthy breakfasts, personal ergonomics advice or Batak Wall classes; and in Brazil SIPAT (*Internal Work Accident Prevention Week – in Spanish: Semana Interna de Prevención de Accidentes de trabajo*) was implemented, which gave 300 workers from stores in Sao Paulo a chance to do postural *blitz* gymnastics to prevent ergonomic risks as well as to get specific health checks.

The dozens of actions to promote healthy habits carried out in Spain also deserve special mention. Notably the Three Solidarity Miles, our charity race at our headquarters in Arteixo where 700 people participated to collaborate with the Asociación de Enfermos de Alzheimers (Association for persons suffering from Alzheimer's disease) from A Coruña. The campaign *#fumaryanoescool* (smoking is not cool anymore), a challenge to go 100 days without smoking through the INhealth platform, was launched in all Pull&Bear stores; and the *I love Heart* health campaign for cardiovascular risk prevention was launched in Stradivarius.

4. Social commitment

Inditex's human resources policy reflects accurately our commitment to the community. It is expressed in two ways: through promoting the employment of groups with special needs or that are in vulnerable situations, and through launching social projects driven by employees.

Hundreds of employees contribute individually and voluntarily from their workplace to projects and initiatives which have shown to be very useful for society and participants alike. In 2018, the most notable news in this regard were the opening of a new store of the *for&from* solidarity franchise in Madrid, which involved the inclusion of Uterqüe in the project; the continuous growth of the Salta project that now reaches more markets; and new innovative projects that had a social impact, such as holding the *Social Energy* event in all central offices.

4.1. Salta Project

The Salta Project, which aims to improve the employability of young people in vulnerable situations in our stores, factories and logistic centres is operating in 13 markets. In 2018, it was introduced in South Korea and Turkey and was continued in the countries where it had already been implemented: Spain, France, Italy, Greece, Germany, the United Kingdom, Poland, Portugal, Mexico, Brazil and the United States.

Thanks to this project, 197 people were hired at Inditex in 2018. Furthermore, 480 employees participated as trainers, tutors and mentors to ensure proper inclusion of the new employees on the job and in the Group.

This project was created in 2008 in France under the name *Project Jeunes* and has provided work for a total of 1,170 people over the course of 11 years, 52% of which continue to work in the Group. In addition, collaborations with over 40 organisations and foundations have come to fruition since its beginnings.

4.2. *Teaming*

Teaming is an initiative that enables employees to donate a fixed monthly amount out of their payroll to one out of three suggested social projects and Inditex will, in turn, double the donated amount. It is operating in nine markets of the Group (Spain, Portugal, France, Italy, Germany, Poland, the United Kingdom, Ireland and Mexico) and over 30,000 people participated in its first edition, which was extended until February 2018 and raised nearly a million euros.

Each employee chooses to donate to one out of three projects selected by Inditex. In 2018, the project that received the highest commitment from our people was *Childhood and nutrition for the future* by MSF (Médecins Sans Frontières), which received the support by 62% of the people involved and achieved that 4,700 children received treatment against malnutrition and that 2,300 women and their babies received care during childbirth in Guinea-Bissau. Moreover, almost 24,000 children were vaccinated against measles.

29% opted for Oxfam's Project *Water, Source of Life* to provide sanitation for over 15,000 people in the city of Bangui in the Central African Republic as well as drinking water to over 2,000.

9% of our people selected the Red Cross's project *Dreams without malaria* which succeeded in reducing the mortality of the population served in the Democratic Republic of the Congo by 22.5% while raising awareness of this disease among 1,300 families.

4.3. *for&from*

for&from is an Inditex programme for socio-occupational integration for people with disabilities and it takes form by launching stores under the image of the different brands of the Group. The stores follow an outlet model. They are managed by non-profit organisations and staffed by people with disabilities.

Following an initial investment by Inditex to build the store, the model becomes self-sustainable for the social organisations through product sales. The *for&from* stores supply clothes and accessories from the preceding season sold at competitive prices, and the generated profits are reinvested entirely in the organisations that manage them in order to fund projects that provide care for people with disabilities.

During 2018, a new store was launched in San Sebastián de los Reyes (Madrid) under the Uterqüe brand and in collaboration with Fundación Prodis. Furthermore, the Oysho store that was already operating in Palafolls was relocated and enlarged.

The programme has 14 stores, which generate 166 jobs. In 2018, turnover from the programme reached 11 million euros and generated a profit of more than one million euros, which was entirely reinvested into the social organisations that manage the stores: Fundación Molí d’en Puigvert; the Confederación Galega de Persoas con Discapacidade (COGAMI); non-profit cooperative Moltacte; the Asociación Pro-discapacitados Psíquicos de Alicante (APSA); and Fundación Prodis.

4.4. *Social Energy*

In 2018, all of Inditex's central offices in Spain launched *Social Energy*, an initiative that unites sports and solidarity in our central offices' gyms and facilities in A Coruña, Barcelona and Alicante. Our people generate solidarity points through guided sessions and the use of sports equipment, and Inditex converts each accumulated point into one euro. A total of 72,970 solidarity points was achieved which translated to a total amount of 72,970 euros in donations for two social initiatives: the *Cuida'm* project by the Hospital Sant Joan de Déu and the *Journey to Life* Programme by the *Fundación Tierra de Hombres*.

INTEGRATED SUPPLY CHAIN MANAGEMENT

Knowing where our articles are produced is what we refer to as traceability, an essential principle that allows us to know the conditions in which they are produced, to share this information and to address both the social and environmental challenges, and those relating to the health and safety of our products.

Photo: Employees in the central offices of Pull&Bear in Narón (A Coruña).

SDG	TARGETS	INDITEX'S CONTRIBUTION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.2**	Our commitment to traceability, transparency and innovation in managing the supply chain is key to ensuring a responsible model of both production and consumption. In this way we work to ensure that our principles of sustainability are applied throughout our whole supply chain, which in 2018 comprised 1,866 suppliers and 7,235 factories.

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

R&D INDICATORS – INTEGRATED SUPPLY CHAIN MANAGEMENT		
	The scale and heterogeneity of Inditex's supply chain requires being able to operate with analytical capabilities to handle massive volumes of data. The analytical and integrated processing of such data represents an opportunity for furthering our knowledge, measurement, monitoring and control of the supply chain from the social, environmental and product safety perspectives. To this end, Inditex develops IT tools that allow it to enhance supply chain traceability and provide the teams involved with secure and effective access to the information they need. More information about our R&D projects on page 91 of this Annual Report.	
	Investment earmarked to R&D	€ 1,098,338

Inditex has engaged an independent study to identify and measure the R&D effort in each of the Group's areas. The results are reported on in the various chapters outlining Our Priorities and are expressed in terms of investment (in euros) and the key projects carried out. The overall results of the study as well as an explanation of the assessment and the criteria used, is available in the "Sustainability, in figures" chapter.

More information on pages 292 and 293 of this Annual Report.

Traceability: the cornerstone of integral management

Having a supply chain that is stable, sustainable, close, highly specialised, agile and flexible is one of the keys of Inditex's business model and one of our competitive advantages. This is how we create and commercialise fashion that is customised to the preferences of our customers all over the world. To do this, we need to establish a long-term relationship with our suppliers, using innovative solutions that ensure that we control every production centre our garments pass through and are aware of the social and environmental challenges and those relating to product safety and quality that need to be addressed on their journey.

We apply this work philosophy to our whole supply chain, both to manufacturers who are geographically close to headquarters (57% of the total) and the others who are based worldwide. We ensure that we are constantly monitoring the production units that are involved in producing our garments. Thanks to this, responsibility for managing the supply chain is shared by all areas of the Company. An innovative and integral approach that starts, at the front line, with the design, purchasing and quality teams, always close to the suppliers, who work on samples and prototypes, ensuring that the production of our collections faithfully reflects the model created on our design tables.

At the same time, the sustainability teams promote the application of social and environmental criteria and those relating to product health and safety to all these processes, adapting solutions to reflect the local conditions and the specific challenges to be addressed, always prioritising the workers and taking into consideration the specific characteristics of each work centre and its environment.

From this dynamic, one of our priorities is to ensure

decent working conditions for the workers of our non exclusive suppliers and factories that produce the articles that Inditex sells. This ensures a *Socially Responsible Supply Chain.*

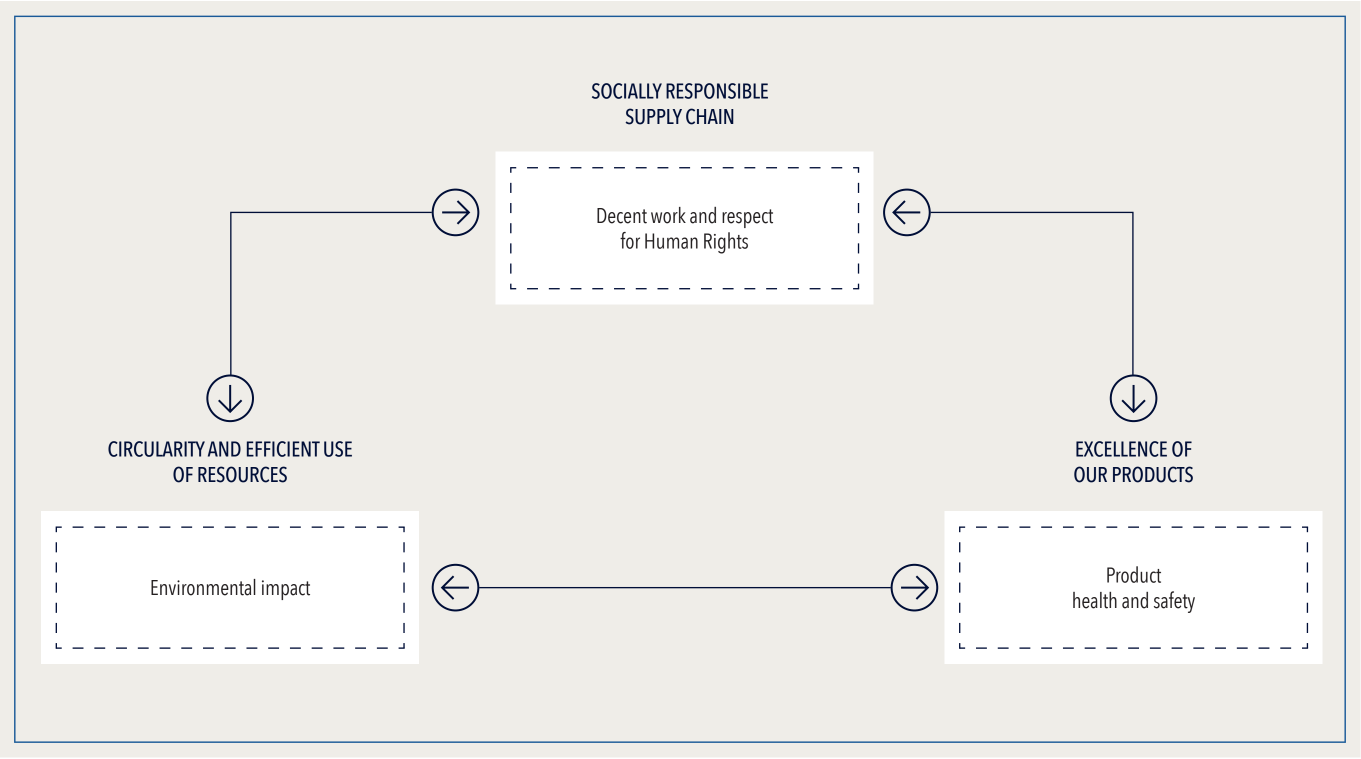
More information on pages 96 to 145 of this Annual Report.

Similarly, traceability allows us to establish mechanisms to ensure that the products bought by our customers have the highest health and safety standards. This area of work is included under the heading *Excellence of Our Products*.

More information on pages 146 to 167 of this Annual Report.

This management is completed with our work to ensure the environmental sustainability of our production and of our value chain. For this we apply assessment and improvement policies and programmes, which are part of our commitment to *Circularity and Efficient Use of Resources.*

More information on pages 168 to 191 of this Annual Report.



INNOVATION

POLICIES AND STANDARDS

Code of Conduct for Manufacturers and Suppliers.

Product health and safety standards *Clear to Wear* and *Safe to Wear*.

Specific environmental strategies, for example Water, Energy and Biodiversity

INFORMATION MANAGEMENT

Innovative internal systems that include all the manufacturing processes and levels.

Space for making informed decisions on purchasing and production.

INCLUSION OF SUSTAINABILITY CRITERIA

Only suppliers and manufacturers who meet the Sustainability standards of the Inditex Group can be used.

100% traceability and transparency.

TRACEABILITY

The Inditex supply chain in 2018

1,866 suppliers with purchase in 2018*

Direct and close relationship.
All factories are declared in the product traceability system.
All subject to sustainability standards.

EUROPE (NON-EU)
200 SUPPLIERS
1,602 FACTORIES

EUROPEAN UNION
459 SUPPLIERS
2,118 FACTORIES

AMERICA
22 SUPPLIERS
34 FACTORIES

AFRICA
145 SUPPLIERS
403 FACTORIES

ASIA
1,040 SUPPLIERS
3,078 FACTORIES

7,235 factories declared by suppliers in 2018**

57% of the factories close to the headquarters in Spain.
No differentiation is made between tiers of production.
All subject to sustainability standards.

1,286	238	4,905	326	142	338
RAW MATERIALS	CUTTING	SEWING	DYEING AND WASHING	PRINTING	FINISHING

A COMMON TOOL

Product traceability system
Traceability audits

INTEGRAL ASSESSMENT

Social	Pre-assessment audits Social audits Special audits
Product Health and Safety	Ready to Manufacture audits Picking Programme
Environmental	Green to Wear audits

CONTINUAL IMPROVEMENT

Training and awareness
Corrective Action Plans
Collaboration with stakeholders

* Suppliers with purchase in 2018 of fashion items, mainly clothing, footwear and accessories with production for Inditex of more than 20,000 units/year. Suppliers with lower production account for 0.23% of the total production.

** Textile, footwear and accessory factories declared by suppliers in the product traceability system for orders in 2018.

For those factories involved in more than one process, figures refer to the main process performed. Due to the updating and improvement of Inditex's traceability tool, the information on the processes is not fully comparable with that of previous years.

R&D ENHANCING MANAGEMENT OF THE SUPPLY CHAIN

PROJECTS UNDERTAKEN IN 2018

The incorporation of strategic and technological innovation into our supply chain management system is enabling us to have a bigger, more holistic and longer-lasting impact on the social and environmental conditions in which our products are made, while boosting product quality and safety. Accordingly, application of supply chain innovation is articulated around four key principles:

MAXIMISING OUR REACH

Deepening our knowledge of the supply chain

To enhance supply chain and raw material traceability, in 2018 we expanded the scope of the information required from our suppliers via the traceability IT tool.

INTEGRATION

Integrating sustainability into our business areas

The Sustainability Department is working with other teams across the Company on new tools and developments to ensure sustainability throughout the supply chain, framed by a holistic approach.

APPROVAL AND ASSESSMENT

Reinforcing the mechanisms for approving and continuously evaluating our suppliers

We have added new due diligence mechanisms to our supplier certification process. We have also integrated the new metal detection audit (Safe to Wear) to the system to verify which suppliers have the means to ensure that our products are free from metallic items.

WORKER TECH

Bringing technology to supply chain workers (Worker Tech)

The incorporation of technology into the supply chain stands to benefit its workers by offering them opportunities for training, better payment methods vis-à-vis their employers and higher assurance regarding due diligence mechanisms.

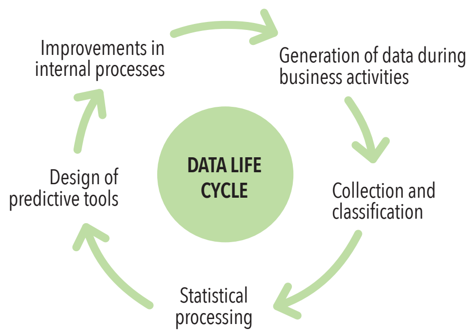
More information on page 106 of this Annual Report.

INFORMATION MANAGEMENT AND DATA PROCESSING

The supply chain traceability effort enables us to collect, organise, process and analyse large volumes of data that can help us with our monitoring work. Data processing for predictive purposes creates an opportunity for better control of impact and risk and constitutes a competitive advantage.

Statistical dimension of control and analysis programmes

Development and implementation of the Picking Project has enabled us to aggregate an unprecedented volume of data concerning the cycle of producing the products we sell which Inditex, together with Santiago de Compostela University, is analysing statistically. The first step has been to standardise all of the information gathered for subsequent processing. The project is currently focused on searching for patterns within the activity data for subsequent integration of the conclusions into the processes used to produce goods for Inditex. The final result will be to improve processes, reassign resources efficiently and create internal knowledge databases that can be used for other product health and safety programmes.



More information on page 163 of this Annual Report.

1. Traceability of the supply chain

In 2018 we continued to incorporate innovative tools and methodologies aimed at improving traceability of the products and processes in our supply chain. They also aim to monitor and prevent any non-compliance of our suppliers with their obligation to identify all participants in the preparation of our collections.

| Traceability milestones

2014
- **2,463** traceability audits.

2015
- **2,866** traceability audits.

2016
- **2,776** traceability audits.
- Preparation of traceability policy together with buying teams.

2017
- **2,621** traceability audits.
- Development of traceability policy
- Requirement of Production Control Plans from 81 suppliers to improve together.
- Study and analysis of suppliers' production management and control systems.

2018
- **2,546** traceability audits.
- Preparation of a standard methodology for the launch strategy of traceability audits, risk analysis, planning and reporting.
- Development of the first version of assessment of the suppliers' production management and control systems, through 158 assessments of Control and Management Systems.

New traceability tool

For the sustainable and integral management of the supply chain is it essential to continue developing the IT tools that we use to ensure our knowledge of it. In October 2018 we completely updated the application of traceability, enabling us to obtain information about the production centres that is increasingly complete and accurate, from the finished product to the raw materials used in them, including all the intermediate processes.

Traceability audits

Throughout the year 2,546 traceability audits were carried out, aimed at verifying, on site, the information provided by our suppliers. In this way, we ensure that the only factories that work on our collections are those that are authorised by Inditex, and where we have checked that they comply with our sustainability requirements. The number of breaches of our traceability requirements identified was 235, lower than previous years, thanks to the continuing implementation of methods of prevention and monitoring by the specialist team that, working together with the suppliers, is responsible for this management. In all these cases, corrective plans have been established and the supplier is given support to improve. If the breaches are repeated, the supplier will be blocked. Eight suppliers were blocked in 2018 for this reason.

New strategy for audit triggering

During the year, work was carried out on updating the criteria that triggers traceability audits based on different factors and in standardised report and implementation procedures for all the internal traceability control teams who work in the production clusters. The pilot tests for updating the methodology were carried out in Turkey, with a total of 206 audits with this new format.

Assessment of control and management systems

In 2018, following the work carried out in the previous year, 62 production control plans were designed by the suppliers, with the aim of reinforcing their management systems and ensuring traceability.

Furthermore, the Sustainability Department carried out 158 assessments of management and control systems used by the suppliers. This work was carried out in cooperation with the Business Organisation Department of the School of Industrial Engineering at the University of Vigo, based on the joint development of a questionnaire covering different relevant aspects of organisation and management. We intend to identify how the suppliers' internal organisation ultimately affects the sustainability of our productions.

In 2019 we will continue to proceed implementing this model, which will allow us to identify the root cause of potential weak points in suppliers' production organisation and to identify areas for management improvement.

Training and awareness

Throughout the year, 209 individual meetings were held with suppliers in eight production clusters, concerning specific aspects of traceability in their supply chain. In total, during the year, 838 suppliers were given training on the subject of traceability in collaboration with our purchasing teams.

2. Raw material traceability

Our traceability system identifies all those involved in the production of our garments, from the thread that is made into fabric, up to when this fabric is cut and the pieces are sewn. Also all the intermediary manufacturers who may be involved in its washing, dyeing, ironing and other processes are traced.

Similarly, we have been moving forward for years on the issue of traceability from the thread right back to origin of the raw material from which it is made. In this way we are also able to improve our knowledge of their production systems and ensure compliance at this stage with regulations and our Code of Conduct for Manufacturers and Suppliers.

The responsible production of clothes starts during its design as this is when the raw materials are chosen. With a better knowledge of their origin, we can choose the most sustainable, as we have done in the Join Life collections which incorporate best practices in social and environmental matters.

Within the raw materials of natural origin, cotton is one of the most widely-used textile fibres in the world.

In order to promote progress in this field, we collaborate with other agents in the sector on initiatives that promote the sustainability of cotton, for example, Better Cotton Initiative (BCI), Textile Exchange and Organic Cotton Accelerator.

In this context, we have actively participated in operations in the cotton fields led by the Fair Labor Association (FLA), whose objective is to understand better the employment practices and working conditions in the sector. This intervention was centred on the cotton sector in Turkey, together with IPUD (a local partner of BCI in Turkey) and other international brands in the sector, and it provided an impetus for improvement in various areas.

With respect to natural raw materials from forest products, the traceability system allows us to meet our commitment to only use cellulose fibres from sustainably-managed woods.

Likewise, we have continued to implement traceability mechanisms that allow us to ensure directly that raw materials of animal origin are only secondary products and not the main reason for the slaughter of an animal, in accordance with our commitments.

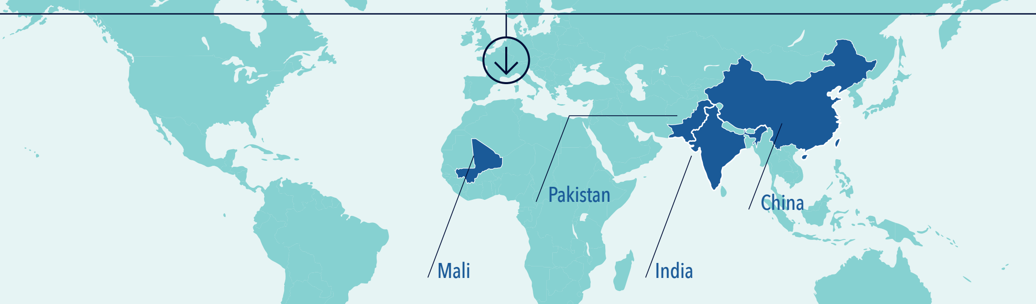
On the other hand, for raw materials of synthetic origin like polyester, our approach is based on the circular economy system, with which we promote the use of recycled material. We also continue to investigate the traceability of its provenance before it is converted into the corresponding fabric.

Public Private Agreement with the International Labour Organization for the cotton supply chain

During the year we continued to work with the International Labour Organization (ILO) to strengthen the Fundamental Principles and Rights at Work in cotton production and to contribute to the sustainability of the supply chain of this raw material. Within the framework of the Public Private Partnership (PPP) Agreement signed in 2017, Inditex has improved its knowledge of the raw material supervision and control processes, from the perspective of traceability and from the perspective of improving working conditions.

This agreement helps us to promote the fundamental rights in the cotton-producing communities in India, Pakistan, China and Mali. To do this it adopts a cooperative approach with different stakeholders nationally and in the communities themselves.
The agreement is based on the following strategic framework:

1. To increase knowledge of fundamental principles and rights at work in the cotton supply chain.
2. To promote respect for the fundamental principles and rights at work in the cotton-producing communities.
3. To contribute to significant social dialogue and to industrial collaboration in respect of fundamental principles and rights at work.



In 2018 the agreement was applied to awareness raising and capacity development in countries such as India, China or Pakistan. It is also relevant to the appointment of representatives of the ILO as project coordinators; they will initiate the activities that fall within the scope of the project, with the support of our local Sustainability teams. Moreover, a dialogue with the authorities and civil society organisations was initiated to secure a consensus that will facilitate application of the agreement.

We share all the information about our supply chain with our stakeholders.

3. Transparency of the supply chain

In an exercise of accountability and transparency, we share all the information about our supply chain with our stakeholders. In this way, not only do we meet our commitment to transparency, but we also promote a more sustainable management of the supply chain.

Stakeholders	Action
IndustriALL Global Union	Transparency is one of the pillars of our collaboration with IndustriALL Global Union, developed within the Framework Agreement that we have with this union federation. IndustriALL has access to the complete list of our suppliers and manufacturers, including their production volumes with the Group and their degree of compliance in sustainability. This information is updated regularly, so facilitating our cooperation in the field with IndustriALL and with its various local affiliates, to whom we provide access to all the companies in our supply chain. More information on page 102 of this Annual Report.
International Labour Organization (ILO)	With the objective of working on the assessment and improvement of conditions in the factories, we share with the ILO information on our supply chain in the countries where we participate in the Programme Better Work. A total of 116 factories in our supply chain in Cambodia, Vietnam, Indonesia and Bangladesh formed part of the programme in 2018. More information on page 103 of this Annual Report.
Greenpeace and the Institute of Public & Environmental Affairs (IPE)	We provide all our stakeholders access to the environmental information relating to our productions. For this, the list of direct and indirect factories that carry out wet processing declared by our suppliers can be consulted by the public on the website: www.wateractionplan.com
Customers	We also address the concerns of our customers in relation to sustainability. We provide information on the origin of our articles, as well as the conditions of the workers involved in their production, whenever requested. In 2018 we answered 42 requests for information from our customers.
Investors, stock market indices, NGOS…	Throughout the financial year, different stakeholders and organisations representing them ask us for social, environmental and/or financial information either on an occasional or regular basis. The commitment shown by Inditex to provide this information has been positively acknowledged by several organisations, such as the Dow Jones Sustainability Index, FTSE4Good, Fashion Revolution, Know the Chain and Baptist World Aid Australia, among others. More information on page 275 of this Annual Report.
Other companies in the sector	We share information on sustainability with several brands and companies in the sector with whom we collaborate in order to further sustainability in the industry. One initiative that is an example of this collaboration is ACT (Action, Collaboration, Transformation). More information on page 103 of this Annual Report.

SOCIALLY RESPONSIBLE SUPPLY CHAIN

Our supply chain comprises more than 2 million people working for over 1,800 suppliers and 7,000 non-exclusive factories. Our "Workers at the Centre" programmes aim to maximize the positive impact of our activity, creating socially sustainable working environments for our employees via a range of measures implemented on the ground by our teams in each production area or cluster. Inditex's Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018 was the basis of this approach, which we will continue to develop over the next four years.

Photo: Employees at Zara Woman's head offices in Arteixo (A Coruña).

SDG	TARGETS	INDITEX'S CONTRIBUTION
3 GOOD HEALTH AND WELL-BEING	**3.9**	Worker health and safety is an essential element of our strategy for the supply chain, as reflected in our Code of Conduct for Manufacturers and Suppliers. Apart from verifying compliance with the Code of Conduct through audits, we develop specific programmes to ensure health and safety in factories. In 2018, we signed the Bangladesh Transition Accord to keep contributing to the sustainability of the sector in that country.
5 GENDER EQUALITY	**5.1** **5.2**	We have developed a Women Empowerment Strategy in the Supply Chain, which is based on SDG 5 and has three main themes: health, protection and empowerment. The various programmes and measures we develop in each of these areas contribute to guaranteeing equality for women and promoting their empowerment within the supply chain.
8 DECENT WORK AND ECONOMIC GROWTH	**8.5** **8.7** **8.8**	Workers are the hub and focus of all of our activities in the supply chain. The Strategic Plan 2014-2018 that came to an end last year has contributed to developing measures designed to protect labour rights. Moreover, our *Workers at the Centre* programmes add value to priority areas, allowing us to contribute to promoting decent work and sustainable economic growth for the more than 2 million workers employed by our suppliers.
17 PARTNERSHIPS FOR THE GOALS	**17.16** **17.17**	In line with our conviction that progress on the sustainable development of the supply chain can only be achieved when we work with all of the stakeholders involved in the supply chain, we have joined forces and built strategic alliances with our suppliers and with trade unions, governments, NGOs and relevant international organisations such as the International Labour Organization and UN Global Compact. In 2018, we joined the *Better Than Cash Alliance.*

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

R&D INDICATORS – SOCIALLY RESPONSIBLE SUPPLY CHAIN		
	Over the course of 2018, Inditex rolled out R&D projects that combine disciplines from the fields of technology, social science and industrial organisation with the aim of developing new organisation and management systems, taking a novel and unique approach centred on the welfare of workers. In parallel, it applied R&D projects in the social sciences arena with the aim of improving the methodologies used to ensure compliance with Inditex´s codes and standards applied as part of its responsible supply chain management strategy.	
	Investment earmarked to R&D	€ 989,195

Inditex has engaged an independent study to identify and measure the R&D effort in each of the Group's areas. The results are reported on in the various chapters outlining Our Priorities and are expressed in terms of investment (in euros) and the key projects carried out. The overall results of the study as well as an explanation of the assessment and the criteria used, is available in the "Sustainability, in figures" chapter.

More information on pages 292 and 293 of this Annual Report.

Social sustainability of the supply chain

At Inditex we believe that we have a responsibility and opportunity to contribute to creating socially sustainable production environments for the workers in our supply chain, generating a positive impact with our activity in the textiles industry, which constitutes a major driving force for the economy and progress of many of the countries and regions where we are present. That is why we make sure that our suppliers and manufacturers work in a way in accordance with the responsible values and practices that characterize the Group, implementing programmes to promote improvements to the social and working conditions experienced in each production area or cluster, in constant collaboration and discussions with the bodies and institutions working in each cluster.

The companies that make up our supply chain are subject to our Code of Conduct for Manufacturers and Suppliers. They must comply with all of our standards before they can become part of our supply chain and to remain in that chain. Our Strategic Plan for a Stable and Sustainable Supply Chain has enabled us to organise our supply chain management from a socially sustainable perspective.

The Strategic Plan completed in 2018 has given rise to the Workers at the Centre programmes, structured around seven areas of action linked to the real situation of the supply chain.

Moreover, our work in clusters and our alliances with different stakeholders – including our Global Framework Agreement with IndustriALL Global Union and collaboration with the International Labour Organization (ILO) are key to our ongoing progress with the social sustainability of the supply chain.

All of these tools form the basis of our new Plan for 2022. Its central idea is that workers should be listened to and empowered to achieve an impact on their work environment, community and industry.

Tools for the sustainable management of the supply chain

CODE OF CONDUCT FOR MANUFACTURERS AND SUPPLIERS	Compliance with the Code of Conduct is an obligation of all our suppliers and manufacturers.	It establishes the minimum standards of ethical and responsible behaviour which they must meet in line with the corporate culture of the Inditex Group, which is firmly based on respect for human and labour rights.
STRATEGIC PLAN FOR A STABLE AND SUSTAINABLE SUPPLY CHAIN 2014-2018	This was the strategy in place over the last five years which set out the main action lines to be taken by Inditex to adapt to the sustainability needs of the supply chain.	Four lines of action: - Identification - Assessment - Optimization - Sustainability
WORKERS AT THE CENTRE PROGRAMMES	Programmes that add value to priority areas and advance on the creation of sustainable production environments.	- Worker participation - Living wages - Responsible purchasing practices - Women empowerment - Occupational health and safety - Protection of migrants - Training and awareness
WORK IN SUPPLIER CLUSTERS	These clusters offer spaces for cooperation and dialogue with the aim of promoting a sustainable production environment in a strategic geographical area and within the framework of compliance with human rights and fundamental labour rights.	Twelve supplier clusters account for some 96% of Inditex's total production.
PARTNERSHIPS	Joint work with different stakeholders, identifying challenges and seeking common solutions.	Global Framework Agreement with IndustriALL Global Union and alliances with the International Labour Organization, the UN Global Compact and Better Than Cash Alliance. Participation in ACT (Action, Collaboration, Transformation), the Ethical Trading Initiative and the Bangladesh Accord.

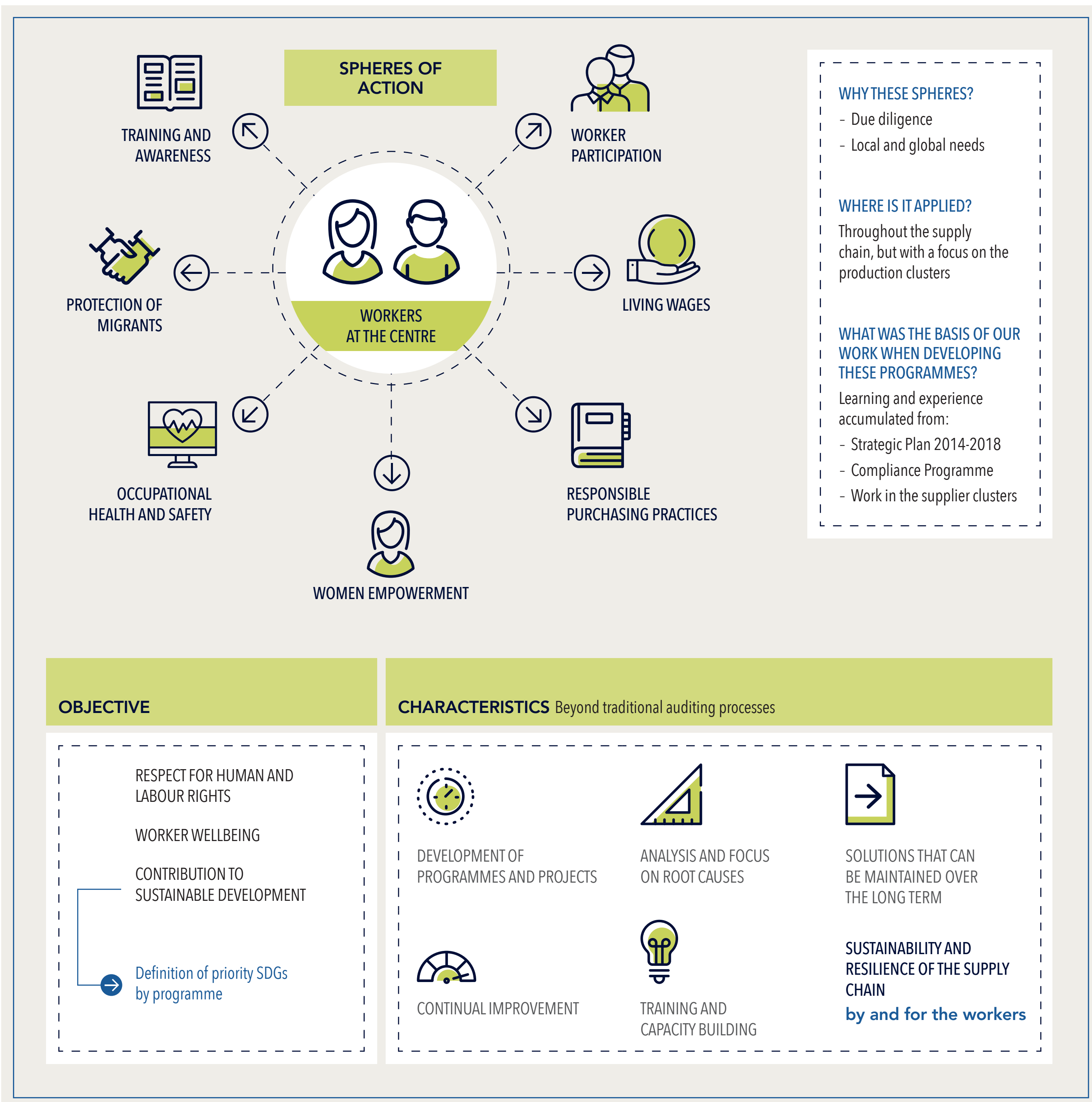
1. *Workers at the Centre*

Workers are the heart and focus of all of our activities in the supply chain. With our *Workers at the Centre* programmes we contribute to the Sustainable Development Agenda, mainly to the SDGs most closely related to the strategy, and in particular those goals in which our supply chain has the greatest impact.

More information on page 277 of this Annual Report.

The *Workers at the Centre* programmes focus on seven spheres of action established through a due diligence process and paying attention to local and global needs. These areas have been identified thanks to our close relations with workers and their communities by means of the clusters.

Despite being deployed in different spheres of action, all of the programmes have characteristics in common, such as the quest for continual improvement or a focus on training. But the most important thing they have in common is the workers themselves, whose wellbeing is the basis and purpose of all of the programmes.



1.1. Worker participation

Fostering mature labour relations through the effective participation of workers and their legitimate representatives.

	WORKER PARTICIPATION		
SDGs	8 DECENT WORK AND ECONOMIC GROWTH; 16 PEACE, JUSTICE AND STRONG INSTITUTIONS; 17 PARTNERSHIPS FOR THE GOALS		
	TARGETS	MILESTONES 2018	KPIs 2018
TRAINING AND AWARENESS	Training on trade union issues and promotion of active worker participation.	Internal training in India. Training for suppliers and manufacturers in Bangladesh, Bulgaria, Romania and India. Training for workers' representatives in India.	Five members of the Sustainabilty team trained. 86 suppliers and factories with 114,094 workers trained. Five local partners of IndustriALL India trained.
MULTILEVEL STAKEHOLDER RELATIONS	Participation in local and global initiatives with various stakeholders.	Collaboration with the International Labour Organization (ILO), the Bangladesh Accord, ACT (Action, Collaboration, Transformation), the Ethical Trading Initiative (ETI) and the *Foro Social de la Moda* (Social Fashion Forum).	116 factories with 162,557 workers in Better Work (ILO). Two factories with 2,201 workers in the ILO-GIP (ILO - Garment Industry Project) programme. Three factories with 7,752 workers in the Social Dialogue Programme (ETI).
TRANSPARENCY AND COLLABORATION ON THE GROUND	Share information on suppliers and manufacturers with IndustriALL to facilitate trade union access to work centres.	Programmes in Turkey, India and Bangladesh.	Programmes in 41 factories with 74,903 workers.

Worker empowerment and the promotion of social dialogue are the main bases of mature industrial relations fully grounded in the principles of freedom of association and the right to collective bargaining.

> We have had a Global Framework Agreement with IndustriALL Global Union since 2007. It is the first agreement of its kind since it encompasses an entire global supply chain. Along with the standards enshrined in Inditex's Code of Conduct, the Agreement sets out the principles governing our relations with the more than 1,800 suppliers and 7,000 factories that are part of Inditex's supply chain, albeit in non-exclusive collaboration.

1.1.1. Training and awareness

Social dialogue involving employers, workers and worker representatives is the fruit of interactions between these stakeholders, mainly within the representative bodies in work centres. Work centres are, therefore, the main spaces where we have carried out awareness-raising and training activities in conjunction with IndustriALL Global Union on the right to freedom of association and collective bargaining. Apart from continuing with existing initiatives, we developed new programmes in 2018 with the aim of making progress on the implementation of the Global Framework Agreement.

103-2, 407-1, 413-1

INTERNAL TRAINING	India: In 2018, we took the Global Framework Agreement further with training for Inditex's Social Sustainability team in India, imparted by IndustriALL Global Union.
SUPPLIERS	Bangladesh: The managers and representatives of workers from 11 suppliers and manufacturers (with more than 20,856 workers) attended a training activity on the Global Framework Agreement and promoting social dialogue with IndustriALL Global Union and its local members. Bulgaria: 17 suppliers and manufacturers (with more than 2,480 workers) were trained on industrial relations and the Global Framework Agreement with representatives of IndustriALL Global Union and its local members in the country. India: 54 suppliers and manufacturers (with 89,086 workers) were trained on industrial relations and social dialogue by IndustriALL Global Union and Inditex. Romania: Four manufacturers (with 1,672 workers) attended a seminar on the Global Framework Agreement. Participants included representatives of the Romanian government, IndustriALL Global Union and its local members, and representatives of the Romanian textiles industry.
WORKERS' REPRESENTATIVES	India: a training session was held for five local IndustriALL Global Union members on the Global Framework Agreement.

1.1.2. Multilevel stakeholder relations

Inditex considers its relations with stakeholders on social dialogue to be fundamental. In this sense, Inditex's strategic collaboration with IndustriALL Global Union is complemented by its collaboration with key organisations in the countries in our supply chain. This collaboration is led by the local teams in Inditex's Sustainability Department.

We collaborate with the International Labour Organization on their Better Work programmes, which complement the Global Framework Agreement in promoting social dialogue from a sectoral perspective, as well as at the work centres under the auspices of these programmes. Inditex participates with Better Work in Bangladesh (one factory), Cambodia (81 factories), Indonesia (eight factories) and Vietnam (26 factories), benefitting a total of 162,557 workers. Meanwhile, and also in the framework of the Better Work programmes, 17 factories in Cambodia participated in specific training on health and safety.

We have also developed the ILO-GIP (ILO Garment Industry Project) in two factories (2,201 workers) in our supply chain in Myanmar. This programme, which fosters social dialogue and labour relations, aims to improve employees' working conditions.

The Accord on Fire and Building Safety in Bangladesh (the Accord) is another of the initiatives promoted by IndustriALL Global Union and Inditex along with more than 190 brands in the textiles sector operating in the Asian country. Its main objective is to drive improvements in structural conditions to prevent fires and electrical problems in the more than 1,600 factories in the supply chain of the brands taking part in the programme, with a special focus on active participation of workers in implementing the initiative. It is also promoted by eight national-level trade unions and two global trade union organisations.

More information on page 125 of this Annual Report.

Inditex and IndustriALL Global Union led the ACT initiative along with other global textile brands. The aim of the initiative is to promote collective bargaining in the countries in the supply chains of the signatories to the initiative to promote better working conditions and living wages in the textiles industries in these countries.

More information on page 106 of this Annual Report.

Collaboration with the Ethical Trading Initiative on worker participation continued in 2018 with the implementation of the Social Dialogue Programme in three factories in our supply chain in Bangladesh (7,752 workers).

The *Foro Social de la Industria de la Moda de España* (Spanish Fashion Industry Social Forum) was founded in 2018 as a joint initiative involving organisations in the third sector, local trade unions affiliated to IndustriALL Global Union (the two major trade unions in Spain, CCOO and UGT) and various Spanish textile brands including Inditex. The initiative provides a dialogue forum on global supply chains for the various stakeholders.

1.1.3. Transparency and collaboration on the ground

Our relations with IndustriALL Global Union, an organisation representing 50 million workers in 140 countries, are governed by a mutual commitment to collaboration. We regularly share the complete list of our supply chain, at all levels and in all processes, with IndustriALL, including purchasing volumes and sustainability compliance levels.

This principle of transparency, along with access to all the production units of all of our suppliers, allows the two organisations to collaborate in an efficient way, establishing relations between local members of IndustriALL Global Union and Inditex's local Sustainability teams. The result of this is joint programmes to promote mature industrial relations in Turkey (17), India (1), and Bangladesh (23), which in 2018 benefitted some 74,903 workers.

> The Framework Agreement we entered into with IndustriALL Global Union is a fundamental tool for promoting social dialogue and respect for the right to freedom of association and collective bargaining in our supply chain.

1.2. Living wages

Achieving living wages in the industry through worker empowerment and participation.

	LIVING WAGES		
SDGs	8 DECENT WORK AND ECONOMIC GROWTH; 9 INDUSTRY, INNOVATION AND INFRASTRUCTURE; 10 REDUCED INEQUALITIES; 17 PARTNERSHIPS FOR THE GOALS		
	TARGETS	MILESTONES 2018	KPIs 2018
PROMOTING COLLECTIVE BARGAINING	Promote effective and fair collective bargaining.	Training for suppliers in India and Bangladesh. Seminars with IndustriALL European Trade Union in Romania and Bulgaria. Seminar with IndustriALL and the International Labour Organization (ILO) in Bulgaria.	86 suppliers and factories with 114,094 workers trained.
RESPONSIBLE PURCHASING PRACTICES	Training and awareness raising for internal purchasing teams.	Signing up to specific commitments in the framework of our participation in ACT (Action, Collaboration, Transformation), and the Memorandum of Understanding (MoU) signed with IndustriALL to promote the payment of living wages and responsible purchasing practices.	142 buyers trained and 107 individual awareness-raising meetings.
IMPROVED WORKING METHODS AND SYSTEMS	Programmes to improve working conditions for workers by means of improved factory management systems.	Lean Project in China, India, Portugal and Cambodia. SCORE programme in Turkey, China and Pakistan Other improvement programmes in China and Argentina.	18 factories with 11,505 workers involved in internal programmes. Seven factories with 6,508 workers involved in the ILO's SCORE Programme.
COLLABORATION WITH STAKEHOLDERS	Promote the payment of living wages in the industry in collaboration with various stakeholders.	Active participation in the ACT initiative. Adherence to the Better Than Cash Alliance.	Two countries as the main focus of activities in collaboration with ACT: Cambodia and Turkey.
SUPPORT CAMPAIGNS	Demonstrate our political commitment to achieving living wages in the industry.	Support for the process of negotiating wages in Bangladesh.	306 factories with 536,934 workers in the Inditex supply chain in Bangladesh.

Our Code of Conduct states that all workers in factories must receive a living wage, understood as adequate remuneration that allows workers to cover their basic needs and the needs of their families. Its effective compliance is one of the main challenges facing the textiles industry. At Inditex we are committed to achieving this ambitious goal through a strategy structured around five priority areas. This strategy impacts the whole supply chain, although certain actions are targeted at particular countries we have identified as a priority.

To develop this strategy we have turned to our in-depth knowledge of the supply chain (which is a result of our Compliance Programme compiling detailed information on wages) and our teams in the clusters, who are in constant and direct contact with the main stakeholders, including trade unions, employers' organisations and governmental organisations.

At Inditex, we are aware that one company alone is not going to achieve living wages for all; rather, the task requires cooperation from many textile brands and other stakeholders. Our participation in the Action, Collaboration, Transformation (ACT) initiative is a cornerstone of our action in this sphere. In this context, Inditex adheres to the ACT definition of a living wage:

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

Our living wage strategy is also linked to the activities we engage in as part of other *Workers at the Centre* programmes, in particular those concerning worker participation and responsible purchasing practices, since these are two of the main priorities of the strategy.

BETTER THAN CASH ALLIANCE

In 2018, we joined the Better Than Cash Alliance, an alliance of governments, businesses and international organisations whose objective is to promote the transition towards a digital economy worldwide. We believe that digitalization of the supply chain fosters the financial empowerment of workers and promotes transparency in transactions, factors that boost the development of our living wage strategy.

Moreover, the digitalization of wages and financial empowerment are strongly linked to the empowerment of women, given that such measures facilitate women's inclusion in the formal economy and in financial decision-making. To put these principles into practice, we have begun to collaborate on the HERfinance initiative from BSR Bangladesh within the framework of our Women Empowerment Strategy in the Supply Chain.

More information on page 121 of this Annual Report.

1.2.1. Promoting collective bargaining

Collective bargaining is a fundamental tool for improving labour conditions, including the payment of a living wage. Agreements between the parties involved through free and informed bargaining processes are essential to achieving real and sustainable progress. Thanks to our Framework Agreement with IndustriALL, Inditex is able to foster collective bargaining by imparting training programmes for workers and enabling them to freely elect their representatives. We must also highlight the purchase commitments developed for Cambodia by ACT to work towards the signing of a collective agreement in the country.

Geographic area	Factories in Inditex supply chain covered by collective agreements in 2018
Africa	45
America	33
Asia	78
Europe (non-EU)	19
European Union	2,031

We would like to highlight the following actions carried out in 2018:

- Training in Bulgaria and Romania. We participated with 21 suppliers (employing 4,152 workers) in seminars in January and November organised by IndustriALL Global Union and IndustriALL European Trade Union to strengthen trade union relations which, in turn, leads to improved working conditions and wages in the sector.

In Bulgaria, another seminar was organised in conjunction with IndustriALL and the ILO to raise awareness among suppliers of the benefits of collective bargaining and to increase their knowledge of the Framework Agreement and the tools it offers.

- Training in India for 54 factories (employing 89,086 workers) to facilitate dialogue on freedom of association and collective bargaining.

- Managers and workers' representatives from 11 suppliers and manufacturers in Inditex's supply chain (20,856 workers) attended a training activity promoting social dialogue with IndustriALL Global Union and its local members.

More information on page 102 of this Annual Report.

Fostering collective agreements: a commitment by everyone for everyone

1.2.2. Responsible purchasing practices

The link between purchasing practices and workers' labour conditions is a key aspect of achieving a living wage. Purchasing planning, pricing systems, delivery times and even the criteria used to assign orders to suppliers must be taken into account when creating a strategy of responsible purchasing practices.

Our Sustainability teams collaborate with purchasing teams and provide them with continual training to facilitate the payment of living wages. In 2018, some 142 members of our purchasing teams took part in training in this sphere, while 107 individual sessions were also held involving buyers from local teams.

in which we committed to ensuring that our Group's purchasing practices facilitate the payment of living wages. Thus, within the framework of ACT, in 2018 we designed five commitments in purchasing practices to support countries with national-level collective bargaining agreements between independent employers' organisations and freely elected trade unions.

Also connected to ACT, a Purchasing Practices Self-Assessment tool (PPSA) was created for those involved in the purchasing process with the aim of identifying the aspects that should be covered in purchasing practices guidelines. The questionnaire has served to identify and implement the aforementioned commitments and it will guide Inditex's action over the next year.

More information on page 113 of this Annual Report.

COMMITMENTS IN PURCHASING PRACTICES	IMPLEMENTATION IN INDITEX'S PRACTICES
- Provide training on best purchasing practices	- Continual training of purchasing teams.
- Communications and planning: Clarify the purchasing process for suppliers.	- Fluid, two-way communication with suppliers.
- Identify and isolate the labour costs of the product: Include and respect wages when negotiating a product.	- Consolidation of the use of pricing schemes in the purchasing process.
- Fair pay: Suppliers are paid according to fair conditions previously agreed between the parties.	- Purchasing conditions in line with Inditex's Code of Conduct and Responsible Practices.
- Responsible disengagement: When we decide to stop working with a supplier for whatever reason, that disengagement must be achieved in a responsible way and with a view to minimizing its impact.	- Support and monitoring before ceasing to work with a supplier.

1.2.3. Improved working methods and systems

The working conditions of workers, from their health and safety to their wages – and even their satisfaction with their working environment – are directly influenced by the methods and production systems used by the factories where they work.

Our experience in this sphere has led us to propose internal and external programmes and projects that benefit the factories themselves by improving their work organisation systems, as well as offering benefits to workers who are always at the centre of our initiatives.

Internal projects

Our main internal project to improve management systems and the organisation of production systems is the *Lean* Project developed by industrial and textile engineers from our Sustainability teams.

Lean project

Objective: Improve workers' working conditions

THROUGH THE IMPLEMENTATION OF THE LEAN METHODOLOGY

- Focus on the worker: their involvement and motivation are key to success
- Improvement of production management systems

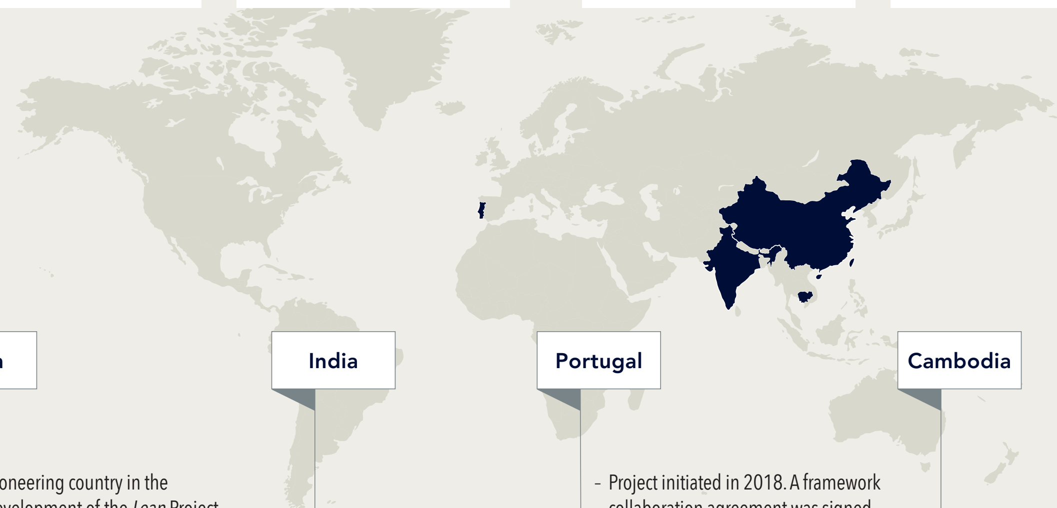
Specific objectives to be achieved for workers

IMPROVEMENT OF WORKING CONDITIONS

- Health and ergonomics at work
- Wages
- Safety at work
- Training and increasing multiple skills
- Working hours

IMPROVED SATISFACTION AND MOTIVATION

- Better worker-management communication
- Greater involvement in the production process
- Valuing the worker



China

- Pioneering country in the development of the *Lean* Project. Initial pilot in 2015.
- Promoted by industrial engineers on the local team who then train the other clusters that are going to implement the project.
- 2018: The project has had very positive results in five factories. Nine more factories are continuing with it. A total of 6,659 workers have benefitted from the project.

India

- Project initiated in 2018. Training was provided for five suppliers and local buying teams.
- The project has been implemented in a key supplier employing some 4,356 workers.

Portugal

- Project initiated in 2018. A framework collaboration agreement was signed with the University of Minho to develop the project.
- It resulted in an initial pilot experience in a supplier with 137 workers.
- The results of that first experience were positive, and its implementation will therefore be extended to other suppliers in the country. The first of these had already begun training by the end of 2018.

Cambodia

- Training has been given to suppliers operating in Cambodia. And a first factory has been chosen for a pilot experience in the country, to begin in 2019.

Results of the *Lean* Project:
Example of results following the implementation of the project in a textiles factory in China

CHARACTERISTICS OF THE FACTORY

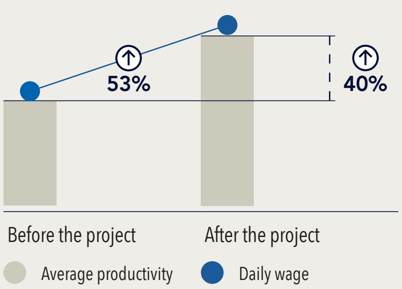
- Period of the project's activity in the factory: from 2015 to 2018.
- Number of workers: 337.
- Processes performed by the factory: cutting, sewing, finishing.
- Main sphere of action: sewing process.

EXAMPLES OF LEAN TECHNIQUES AND TOOLS USED IN THE FACTORY

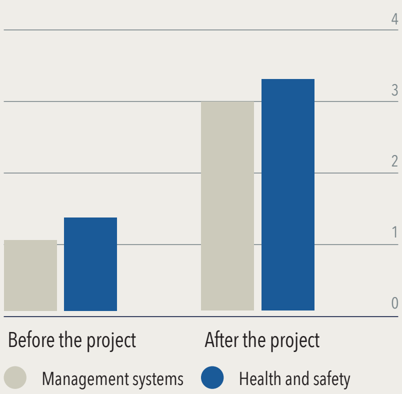
- Modification and streamlining of production line layout. Line balancing.
- Standardization of times and methods.
- Improvement of the cleaness and tidiness of the workplace using the so-called 5S methodology (sort, set in order, shine, standardize and sustain, by its acronym in japanese).
- Tools to improve communication between management and employees, and worker participation.

IMPROVED WAGES* AND PRODUCTIVITY

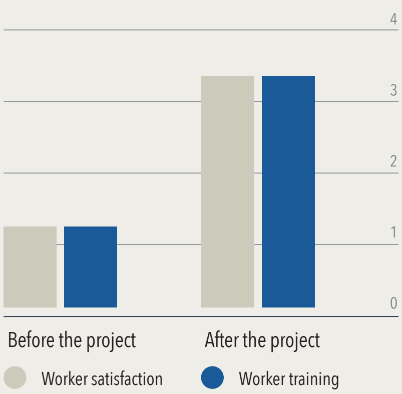
Increase of 53% in basic wages
Increase of 40% in productivity



IMPROVED MANAGEMENT SYSTEMS AND HEALTH AND SAFETY**



IMPROVED WORKER SATISFACTION AND TRAINING**



* Calculations of daily wages and their evolution are based on wages received by workers in the sewing department for eight hours' work. Neither overtime or bonuses were included in these calculations.

** Factories' management systems, level of compliance with health and safety, worker satisfaction and level of training were assessed based on a system of indicators developed internally by Inditex.

Apart from the *Lean Project*, another noteworthy project in a Chinese factory (277 workers) in 2018 produced a detailed analysis of the factory's remuneration and working hours management systems. This analysis enabled a very detailed assessment of these parameters, as well as other aspects related to production planning or staff turnover. Improvements were implemented that are currently in a trial phase before being extended to other factories within China and in other countries.

Meanwhile, our Sustainability team in Argentina has collaborated with the National Industrial Technology Institute (Instituto Nacional de Tecnología Industrial, INTI) on a project to be applied to a factory (76 workers) to improve its production management systems. Inditex has worked with the INTI since 2014, collaborating on the evaluation and improvement of 42 factories.

Participation on projects run by external entities:

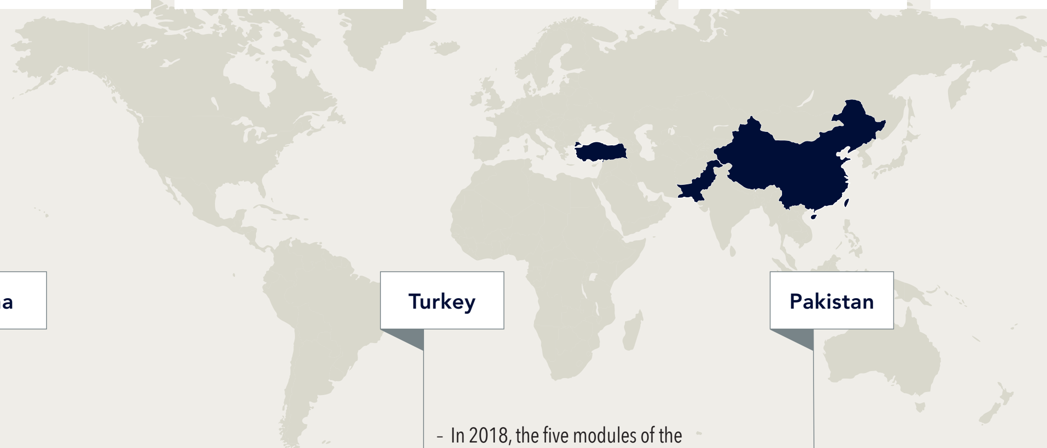
We participate in the ILO's Sustaining Competitive and Responsible Enterprises (SCORE) Programme.

SCORE Programme – ILO

Objective:
Improve productivity and working conditions in small and medium enterprises

Implementation via five modules**:**

1. Workplace cooperation: A foundation for business success
2. Quality: Managing continuous improvement
3. Productivity through cleaner production
4. Workforce management for cooperation and business success
5. Safety and health at work: A platform for productivity



China

- The programme has been implemented in two factories (with 1,323 workers).
- The Ethical Trading Initiative also collaborates on the project.
- We participated in SCORE regional meetings throughout the year.

Turkey

- In 2018, the five modules of the programme were successfully completed in four factories (employing 1,398 workers).
- The programme's character varies according to the country since it takes into account issues related to the human and labour rights of refugees.

Pakistan

- The ILO launched the programme in the country at the end of 2018.
- We are supporting the first steps of its implementation in a factory with 3,787 employees.

We collaborate with our suppliers and manufacturers on the improvement of their management systems and production organisation, which results in improved working conditions for their employees.

1.2.4. Collaboration with other stakeholders

Collaboration with other stakeholders is essential to fostering social sustainability in general and, in particular, to achieving living wages. In this sphere, the main initiative we are part of is Action, Collaboration, Transformation (ACT), which is promoted by international brands, manufacturers and trade unions that aspire to ensuring living wages are paid in the industry through collective bargaining. The central idea of ACT is to create a space for dialogue to foster agreements on wages and working conditions in the textile industry in each country.

The two countries where ACT's agenda has been most active in 2018 are Cambodia and Turkey, with the following activities:

Cambodia

- Communications with 115 suppliers to inform them about the ACT initiative, the importance Inditex gives to living wages, and the promotion of joint work on collective bargaining.
- Three days of meetings in September to get to know the collective bargaining process involving trade unions and employers' organisations in the country.
- Meetings on ACT and its work with relevant stakeholders in the industry to facilitate their participation and make progress on achieving the initiative's objectives.

Turkey

- Collaboration with IndustriALL and other brands on the introduction of ACT to the country. To this end, meetings have been held with government bodies.
- Training for suppliers of the ACT brands in November 2018 with a workshop on a tool to evaluate purchasing practices developed by the initiative.

1.2.5. Support campaigns

Another dimension of our activity is our participation in support campaigns. This is a way in which we can publicly demonstrate our individual commitment to a living wage and also in collaboration with other important entities.

In 2018 we supported wage negotiations in Bangladesh, which resulted in a raise in the minimum wage and adjustments to the various professional categories of workers in the textile sector. Inditex lent public support to the negotiations through legitimate trade union representatives including IndustriALL Bangladesh Council.

Inditex's work to support fair wages and collective bargaining in Bangladesh is structured around the following areas:

SUPPORT FOR THE NEGOTIATING PROCESS

Thanks to our Global Framework Agreement with IndustriALL Global Union, we are able to provide all workers in the supply chain a guarantee of the rights to freedom of association and collective bargaining.

Through ACT, IndustriALL Global Union, Inditex and other brands have established that Bangladesh is a priority country when it comes to the promotion of collective bargaining.

PROTECTION OF WORKERS' REPRESENTATIVES

Inditex has implemented various programmes among its suppliers in collaboration with IndustriALL Global Union to foster collective bargaining with freely elected workers' representatives.

LONG-TERM COMMITMENT TO BANGLADESH

As one of the first signatories of the Accord on Fire and Building Safety in Bangladesh in 2013, Inditex strengthened its firm commitment to using Bangladesh as a supplier country over the long term.

Bangladesh is one of Inditex's 12 supplier clusters. Our local teams work continually with our suppliers, reinforcing our commitment to the payment of a living wage, among other issues.

FOSTERING RESPONSIBLE PURCHASING PRACTICES

At Inditex, we prioritize supplier countries that have collective bargaining agreements in place.

We work with different stakeholders to promote purchasing practices that facilitate the payment of a living wage and the establishment of long-term relations with suppliers that respect the right to collective bargaining.

More information on the Inditex website
https://www.inditex.com/en/our-commitment-to-people/our-suppliers/workers-at-the-center/support-for-wage-negotiations-in-bangladesh

1.3. Responsible purchasing practices

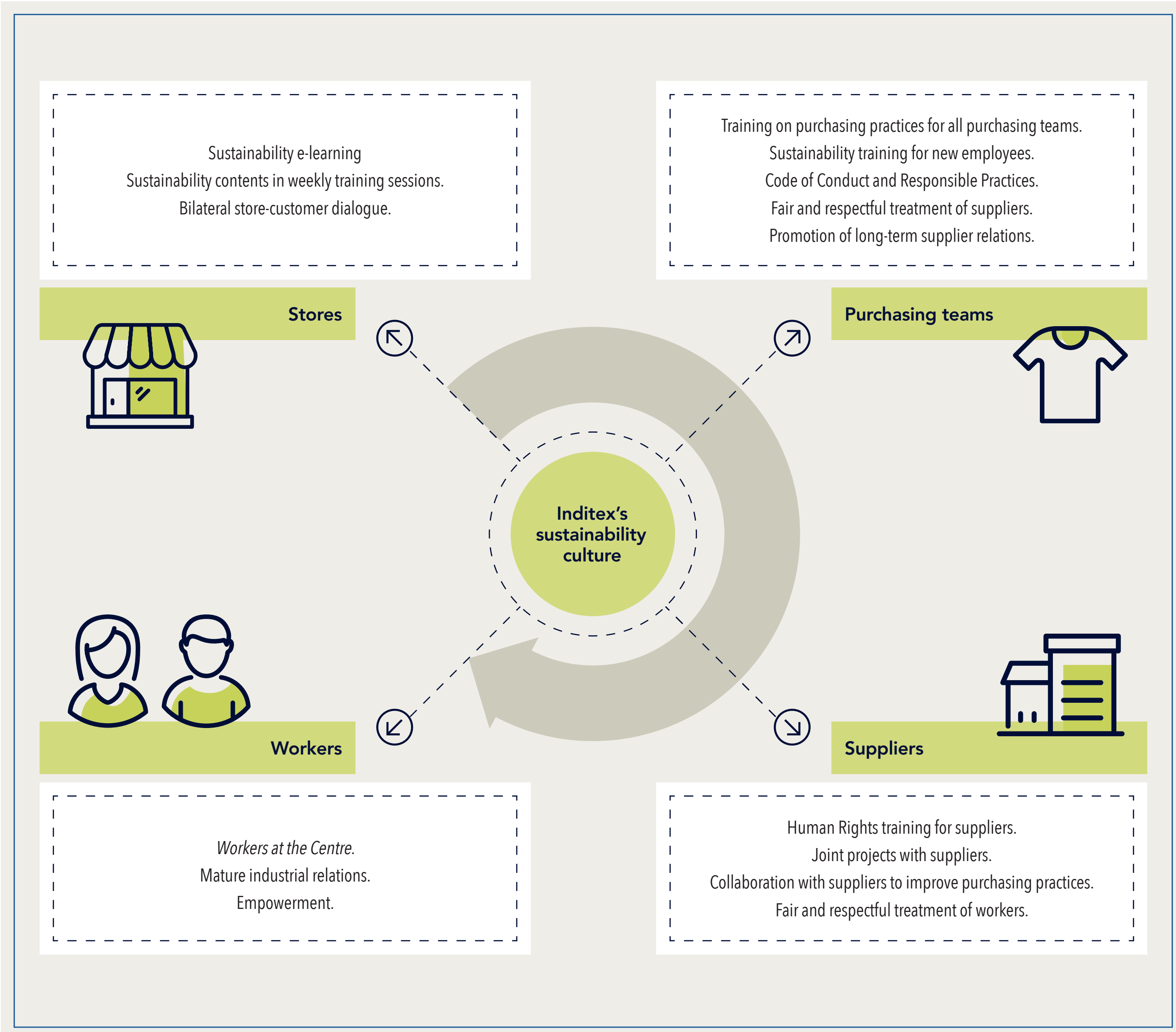
Linking of purchasing decisions to sustainability criteria to promote a positive impact on the supply chain.

	RESPONSIBLE PURCHASING PRACTICES		
SDGs	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 13 CLIMATE ACTION; 17 PARTNERSHIPS FOR THE GOALS		
	TARGETS	MILESTONES 2018	KPIs 2018
PARTICIPATION OF INDITEX'S INTERNAL TEAMS	Encourage a culture of responsible practices through training, awareness raising and alignment of functions between Inditex's teams.	Further training for purchasing teams both in head offices and in subsidiaries of Inditex in supplier countries. Inclusion of sustainability issues in employee training in different departments.	142 purchasers trained and 107 individual awareness-raising meetings. More than 105,000 employees with access to an online course on sustainability.
ENGAGEMENT WITH SUPPLIERS	Collaboration with suppliers on developing responsible purchasing practices and fostering cooperative relations.	Organization of meetings with suppliers and promotion of discussions on purchasing practices.	154 suppliers took part in training and meetings on purchasing practices. 11 Inditex suppliers took part in meetings with Action, Collaboration, Transformation (ACT).
COLLABORATION WITH THE INDUSTRY	Promote good practices in the industry that foster the payment of living wages.	Adherence to commitments in the framework of our participation in ACT to promote the payment of living wages and responsible purchasing practices. Participation in the working group on purchasing practices set out by the platform Industry Summit. Collaboration on a research project developed by the NYU Stern School of Business.	Commitments linked to the promotion of responsible purchasing practices.

One of the premises of our sustainability culture is that all of Inditex's team and their collaborators should own and assimilate responsible purchasing practices as an essential part of their activity.

Apart from focusing on tools for responsible management such as social , pre-assessment and traceability audits, and the joint management of sustainability with purchasing teams through internal IT systems, in 2018 our responsible purchasing practices strategy emphasized three priority areas: participation of Inditex's internal teams, engagement with suppliers and collaboration with the industry.

> One of the premises of Inditex's sustainability culture is to assimilate responsible purchasing practices as an essential part of our activity.



1.3.1. Participation of Inditex's internal teams

The integration of good environmental and social practices is at the heart of our approach to responsible purchasing. Awareness raising, training and alignment of the various teams involved are fundamental to achieving this.

Purchasing teams

We have expanded the training of our purchasing teams in 2018. Our Sustainability team has trained local purchasing teams in Bangladesh, India and Turkey. Meanwhile, we have also trained purchasing teams at head offices that had not yet received this training. A total of 142 buyers were trained in responsible purchasing practices and sustainability criteria in 2018.

The training sessions use materials developed by Inditex with a first module entitled PrINciples and an advanced module, *INPractise*. Both have a strong interactive element and include simulations of real situations in supply chain management.

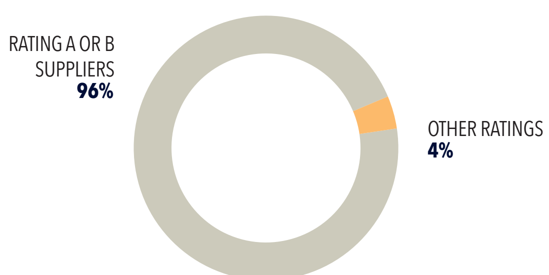
Apart from these training workshops, we also work to raise awareness among our teams as a fundamental part of the Sustainability team's activity. During 2018, a total of 107 individual meetings were held with buyers to raise their awareness of this issue.

Our purchasing teams have become a landmark in the sector thanks to their collaboration on projects to enhance the promotion of responsible purchasing practices with

other brands and stakeholders in the industry, including participation in ACT workshops and meetings.

The training and awareness raising we undertake with our buyers, as well as our work to adjust systems so that commercial decisions are also based on sustainable criteria, are reflected in the way our buyers give preference to suppliers that achieve the higher levels of compliance in sustainability. That is why 96% of the purchasing carried out in 2018 involved suppliers with the highest rating in the social sphere according to Inditex's method (with an A or B rating), which are also the suppliers most likely to be suited to producing *Join Life* apparel.

Distribution of purchasing in 2018



Other employees

The participation of all of our employees is key to ensuring that the whole business is aligned on issues of sustainability, a fundamental factor in the success of our responsible purchasing policy.

All new Inditex employees receive training on sustainability and on the positive impact of upholding responsible practices. New recruits to head offices participate in a *Welcome* session in which sustainability has a key role. Participants have the chance to familiarize themselves with the Group's policies (such as its Code of Conduct for Manufacturers and Suppliers) and the range of processes linked to ensuring sustainability. The aim is for new recruits to understand how sustainability is connected to each area and see how their everyday activity can also have an impact on the sustainability of our supply chain.

Another example of how sustainability is integrated into our business culture is the inclusion of contents on sustainability on our online employee training platform, *On Academy*. This tool is available to more than 105,000 employees in 11 countries.

More information on page 74 of this Annual Report.

Another training initiative from the environmental sustainability department entitled *Seedtraining* aimed to encourage employees in different areas to reflect on the environmental and social impact of their behaviour. A total of 2,810 employees participated in that training programme in 2018.

More information on page 190 of this Annual Report.

1.3.2. Engagement with suppliers

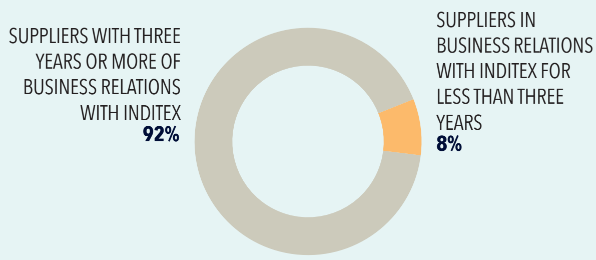
We encourage active participation of suppliers in dialogue on responsible purchasing practices with the aim of raising awareness and setting an example in an area that is critical to the sustainability of our business and, indeed, of the industry in general. In this respect, we promote long-term relations with our suppliers, incorporating them into our supply chain in a responsible manner.

Promotion of long–term supplier relations

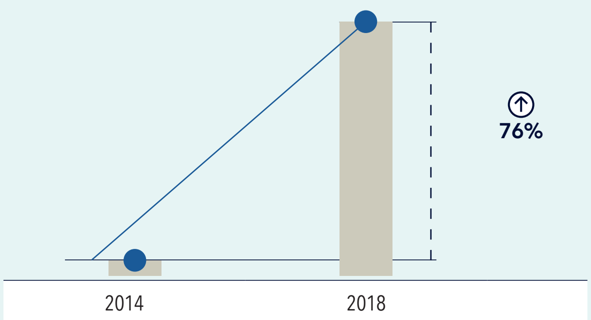
Inditex acknowledges the value of promoting long-term supplier relations. That is why we collaborate with our suppliers to ensure their ongoing training and improvement, working together to achieve solid industrial relations that reinforce the resilience of the supply chain alongside the resilience of the business.

Our promotion of long-term supplier relations is reflected in the fact that 92% of purchasing in 2018 involved suppliers with whom we have been doing business for three or more years. Our suppliers grow with us, increasing their production for Inditex year after year.

DISTRIBUTION OF PURCHASING IN 2018



EVOLUTION OF TOTAL PRODUCTION ACCOUNTED FOR BY SUPPLIERS IN BUSINESS RELATIONS WITH INDITEX FOR THREE OR MORE YEARS, 2018

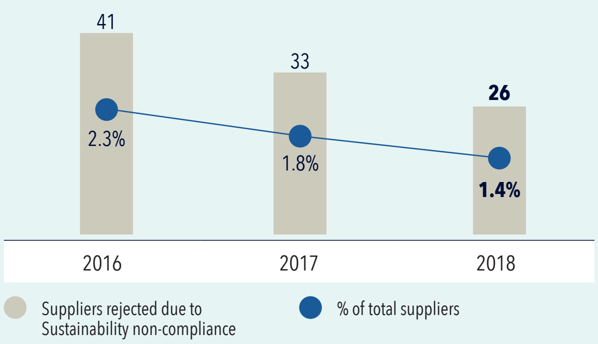


Thanks to our local Sustainability teams and to tools like the Framework Agreement with IndustriALL, our supplier relations are stronger and more long-lasting.

At Inditex we guarantee that responsible purchasing practices are a part of all of our supplier relations from start to finish. In line with the OECD Due Diligence Guidance, we only cease to work with a supplier when all other avenues for mitigating negative impacts have been exhausted. Ending the relationship with a supplier that does not comply with our sustainability requirements must always be a last resort.

During recent years, and in line with our commitment to exercise responsible disengagement from suppliers, not only has there been a decrease in the number of suppliers rejected due to a failure to comply with sustainable criteria, but also these suppliers have come to represent a smaller percentage of the Group's total suppliers.

EVOLUTION OF REJECTED SUPPLIERS DUE TO NON-COMPLIANCE WITH SUSTAINABILITY



Some 92% of purchasing in 2018 involved suppliers with whom we have been working for three years or more.

103-2, 413-1

Apart from establishing stable relationships with suppliers, it is essential to set an example and encourage them to adopt responsible practices in their business management, as well as in the factories they work with. We have involved suppliers in purchasing practices activities to increase their awareness, which has also allowed us to obtain valuable information to optimize our own practices.

For example, in view of the purchasing practices commitments undertaken by the brands involved in the ACT initiative, we consulted suppliers in various countries. Meanwhile, suppliers also took part in a pilot survey to get to know their opinions and take them into account when planning the initiative's activities. They were consulted on the development of tools to support responsible practices, including a costing module that would consider all labour costs.

We also organised various roundtables and training sessions on purchasing practices with 154 key suppliers. And we collaborated on various sessions involving suppliers in Turkey, Cambodia and Hong Kong that were organised within the framework of ACT.

1.3.3. Collaboration with the industry

Collaboration with other brands and stakeholders within the sector continues to be one of Inditex's main lines of work when it comes to responsible purchasing practices. Consequently, we have taken an active role in various initiatives and research projects to develop and promote best practices in this sphere.

All the brands that form part of ACT have undertaken to work in a global way to improve their purchasing practices. As part of this commitment, Inditex has collaborated with different working groups to identify the priority areas where it should focus its improvements to subsequently put those into practice.

More information on page 108 of this Annual Report.

Inditex is a member of other platforms along with other collaborating brands: these include Industry Summit, which aims to improve working conditions, achieve a more resilient supply chain and increase the transparency and accountability of all parties involved. One of Industry Summit's specific objectives is to foster responsible purchasing practices through research and innovation. Inditex collaborates with the working group created for this purpose.

In 2018, Inditex collaborated with the NYU Stern School of Business on an innovative project to develop social indicators related to the purchasing practices of companies, specifically targeted at investors. The project aims to facilitate socially responsible investment, thereby improving the response to investors' growing concern and demand for transparency in the sphere of corporate social responsibility when making their investment decisions.

1.4. Women empowerment

Guaranteeing equality for women and promoting their empowerment within the supply chain.

	WOMEN EMPOWERMENT		
SDGs	3 GOOD HEALTH AND WELL-BEING; 5 GENDER EQUALITY; 8 DECENT WORK AND ECONOMIC GROWTH; 17 PARTNERSHIPS FOR THE GOALS		
	TARGETS	MILESTONES 2018	KPIs 2018
HEALTH	Guarantee access to health services and promote women's health, and in particular reproductive health and feminine hygiene.	Project with Medicus Mundi in Morocco. Sakhi Health project in India.	13 factories with 9,414 workers.
PROTECTION	Preventing and contributing to the eradication of discrimination, harassment and abuse in the workplace	Sowbhagyam project in India. Sakhi Worker Wellbeing project in India.	Five factories with 6,800 workers. Awareness raising on hiring practices for 266 agents; 6,407 schoolchildren trained. Awareness raised among 12,727 parents on labour rights.
EMPOWERMENT	Provide women with the tools they need to actively participate in the working environment, improving the quality of life of women, men, children, families, communities and society in general, and contributing to the construction of solid and fair economies.	Sakhi Women Empowerment project in India. MIG SCORE project from the International Labour Organization (ILO) in Turkey. BSR's HERFinance project in Bangladesh.	Eight factories with 8,332 workers.

Inditex's Women Empowerment Strategy in the Supply Chain was approved in 2017. Since then, we have made progress that has allowed us to encompass a greater number of countries and initiatives. One of our guiding principles is to act in a global way, always taking into account the real situation and social and cultural norms of each country in our supply chain. We also work to ensure that everything we do has its foundations in SDG 5, which is dedicated to gender equality and the empowerment of women and girls. Based on this SDG, we have defined three pillars within this strategy: health, protection and empowerment.

Based on SDG 5, which is dedicated to gender equality, we have defined the three pillars of our Women Empowerment Strategy in the Supply Chain: health, protection and empowerment.

1.4.1. Health

Programme with Medicus Mundi

In 2014, we initiated a project in Morocco in collaboration with the NGO Medicus Mundi Sur to improve the social and health situation of textile workers. A total of 10 factories (employing 6,733 workers) have participated in the programme. The main activities that took place in 2018 were as follows:

MEDICAL CAMPAIGN

Medical campaign to prevent occupational diseases (with the detection of chronic, pulmonary, ophthalmic and musculoskeletal conditions) in collaboration with the polyclinic of the National Social Security Fund (Caja Nacional de Seguridad Social, CNSS).

200 workers participated in blood testing campaigns, of which 154 were women.

AWARENESS RAISING ON HEALTH RIGHTS

Awareness-raising sessions on the prevention of occupational risks and diseases, and strengthening workers' knowledge of their rights, including their sexual and reproductive rights .

178 workers trained, of which 143 were women.

AWARENESS RAISING ON THE PREVENTION OF COMMON DISEASES

This activity aims to prevent common diseases that can be aggravated by working conditions. Sessions are organised in businesses by Health and Safety Committees and awareness-raising materials are distributed to participants.

88 beneficiaries, of which 65 were women.

More information on pages 124 and 213 of this Annual Report.

1.4.2. Protection

Sowbhagyam project

The aim of this project developed in India's Tamil Nadu state is to raise awareness and educate communities, employment agencies and other stakeholders on labour rights and avoiding the use of employment practices that abuse women's rights. The project, which was initiated in 2013, includes training sessions given by the local NGO *SAVE* to all members of the community. During this sixth year of its implementation we have focused on four priority areas:

- Strengthening commitments with employment agents and creating a guide to best practices: 266 agents working to optimize recruitment systems.
- Consolidating surveillance committees in towns.
- Improving the programme of volunteering in the community, a key component of the project's sustainability. A total of 921 volunteers have been trained to date.
- Continuing awareness-raising activities in schools and with groups of teenagers. A total of 6,407 students reached.

A total of 12,727 parents were also made aware of the importance of their children receiving a full monthly wage.

Promotion of human and labour rights in spinning mills in southern India

Sumangali is an abusive employment practice detected at the start of the 1990s in spinning mills in the state of Tamil Nadu (southern India) that mainly affects young workers. Inditex's response to prevent this practice is based on a three-dimensional approach encompassing the community, supply chain and policy changes.

The first step was a study of the supply chain in Tamil Nadu. While the internal part of the study indicated that none of the factories producing garments for Inditex engaged in this practice, the external parts of the study demonstrated that the situation was prevalent in the area.

In line with the first dimension of our approach, in 2013 we launched the Sowbhagyam Programme in conjunction with a local expert partner, SAVE (Social Awareness and Voluntary Education), to create a solid, successful and replicable participatory model to prevent this practice.

The other two dimensions were addressed through our commitment to the Ethical Trading Initiative (ETI) and Amsterdam Coalition (AMCO), respectively. With ETI we collaborated on the Nalam Programme, which trained workers in spinning mills on their labour and health rights, grievance mechanisms, the prevention of harassment in the workplace, and so on. To date, the programme has reached 39 factories with 19,506 workers. We also participate in ETI's Tamil Nadu Multi-Stakeholder Programme, in which we are also members of the local advisory board.

We are also founding members of AMCO, which was created in 2015 by different brands to promote changes to policies in India so as to guarantee responsible labour practices with a special emphasis on spinning mills in the south of the country. The coalition has engaged in discussions with the government and collaborated with the Confederation of Indian Industry (CII) to achieve this objective.

1.4.3. Empowerment

MIG SCORE Programme (ILO)

In 2018, the ILO launched a new programme to promote gender equality. The MIG SCORE Programme encompasses small and medium enterprises and organisations in the social and solidarity economy. Turkey was the country chosen for the official programme launch in October 2018, and Inditex's supply chain was the first target selected for its implementation in the Turkish textile sector with four participating factories employing 635 workers. The programme was implemented in four stages over the course of eight months. The first two stages were completed in 2018.

Objective: Enhance cooperative relationships with a focus that promotes equality of opportunity between men and women.

Step 1

- 120 surveys conducted among workers.
- Joint visits to factories with the ILO.

Step 2

- Training on various issues linked to gender equality.

Step 3

- Face-to face advice and guidance from the ILO.

Step 4

- Development of a business improvement plan

The project's objectives include:

- Providing training and guidance on the implementation of best practices in gender equality and achieving improved working conditions for women and men while also improving business productivity.
- Transforming enterprises into better workplaces for employees, regardless of their sex, age, race, physical appearance, ethnic origins, culture, political leanings or religion.
- Generating data on the conditions experienced by workers and training enterprises to achieve better management of gender equality.

This programme not only benefits workers but also businesses as a whole, helping them to achieve greater commitment from their workers, increase productivity and improve the working environment.

HERfinance Digital Wages Programme (BSR)

In 2018 we began to collaborate with the *HERfinance Digital Wages* Programme in Bangladesh in two of the factories in our supply chain, reaching a total of 4,349 workers. This programme, developed by BSR, promotes the digitalization of wage payments and the financial inclusion of factory workers. The programme provides workers with a financial education on savings, budgeting, and financial planning, while also promoting the digitalization of wage payment through mobile financial services.

The programme has many benefits for women since it provides them with the knowledge they need to be included in the formal financial sector. It also allows women to influence the financial decisions taken in households, which benefits the family as a whole.

Apart from its implementation in these two factories, as part of the programme and in conjunction with BSR a training activity was held to introduce the HERfinance programme to more suppliers in our supply chain in Bangladesh, raising their awareness of the benefits of digitalizing wage payments.

SAKHI — A cross-cutting project

The *Sakhi* project, which gets its name from the Hindi word for "friend", was developed over the year in three parts – *Sakhi Health*, *Sakhi Worker Wellbeing* and *Sakhi Women Empowerment* – to tackle these three fundamental aspects of the situation of women in India's supply chain. The majority of these women come from rural areas offering limited economic and educational opportunities. Their work can affect their health and wellbeing, so it is essential that special projects are implemented that address the root causes of the specific problems they face.

Sakhi adheres to the *train the trainer* model in which people are trained so that they can go on to train other workers in their factory. The project is based on the creation of models that can be replicated so that the factories themselves can sustain the project over the long term.

Sakhi Health

OBJECTIVE:

Train workers on health, nutrition, hygiene, reproductive health, ergonomics and so on.

Thanks to this programme, workers have sufficient information to improve their health and that of their families.

COLLABORATING ENTITY:

St. John's National Academy of Health Services

MAIN ACTIVITIES IN 2018

The project has been implemented in three factories, benefitting some 2,681 workers.

Three training activities in collaboration with St. Johns National Academy of Health Services for 57 trainers.

Sakhi Worker Wellbeing

OBJECTIVE:

Support and train workers and implement systems that foster an equitable environment in which workers can develop their full potential.

The project has a special focus on migrant workers to achieve greater wellbeing throughout the factory.

MAIN ACTIVITIES IN 2018

The pilot phase of the project was implemented with five factories, benefitting 6,800 workers.

Action in four main areas:

1	Review and reinforcement of policies linked to worker wellbeing: social security, prevention of sexual and workplace harassment, complaints handling and reporting, and so on.	Creation of policies to combat sexual harassment. Training for 3,077 workers on social security contributions.
2	Review and reinforcement of management systems to prevent sexual and workplace harassment.	52 members of internal complaints committees trained. Creation of worker welfare committees.
3	Training of supervisors in empathy and managing labour relations.	84 supervisors trained.
4	Training for workers and educators in areas such as the prevention of sexual harassment. Training for migrant workers on integration and culture shock.	2,840 workers trained. 83 educators trained. 33 migrant workers trained.

Sakhi Women Empowerment

OBJECTIVE:

Encourage women workers to acquire skills, abilities and knowledge that will help them think and act in an independent way so that they can exercise their rights, achieving greater gender equality.

Sakhi Women Empowerment provides support to the whole of the Sakhi project, to achieve a greater range of benefits.

MAIN ACTIVITIES IN 2018

- The project was developed in two factories, benefitting 3,348 workers.
- Two specific training activities for women in factories on matters such as communication or self-confidence.
- 22 educators trained.

1.5. Occupational health and safety

Commitment to safe and healthy environments throughout the supply chain.

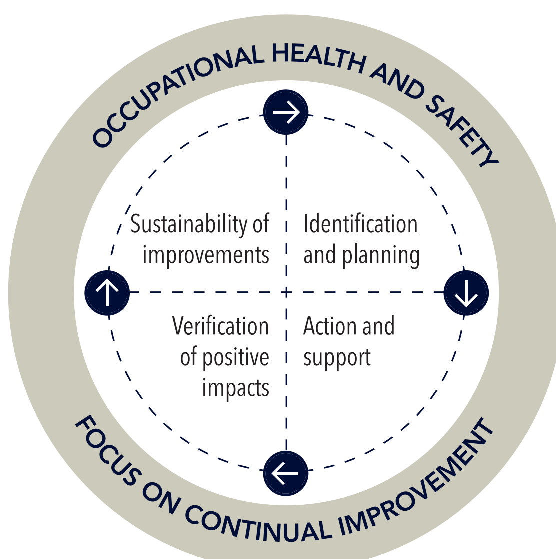
	OCCUPATIONAL HEALTH AND SAFETY		
SDGs	3 GOOD HEALTH AND WELL-BEING; 8 DECENT WORK AND ECONOMIC GROWTH; 17 PARTNERSHIPS FOR THE GOALS		
	TARGETS	MILESTONES 2018	KPIs 2018
IDENTIFICATION AND PLANNING	Identify priorities, risks and opportunities to plan specific action.	Training activities in India, Pakistan and Bangladesh. Evaluations of new manufacturers in Bangladesh.	10 factories with 43,290 workers. 31 evaluation visits to 29 factories with 50,807 workers.
ACTION AND SUPPORT	Implementation of corrective measures in the sphere of occupational health and safety.	Improvement programme in Portugal. Support for the complaints mechanisms of the Bangladesh Accord. Structural assessments in Bangladesh. Support programme for occupational health and safety committees in Morocco.	64 factories with 12,395 workers. Management of 60 communications received through the Accord.
VERIFICATION OF POSITIVE IMPACTS	Review and evaluation of the positive impacts achieved through the programmes.	Monitoring of Bangladesh Accord corrective action plans. Continual health and safety improvement programmes in Morocco.	691 verification visits to 207 factories employing 421,632 workers.
SUSTAINABILITY OF IMPROVEMENTS	Integration of corrective actions into supplier strategies.	Programme to develop health and safety management systems in India. Training for occupational health and safety committees in Morocco.	49 suppliers with 54,096 workers.

The health and safety of workers is a key element of our strategy to ensure the sustainability of our supply chain.

In 2018, we implemented initiatives and programmes designed to meet the needs identified and generate a positive impact on the ground thanks to the experience of our local teams, close collaboration with stakeholders, and objective, quantifiable information from our Compliance Programme.

We also carry out regular special audits of occupational health and safety. The audits review health and safety conditions, risk prevention and the structural and fire safety of installations. A total of 897 special audits took place in 2018.

Programmes in this area are focused on continual improvement, with reference to the most important international management systems such as ISO 45001:2018. The system defines four phases of action in risk and opportunities management in occupational health and safety. The end goal is occupational risk prevention and improved working environments.



1.5.1. Identification and planning

Below are highlighted the awareness-raising, training and evaluation activities that took place in 2018.

PROGRAMME	COUNTRY	DESCRIPTION	RESULTS 2018
Risk assessment training	India	Training for heads of health and safety on risk identification and assessment and improvement of internal capabilities, since 2016.	Five training sessions with four suppliers (8,498 workers).
Training and awareness raising on occupational health and safety requirements	Pakistan	Training imparted by the International Labour Organization (ILO) within the framework of the International Labour and Environmental Standards Application in Pakistan's Small and Medium Enterprises (ILES). The training aims to provide guidance on the use of tools for risk assessment and corrective action planning through cooperation between management and workers.	Six suppliers (34,792 workers).
Assessment of structural, fire and electrical safety for new suppliers and manufacturers	Bangladesh	We carry out technical assessments of structural, fire and electrical safety to calculate the level of risk in facilities during the process of incorporating new suppliers and manufacturers.	31 evaluation visits to 29 factories with 50,807 workers.

1.5.2. Action and support

Corrective actions are implemented in conjunction with our Sustainability teams and, occasionally, with the support of external organisations that have proven experience:

PROGRAMME	COUNTRY	DESCRIPTION	RESULTS 2018
Improvement of occupational health and safety conditions in the supply chain	Portugal	Programme in collaboration with the *Autoridade para as condições do trabalho*, IndustriALL Global Union, *FESETE*, *SINDEQ* and the *University of Minho*. 45 suppliers trained on health and safety established corrective measures for the factories they work with. Every month, they send evidence of the progress made and receive support from our team to implement these measures.	55 factories (4,067 workers) with corrective action plans.
Support and direct involvement in Accord complaint and reporting mechanisms	Bangladesh	As a signatory member of the Accord on Fire and Building Safety in Bangladesh, Inditex is committed to improving health and safety in textile factories. This legally binding agreement allows workers to voice their health and safety concerns through complaint and reporting mechanisms in a confidential way.	Management of 60 communications.
Detailed evaluation of the structural state of factories	Bangladesh	We continue to collaborate with an engineering consultancy on the details assessment of the structural state of buildings and any relevant corrective action.	Two companies with 2,877 workers.
Support and guidance for health and safety committees	Morocco	We support health and safety committees with tasks such as drafting annual action plans and document review in conjunction with Medicus Mundi Sur and the *Association Marocaine de la Santé au Travail* (AMSAT). This work is aligned with the women empowerment programmes, which is also implemented with Medicus Mundi Sur in the country. More information on pages 119 and 213 of this Annual Report.	31 members of seven suppliers (employing a total of 5,451 workers).

1.5.3. Verification of positive impacts

The review and evaluation of positive impacts carried out by our teams enables our suppliers to implement consistent solutions.

PROGRAMME	COUNTRY	DESCRIPTION	RESULTS 2018
Monitoring of compliance with Accord corrective action plans	Bangladesh	Accord engineers inspect factories and implement corrective action plans to improve structural, fire and electrical safety. Our engineers verify and monitor the correct implementation of the measures applied.	674 monitoring visits and 184 meetings with 190 suppliers (413,387 workers).
Health and safety assessments, continual improvements and training	Morocco	The programme, which began in 2015, was updated in 2018. The new methodology verifies in detail the progress made by factories visited in the past to ensure the consistency of corrective action and guarantee their progress. Once the verification has taken place, the results and measures are explained to the suppliers..	17 factories subject to the new method (8,245 workers). 12 meetings.

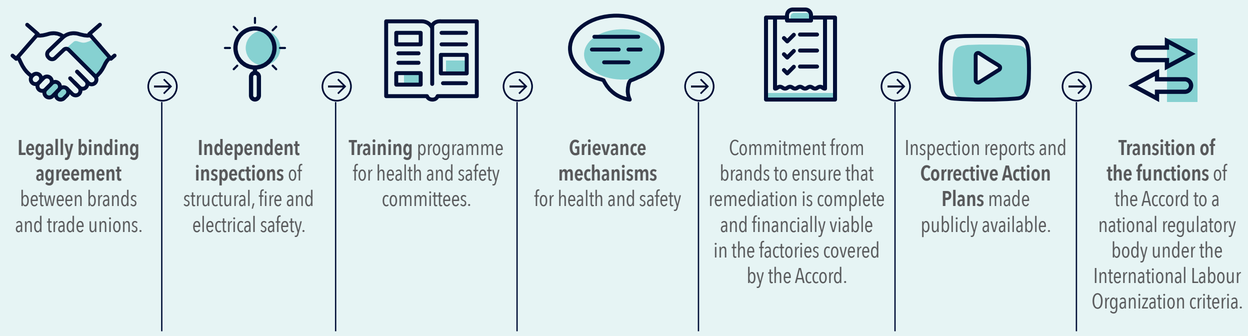
Renewal of the Accord on Fire and Building Safety in Bangladesh

In 2013, Inditex was one of the first to sign the Accord on Fire and Building Safety in Bangladesh (better known as the Accord). The Accord is a pioneering agreement involving more than 200 international brands, two global trade unions and eight local trade unions, the International Labour Organization and the business sector in the country in the process to improve health and safety conditions in the textiles industry.

In 2018, we signed the 2018 Transition Accord, which renews the commitment that began in 2013 and that continues to be legally binding. In doing so, Inditex and the rest of the signatories contribute to the sustainability of the industry by maintaining a long-term supply relationship with Bangladesh and they also provide technical and financial support during the corrective action planning set out in the framework of the Accord at the over 1,600 factories it covers.

During 2018, our local team of engineers and experts has supported the work of the Accord through 674 technical visits to factories and 184 meetings with suppliers and manufacturers. During them, technical assistance has been provided to the factories in our supply chain in order to make implementing the corrective action plans determined by the Accord easier.

ACCORD on Fire and Building Safety in Bangladesh



1.5.4. Sustainability of improvements

On many occasions, it is necessary to raise awareness among management and workers' representatives in order to integrate improvement plans into our suppliers' strategies. To this end, specific initiatives have been created to integrate occupational health and safety into business management systems so that the focus on continual improvement is fully established among suppliers.

PROGRAMME	COUNTRY	DESCRIPTION	RESULTS 2018
Training on the development of health and safety management systems	India	Training targeting representatives of management from Inditex suppliers. The training involved safety management systems, the safety of machinery and group activities, along with practical case studies.	41 suppliers with 48,263 workers.
Training and awareness raising for health and safety committees	Morocco	Training sessions on occupational risk in the sector, disease prevention and healthy lifestyles were organised for members of occupational health and safety committees in collaboration with Medicus Mundi Sur and the *Association Marocaine de la Santé au Travail* (AMSAT). This work is aligned with the women empowerment programme which is also implemented with Medicus Mundi Sur in the country. More information on pages 119 and 213 of this Annual Report.	25 members of health and safety committees in eight suppliers (with 5,833 workers) received training.

1.6. Protection of migrants

Protection of the rights of migrant workers in the supply chain.

	PROTECTION OF MIGRANTS		
SDGs	8 DECENT WORK AND ECONOMIC GROWTH; 10 REDUCED INEQUALITIES; 17 PARTNERSHIPS FOR THE GOALS		
	TARGETS	MILESTONES 2018	KPIs 2018
PREVENTION AND DETECTION	Evaluate all factories with a special focus on migrant workers.	Carry out social audits to detect any improper situations.	1,193 social audits in Turkey. 1,350 social audits in China.
TRAINING AND AWARENESS RAISING	Training for factory managers and workers to prevent all forms of discrimination and exploitation and promote integration.	Programme with United Work in Turkey. Programme with the Refugee Support Centre (MUDEM) in Turkey. Programme with the Ethical Trading Initiative (ETI) in China.	41 factories with 6,263 workers.
REMEDIATION	Offer remediation, protection and individual guidance to migrants who need it.	Collaboration with the Refugee Support Centre (MUDEM) in Turkey to create individual remediation plans.	140 individual remediation plans.
INTEGRATION	Achieve total integration of migrant people both in the labour sphere and in communities.	Collaboration with the International Labour Organization (ILO) on an integration programme making use of mentors from factories themselves.	Nine factories with 1,605 workers.

Every year, millions of people that are forced to leave their place of origin can find themselves in a vulnerable situation due to their migrant status, both at work and in their personal lives. At Inditex, we uphold a policy of zero tolerance for any kind of exploitation in the supply chain, in particular in the case of migrant workers, as stipulated in our Code of Conduct.

Our work to protect migrants impacts the whole supply chain, although each programme is adjusted to suit the real situation of each country, since no two migratory flows are alike. Although the major challenges faced by migrants and refugees may be similar, each geographical region has its own characteristics. For example, Turkey is one of the main receptor countries in Europe, in particular for refugees from Syria due to the violent conflict happening in that country. In the case of China, migratory flows have different characteristics, since they are internal, from rural areas to more industrialized provinces.

At Inditex, we have joined forces with different stakeholders in the supply chain, from suppliers and manufacturers to other brands, governments and organisations. We are members of the platforms Tent Partnership for Refugees and the Refugee Working Group, which is driven by the Fair Labour Association (FLA) in Turkey and which aims to seek common solutions and areas of cooperation to promote appropriate labour practices to migrants.

More information on page 215 of this Annual Report.

Also in Turkey, we participate in the Human Rights group of the Ethical Trading Initiative, which places a strong emphasis on the protection of refugees.

Inditex also collaborated with the ILO on the protection of migrants by virtue of the public-private agreement signed in 2017 to strengthen and align policies to provide assistance and protection to migrant workers in Brazil (PPP ABVTEX-ABIT-Zara Brasil). Also, Inditex joined a pilot programme from that organisation for the integration of refugees in Turkey in 2018.

Migrant protection is also a part of our social action programmes, including the Chair in Forced Migrants and Refugees created by Inditex and Comillas Pontifical University.

More information on page 205 of this Annual Report.

With the aim of guaranteeing respect for the human and labour rights of migrants in the supply chain, our action encompasses four complementary spheres: prevention, awareness raising and training, remediation and integration.

At Inditex, we uphold a policy of zero tolerance for any kind of exploitation in the supply chain, in particular in the case of migrant workers.

1.6.1. Prevention and detection

During our audits we verify labour conditions in a detailed way and with a special emphasis on migrant and refugee workers. Our social auditing method covers various issues in order to assess the working conditions of migrants and detect any situation in which they are exploited or discriminated against.

The training of our internal teams is also fundamental in this sphere.

In this sense, it is worth highlighting that Inditex has developed a form in different Arabic dialects in Turkey –since the majority of migrants arriving in the country use one of those dialects– to more efficiently verify the conditions experienced by migrants and refugees, given that their ability to express themselves in Turkish may be insufficient, making it difficult to detect potential situations of discrimination or inadequate labour conditions.

1.6.2. Training and awareness raising

Raising awareness among suppliers and workers is key when it comes to preventing and/or remedying situations of exploitation or discrimination. We can highlight the following programmes from the year 2018:

PROGRAMME WITH *UNITED WORK*

In 2018 we signed an agreement with United Work to collaborate on refugee integration in the workplace and promote appropriate labour practices, as well as raising awareness among refugee workers about their rights and training them on practical issues that will facilitate their integration.

COUNTRY	FACTORIES INVOLVED	REFUGEES TRAINED
Turkey	38 (5,041 workers)	211

TRAINING PROGRAMME WITH THE *REFUGEE SUPPORT CENTRE* (MUDEM)

We have embarked on a joint programme with the Refugee Support Centre (MUDEM) which has the principal aim of raising awareness to promote the integration of migrants and refugees, and eradicate all forms of discriminatory practice.

COUNTRY	FACTORY INVOLVED	REFUGEES TRAINED
Turkey	1 (44 workers)	10

PHASES OF THE PROGRAMME:

Perform a survey of all workers. →

Training on workers' and refugees' rights, cultural differences and integration.

Interactive training with group activities and discussions. →

Perform a new survey to evaluate the results of the training.

ETHICAL TRADING INITIATIVE TRAINING PROGRAMME

In 2018 we participated in a pilot programme developed by the Ethical Trading Initiative in China to train managers and middle management in factories on the management of risks associated with involuntary work. Due to their vulnerable situation, migrant workers can be more susceptible to suffering this kind of practice, which Inditex does not tolerate.

The training, which is given via a digital tool, aims to familiarize management with a range of preventive measures to avoid situations of involuntary labour.

COUNTRY	FACTORIES INVOLVED
China	3 (1,222 workers)

1.6.3. Remediation

Whenever situations are detected that do not respect migrant or refugee rights, we implement remediation plans. These plans are of particular importance in Turkey, where we have been collaborating with the NGO Refugee Support Centre (MUDEM) since 2015.

The creation of these plans requires detailed study to offer a solution adapted to each particular situation. In this respect, MUDEM and Inditex collaborate to offer assistance to workers and their families to regularize their employment status in Turkey. They are also offered Turkish language courses and translation of the documents needed for their adaptation: regulations, procedures, aspects of health and safety, and so on. In 2018, a total of 140 guidance and remediation plans were implemented in Turkey with an impact on 149 people.

1.6.4. Integration

Apart from respect for the human and labour rights of migrant workers, we also believe that migrants should be supported in their integration in their workplace, personal life and the community. That is why in 2018 we participated in a pioneering programme from the ILO in Turkey to promote the integration of refugees in different sectors.

INTEGRATION PROGRAMME WITH THE ILO

Volunteers from among the workforce in participating factories are trained as mentors or buddies for migrant workers, specifically from Syria. These buddies will engage in leisure activities with their migrant counterparts outside the workplace. Buddies assist their migrant counterpart with Turkish language and cultural issues in a more natural way, outside the factory, to foster their integration not only in the workplace but also in society.

COUNTRY	FACTORIES INVOLVED
Turkey	9 (1,605 workers)

1.7. Training and awareness

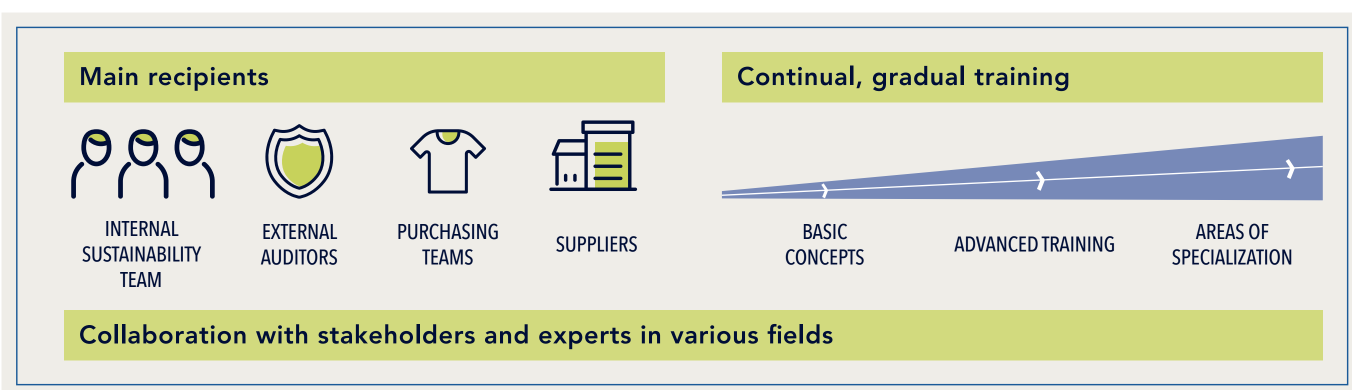
Sharing a culture of sustainability with all parties involved in the supply chain.

	TRAINING AND AWARENESS		
SDGs	4 QUALITY EDUCATION; 8 DECENT WORK AND ECONOMIC GROWTH; 12 RESPONSIBLE CONSUMPTION AND PRODUCTION; 17 PARTNERSHIPS FOR THE GOALS		
	TARGETS	MILESTONES 2018	KPIs 2018
SUSTAINABILITY TEAMS	Guarantee that our teams have the knowledge and tools they need to apply our sustainability strategy.	Training involving landmark entities such as Better Work, IndustriALL, Social Accountability International (SAI) and Shift, among others.	47 members of the internal Sustainability team trained.
EXTERNAL AUDITORS	Ensure the quality of all of our audits.	Updating and improvement training sessions on all audit types.	557 external auditors trained.
SUPPLIERS	Support suppliers so that they not only comply with all of our requirements but also so they transmit these to their factories and are able to make advances in the sustainability of the supply chain in an independent way.	Training with landmark entities such as IndustriALL, the International Labour Organization (ILO) and Action, Collaboration, Transformation (ACT). Training on the new traceability tool.	1,107 suppliers trained. 710 individual sessions with suppliers.
PURCHASING TEAMS AND OTHER AREAS	Foster a culture of sustainability in all of the Group's areas.	Interactive workshops with purchasing teams and awareness-raising meetings. Training and awareness on sustainability for employees in various areas.	142 buyers trained and 107 individual awareness-raising meetings. More than 105,000 employees with access to training on sustainability.

Training and capacity building are fundamental factors in advancing on our strategy to foster the social sustainability of the supply chain. They allow all stakeholders to share knowledge and apply best practices at all levels.

Each training activity is adapted to its target audience and is accompanied by great efforts in the sphere of innovation. For example, in China and Bangladesh, training programmes are developed for factory workers and managers through digital tools in collaboration with the Ethical Trading Initiative. As in the majority of activities we develop in all spheres, we collaborate with international organisations with expertise in a range of fields.

Social Sustainability training in Inditex



1.7.1. Sustainability teams

At Inditex, we consider the continual training of our teams to be a fundamental issue, allowing us to make progress with our sustainability strategy while training external auditors, purchasing teams and suppliers.

Our internal teams are characterized by their multidisciplinary nature, but with the common ground of social sustainability. Our teams include qualified social auditors, Human Rights experts and other technical specialists. The members of Inditex's internal auditor team are accredited by Social Accountability International (SAI) as auditors able to verify compliance with the SA8000 standard, which is based on the Conventions of the International Labour Organization, the United Nations Universal Declaration of Human Rights,and the International Convention on the Rights of the Child, among others.

In 2018, a total of 47 members of our Social Sustainability team were trained by external organisations including:

BetterWork

Training on the programme principles and on continual improvement processes, as well as analysis of the root causes of non-compliance.

Shift

Advanced training on Human Rights and due diligence processes.

Completion of masters and postgraduate programmes in subjects such as health and safety, labour legislation or social security at different universities.

SAI SOCIAL ACCOUNTABILITY INTERNATIONAL

Six internal auditors accredited in standard SA 8000.

SOCIAL & LABOR CONVERGENCE

Five internal auditors accredited as verifiers.

Expert training in communications skills, conflict resolution, and team management.

Improved auditing techniques: interview techniques, investigation into the root causes of discrimination, auditing with a gender perspective, and so on.

Training activities held among the members of internal teams are equally important to the transfer of knowledge between the various clusters and the replication of good practices. In this sense, inter-cluster communications are an everyday event in our organisation. Moreover, all clusters meet once a year to share experiences and develop future strategies. In 2018 these events were the starting point for the new strategy 2019-2022 and for a review of the previous Strategic Plan 2014-2018.

1.7.2. External auditors

In 2018, a total of 704 external auditors conducted audits for Inditex in line with our own methodology. External auditors receive training not only at the start of our collaboration but also throughout that relation to guarantee that audit quality meets our standards. In 2018, some 557 external auditors were trained to perform audits for Inditex. These training sessions were ad hoc (organised according to the individual needs of the auditing company and the country in question) or standard (every time a methodology is updated).

1.7.3. Suppliers

Training and capacity building for suppliers and manufacturers is one of the main priorities of the Strategic Plan 2014-2018 and of the *Workers at the Centre* programmes. And they will continue to hold this central importance in our Sustainability strategy in the future. We are aware that the social sustainability of our supply chain requires our suppliers to share our principles, starting with the Code of Conduct through to the values enshrined in our programmes, such as women empowerment or the payment of a living wage.

This is why we make use of both group and individual training sessions. Individual training activities are implemented by our internal teams. Group activities may be internal or external, or involve the collaboration of various prestigious organisations. Particularly noteworthy in 2018 were the training activities involving IndustriALL in Romania, India and Bangladesh; and with the ILO and ACT, both in Turkey.

Training on the new traceability tool also deserves mention.

More information on pages 92 and 93 of this Annual Report.

1.7.4. Purchasing teams and other areas

Inditex's sustainability strategy can only be developed with the participation of all employees. That is why our Sustainability and Human Resources teams work to train and raise the awareness of all of our staff. All new employees at Inditex's head offices attend the *Welcome* training course, which includes specific sessions introducing the Group's policies and practices in the spheres of Social and Environmental Sustainability, Product Health and Safety, and Community Investment.

The training of teams in stores is also fundamental, since they are in direct contact with our customers. They have to not only think about sustainability in their everyday work, but also transmit the concept to customers. On Academy, Inditex's digital staff training tool, is one of the platforms that helps with this task, as it offers specific contents on sustainability. In 2018, this tool was placed at the disposal of more than 105,000 people.

More information on page 74 of this Annual Report.

In the case of purchasing teams, sustainability training is much more far-reaching due to the impact of their activity and the decisions they make on the supply chain. In 2018, a total of 142 purchasers were trained in India, Turkey, Bangladesh and Spain using our interactive modules on purchasing practices. Meanwhile, Sustainability teams in Turkey, China, India, Bangladesh and Argentina held 107 individual awareness-raising meetings with their workmates of the purchasing teams in the range of subsidiaries.

More information on page 119 of this Annual Report.

Sustainability training covers all stakeholders in the supply chain, from suppliers to internal teams.

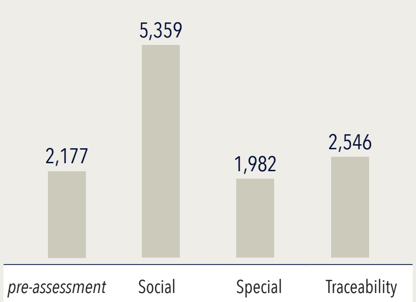
2. Strategic Plan for a Stable and Sustainable Supply Chain 2014–2018. 2018 Review

The year 2018 was the fifth and final year of our Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018. During the year, we continued to work on its four lines of action – identification, assessment, optimization and sustainability – with the aim of fulfilling the objectives set in 2013.

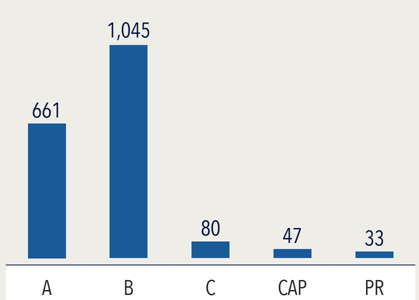
The Inditex supply chain in 2018

	AMERICA	EUROPEAN UNION	AFRICA	EUROPE (NON-EU)	ASIA
SUPPLIERS	22	459	145	200	1,040
FACTORIES	34	2,118	403	1,602	3,078

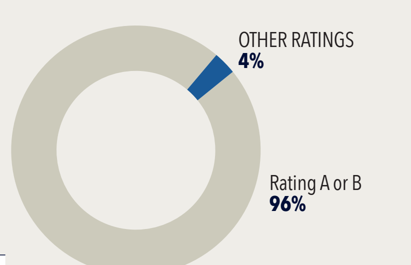
AUDITS



SUPPLIERS BY RATING*



% PRODUCTION BY RATING



(*) A supplier: Complies with the Code of Conduct for Manufacturers and Suppliers.

B supplier: Breaches a non-material aspect of the Code of Conduct for Manufacturers and Suppliers.

C supplier: Breaches a sensitive but non-crucial aspect of the Code of Conduct for Manufacturers and Suppliers.

Supplier subject to Corrective Action Plan (CAP): Breaches of the Code of Conduct for Manufacturers and Suppliers that trigger the immediate implementation of a Corrective Action Plan.

PR supplier: undergoing an auditing process.

2.1. Identification of the supply chain

During the financial year 2018, our supply chain was made up of 1,866 suppliers[1] in 43 markets working with 7,235 factories[2].

The Inditex supply chain in 2018 [1]

	Suppliers with purchase in 2017	Suppliers not used in 2018	New suppliers in 2018	Suppliers with purchase in 2018
Africa	151	19	13	145
America	48	27	1	22
Asia	980	172	232	1,040
Europe (non-EU)	182	35	53	200
European Union	463	68	64	459
TOTAL	**1,824**	**321**	**363**	**1,866**

Inditex's traceability management system was developed internally, and has evolved during the last five years of application of the Strategic Plan 2014-2018 in order to facilitate access to information to interested parties (internal teams and suppliers), as well as to increase the scope of information gathered, in particular when it comes to the traceability of raw materials. Our clusters, which account for 96% of total production, have at their disposal traceability experts that include textile and industrial engineers. In 2018, a total of 2,546 traceability audits were performed to verify that production for the Group's brands was being carried out in correctly declared and authorized factories.

The level of standardization of our traceability audits' methodology is worth highlighting. Since it was introduced in 2014, a robust model has been established that encompasses the best practices of Inditex's teams, allowing an objective verification of suppliers. The methodology also incorporates correction and remediation measures in the form of Production Control Plans and management systems evaluations.

More information on page 92 of this Annual Report.

2.2. Assessment of the supply chain

Before a supplier begins working with Inditex, its compliance with the Code of Conduct is verified with a *pre-assessment* audit, which consists of a preliminary evaluation of potential suppliers and factories performed by internal or external auditors without prior notice. These audits guarantee that only suppliers that meet the requirements established in the Code of Conduct can enter the supply chain.

Pre-assessment audits in 2018

Geographic area	Pre-assessment audits	% Approved
Africa	96	73%
America	15	87%
Asia	1,429	72%
Europe (non-EU)	378	86%
European Union	259	90%
Total	**2,177**	**77%**

Our suppliers and manufacturers are also subject to regular social audits in line with our methodology, which was designed in 2007 along with the former International Textiles Trade Union Federation (today part of IndustriALL Global Union), the University of Northumbria and the Centre for Business and Public Sector Ethics, Cambridge.

The aim of social audits is to verify the degree of compliance with the Code of Conduct and to establish Corrective Action Plans where necessary to ensure respect for fundamental labour rights. They are carried out by internal or external auditors without prior notice. One essential element of the social audit is interviews with workers and their trade union representatives, where appropriate. These interviews allow the auditor to compare the information obtained from other sources and gain a clear vision of the real situation in the factory. The rest of the audit process involves document reviews, visits to facilities and interviews with management.

Social audits in 2018

Geographic area	Total
Africa	380
America	55
Asia	2,473
Europe (non-EU)	1,241
European Union	1,210
Total	**5,359**

1 Suppliers of fashion items, mainly clothing, footwear and accessories, producing over 20,000 units/year. Suppliers with smaller production account for 0.23% of total production.

2 Textile, footwear and accessory factories declared by suppliers in the manufacturer management system for orders in 2018.

The results of audits leads to suppliers and manufacturers receiving a rating that reflects their level of compliance with the Code of Conduct. The ratings of suppliers used in 2018 are as follows:

Classification(*)	Number of suppliers	Percentage (%)	Percentage of production (%)
A	661	35%	37%
B	1,045	56%	59%
C	80	4%	2%
CAP	47	3%	1%
PR	33	2%	1%
TOTAL	**1,866**	**100%**	**100%**

(*) A supplier: Complies with the Code of Conduct for Manufacturers and Suppliers.
B supplier: Breaches a non-material aspect of the Code of Conduct for Manufacturers and Suppliers.
C supplier: Breaches a sensitive but non-crucial aspect of the Code of Conduct for Manufacturers and Suppliers.
Supplier subject to Corrective Action Plan (CAP): Breaches of the Code of Conduct for Manufacturers and Suppliers that trigger the immediate implementation of a Corrective Action Plan.
PR supplier: undergoing an auditing process.

The following figures are the percentage compliance with the Code of Conduct for Manufacturers and Suppliers in factories active in 2018:

Percentage compliance with the Code of Conduct in active factories(*) associated with suppliers with purchase in 2018

	Africa	America	Asia	Europe (non-EU)	European Union
Prohibition of forced labour	> 90	> 90	> 90	> 90	> 90
Prohibition of work by youths or minors (**)	> 90	> 90	> 90	> 90	> 90
Prohibition of discrimination	> 90	> 90	> 90	> 90	> 90
Respect for freedom of association and collective bargaining	> 70	> 90	> 90	> 90	> 90
Prohibition of abuse or inhumane treatment	> 90	> 90	> 90	> 90	> 90
Hygiene at work	<50	> 70	<50	<50	<50
Wage compliance	> 50	> 50	<50	> 50	> 50
Working hours	> 70	> 90	<50	<50	> 90
Environmental commitment	> 90	> 90	> 70	> 90	> 90
Regular work	> 70	> 90	> 90	> 70	> 50
Implementation of the Code(***)	<50	> 70	<50	<50	<50

> 90   > 70   > 50   <50

(*) Includes factories with social audit and not rejected in 2018.
(**) Includes the lack of suitable systems for checking the age of workers.
(***)Includes the lack of suitable systems for registering and informing workers.

In 2018, some 96% of production was carried out by suppliers with an A or B rating — those suppliers with the higher ratings within Inditex's own methodology — and this demonstrates how we have integrated our sustainability standards in purchasing decisions.

We also perform special audits, which focus on a specific area for improvement. Examples of the purposes of these visits are structural technical assessments or the assessment of working conditions from the exclusive perspective of health and safety.

Special audits in 2018

Geographic area	Special
Africa	130
America	132
Asia	1,398
Europe (non-EU)	201
European Union	121
Total	**1,982**

2.3. Optimization

From the perspective of sustainability, Inditex believes in improvement and growth achieved hand-in-hand with our suppliers. That is why our audits are always subject to follow-up. Every audit generates a Corrective Action Plan that imposes demanding goals and deadlines that must be complied with if the supplier wants to continue to maintain commercial relations with Inditex. Apart from internal teams, other stakeholders may participate in plans, including NGOs, trade unions or other civil society organisations.

Corrective Action Plans

MONTH 1

Initial meeting

- Analysis of breaches detected during auditing.
- Discussion of the action plan for suppliers and establishment of dates for the resolution of breaches.

MONTH 2

Initial follow-up

- Documental control of improvements and follow-up with supplier and factory.
- Involvement of the NGO, trade union or other organisation if necessary.

MONTH 3

Follow-up visits

- On-site monitoring of improvements by the Sustainability team.
- Analysis of the viability of the plan depending on the level to which improvements are implemented.

1. Establish measures to mitigate potential breaches of the Code of Conduct for Manufacturers and Suppliers.
2. Prevent repeated breaches in the future through sustainable improvements
3. Identify areas for improvement to work on based on the *Workers at the Centre* programmes.

MONTH 4

Notification of the visit

- Communications with the supplier and factory of the status of the plan, in line with the result of the visit.
- Involvement of purchasing teams.

MONTH 5

Final monitoring

- Documental control of improvements and follow-up with supplier and factory.
- Involvement of the NGO, trade union or other organisation if necessary.

MONTH 6

Follow-up audit

- Follow-up social audit.
- If the result is negative, the factory is rejected and cannot continue to supply Inditex.

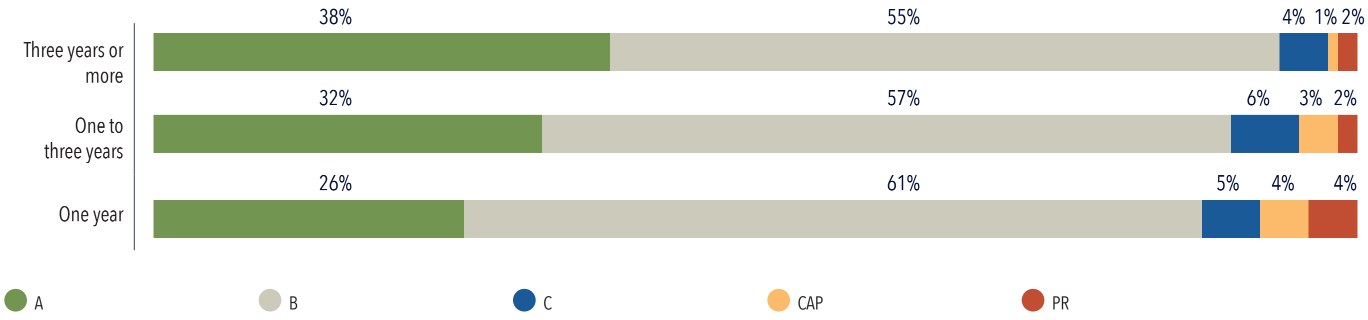
At Inditex we give suppliers the opportunity to improve, guiding and supporting them whenever they need.

In 2018, some 417 Corrective Action Plans were initiated. Since the launch of the Strategic Plan 2014-2018, our teams have collaborated with suppliers on 2,458 Corrective Action Plans.

Apart from implementing our own plans, we also work together with other brands in the sector on joint remediation activities in factories. A collaborative focus that facilitates long-term solutions from a more holistic viewpoint, given that, apart from helping factories to improve in a comprehensive manner, these also receive a mutual, consensual message from all of the brands that they work for.

The benefits of daily work from the outset with the supplier can be seen in the way suppliers' ratings improve with the years of their relationship with Inditex. The percentage of suppliers with A and B ratings is higher among those suppliers that have been collaborating with Inditex for over three years, and been subject to several programmes under the 2014-2018 Strategic Plan.

Supplier classification according to years of commercial relationship with Inditex (%)



At Inditex we give suppliers the opportunity to improve, guiding and supporting them whenever they need. However, we also have zero tolerance for those who do not take advantage of these opportunities and do not comply with the Code of Conduct or with other requirements for working with us. Thus, of the 1,866 suppliers used in 2018, a total of 50 were discarded during the year for failing to comply with some of the conditions necessary to work with Inditex. This includes both business and sustainability-related reasons.

Suppliers rejected in 2018

Geographic area	Suppliers with purchase*	Rejected due to breach of the Code of Conduct	Rejected for commercial reasons	Active suppliers at 31/01/2019
Africa	145	3	1	141
America	22	0	0	22
Asia	1,040	10	18	1,012
Europe (non-EU)	200	10	2	188
European Union	459	3	3	453
Total	**1,866**	**26**	**24**	**1,816**

(*) Suppliers of fashion items, mainly clothing, footwear and accessories, with a production of over 20,000 units/year. Suppliers with smaller production account for 0.23% of total production.

2.4. Sustainability

The challenges posed by a global supply chain are shared by many stakeholders. Working together is beneficial to the industry and the development of communities. That is why we collaborate with stakeholders at the global level, in particular with IndustriALL Global Union, as well as with important initiatives from the International Labour Organization (ILO), Ethical Trading Initiative (ETI) and the UN Global Compact, as well as local stakeholders.

MAIN GLOBAL PARTNERSHIPS

IndustriALL Global Union	Global trade union federation representing more than 50 million workers affiliated to almost 600 trade unions worldwide.	Collaboration through the Global Framework Agreement signed in 2007. The Agreement was the first to encompass the whole supply chain in a textiles sector enterprise. Its fundamental aim is to ensure compliance with the international labour standards deriving from the ILO and UN Conventions, as well as OECD Guidelines. It underlines the essential role that the right to organise and collective bargaining must have in all countries.
International Labour Organization	Agency of the United Nations tackling all matters related to work and labour relations. The International Labour Organization is a tripartite body involving representatives of governments, trade unions and employers.	Three-yearly public-private partnership signed in 2017 whose purpose is the joint promotion of the Fundamental Principles and Labour Rights in the cotton supply chain.
		Participation in the ILO's Better Work platform to improve compliance with labour standards and the competitiveness of global supply chains. Inditex joined the Better Work Programme in October 2007. In 2013, both parties signed a specific agreement that makes us a direct buyer partner of the Better Work programme.
This is our **Communication on Progress** in implementing the principles of the **United Nations Global Compact** and supporting broader UN goals. We welcome feedback on its contents.	Its Ten Principles promote sustainable development in the spheres of human rights, work, environment and anti-corruption with a universal consensus. It is the largest corporate social responsibility initiative worldwide.	When Inditex became a signatory to the Global Compact in 2001, the Company undertook to respect its Ten Principles. We also actively participate in the UN Global Compact Decent Work in Global Supply Chains Action Platform, as well as in the Action Platform for Reporting on the Sustainable Development Goals.
Ethical Trading Initiative	A platform for dialogue to improve the working conditions of workers in the distribution sector in developing countries. It comprises companies, international trade union organisations and non-governmental organisations.	Inditex has been a member of the Ethical Trading Initiative since 2005, participating actively in its initiatives and programmes in different countries.
Action, Collaboration, Transformation	Initiative involving distribution brands, suppliers and trade unions to transform the industry and achieve living wages in the textiles sector through collective bargaining.	Inditex has actively participated in ACT and its working groups since 2015.
Accord on Fire and Building Safety in Bangladesh	This is an agreement between global brands and retailers and local and international trade unions and NGOs, with the aim of ensuring lasting improvements in the working conditions of Bangladesh's textile industry.	Inditex is an original signatory member and forms part of the Steering Committee. The Accord was signed on 13 May 2013 and renewed in 2018.
Better Than Cash Alliance	Alliance of governments, companies and international organisations based at the United Nations. Its objective is the global promotion of the transition towards a digital economy.	Inditex's collaboration focuses on digitalization and financial education in the supply chain.
Collaboration in the sector	Cooperation with brands and stakeholders in the textiles industry to tackle common challenges and advance together on the sustainability of the industry.	The promotion of mature industrial relations, the achievement of living wages and fostering responsible purchasing practices are some of the collaborative lines of work being implemented in the sector.

103-2, AF24

Our supplier clusters are one of the fundamental tools we use to establish such cooperation with the range of local and global stakeholders and guarantee that our standards are applied throughout the supply chain.

Main cluster indicators in 2018

	Spain	Portugal	Morocco	Turkey	India	Pakistan	Bangladesh	Vietnam	Cambodia	China	Brazil	Argentina
AUDITS												
Traceability	13	174	548	721	61	5	82	67	56	191	51	510
Pre-assessment	33	98	78	356	190	67	102	43	55	914	3	8
Social	97	973	315	1,193	368	178	295	124	84	1,350	10	41
Special	0	111	123	195	233	24	826	16	57	188	86	46
SUPPLIER RATING												
A suppliers	90	89	54	68	40	8	55	5	1	68	4	22
B suppliers	74	73	55	86	70	38	59	0	1	351	0	3
C suppliers	7	1	13	14	10	6	3	0	0	18	0	0
Suppliers with CAP	4	2	3	18	1	5	3	0	0	4	0	1
CORRECTIVE ACTION PLANS												
Corrective Action Plans	0	77	15	191	6	17	8	10	7	65	0	2

STAKEHOLDERS		
Collaboration and participation with stakeholders		
Spain	**Portugal**	**Morocco**
- UN Global Compact - Ethical Trading Initiative (ETI) - IndustriALL Global Union - Action Collaboration Transformation (ACT) - International Labour Organization (ILO) - Better Than Cash Alliance - Social & Labour Converge Project (SLCP)	- IndustriALL Global Union - Portuguese Catholic University of Porto - *University of Minho* - *Autoridade para as Condiçoes do Trabalho*	- Medicus Mundi Sur - AMSAT (Association Marocaine de la Santé au Travail) - Unión de la Acción Feminista
Turkey	**India**	**Pakistan**
- IndustriALL Global Union - International Labour Organization (ILO) - Association for Supporting Contemporary Life (ÇYDD) - United Work - Refugee Support Centre (MUDEM) - Fair Labour Association - WWF Turkey - Action Collaboration Transformation (ACT) - ITKIB -Exporters' Association - Association for Supporting Contemporary Life (ÇYDD)	- IndustriALL Global Union - St. John's National Academy of Health Sciences - SWASTI - SAVE - Pratham, Council for Vulnerable Children	- International Labour Organization (ILO) - Buyers Forum Pakistan
Bangladesh	**Vietnam**	**Cambodia**
- International Labour Organization (ILO) - IndustriALL Global Union - Ethical Trading Initiative (ETI) - Accord on Fire and Building Safety in Bangladesh (Accord) - BGMEA - BKMEA	- Better Work (ILO)	- Action Collaboration Transformation (ACT) - Better Factories Cambodia (ILO)
China	**Brazil**	**Argentina**
- International Labour Organization (ILO) - Ethical Trading Initiative (ETI)	- International Labour Organization (ILO)	- National Institute of Industrial Technology (Instituto Nacional de Tecnología Industrial, INTI)

The year 2018 saw the completion of the Strategic Plan initiated in 2014 that brought together the lines of action undertaken over the last five years in responsible management of the supply chain.

3. Balance of the Strategic Plan for a Stable and Sustainable Supply Chain 2014–2018

In December 2013, Inditex's Social Sustainability teams designed a five-year strategy for the supply chain for the period 2014-2018 with the title Strategic Plan for A Stable and Sustainable Supply Chain.

The Strategic Plan organised and strengthened the work carried out until then. It had two specific objectives:

- Ensure compliance with the Code of Conduct for Manufacturers and Suppliers.
- Reiterate Inditex's commitment to the United Nations Guiding Principles on Business and Human Rights.

The lines of the Strategic Plan for a Stable and Sustainable Supply Chain include identifying and properly knowing (non-exclusive) suppliers and manufacturers, performing exhaustive assessments of them to improve the working conditions of their workers. This ensured the sustainability of suppliers and manufacturers and guaranteed their adherence to the standards required by Inditex, creating stable and long-term business relations and ensuring depth on specific areas of interest.

The Plan came to an end in the year 2018. During the five-year period of its implementation, the tools, methods and activities linked to identification, assessment, optimization and sustainability included in the Plan have evolved to adapt to the needs of the supply chain and its context, incorporating experiences and lessons learned.

Strategic Plan for a Stable and Sustainable Supply Chain 2014–2018

LINES OF ACTION	IDENTIFICATION	ASSESSMENT	OPTIMIZATION	SUSTAINABILITY
MONITORING	Traceability	Compliance Programme	Effective auditing	Mature relationships with suppliers and a holistic approach
TRAINING	Training for auditors	Worker participation	Training for suppliers	
CONTINUAL IMPROVEMENT	Audit quality management	Corrective Action Plans	Consolidation of the supply chain	
COMMITMENT TO STAKEHOLDERS	Effective and efficient reference partners with whom Inditex can share good practices and create shared strategies			

Review of the Strategic Plan 2014–2018 Key results

+800
Traceability training for more than 800 suppliers

13,272
Traceability audits

IDENTIFICATION

+1.000
Training for more than 1,000 external auditors on Inditex's auditing method.

42,173
Audits of suppliers and factories at all levels and processes

ASSESSMENT

INTEGRATION OF SUSTAINABILITY IN PURCHASING PRACTICES

Main advances in the Strategy 2014-2018

REINFORCE CAPABILITIES

DETECTING AND ACTING ON ROOT CAUSES

WORKING AS A NETWORK

INCREASED KNOWLEDGE OF THE SUPPLY CHAIN

ESTABLISHING DUE DILIGENCE PROCESSES

- Creation of the Human Rights Policy in 2016.
- Development of a product traceability system.
- Development of tools and procedures to facilitate compliance with the Code of Conduct.
- Standardization of due diligence processes in the supply chain.
- Creation of a traceability policy and method for its implementation.

SUSTAINABILITY

2,500
Awareness raising and training for 2500 employees in Inditex's various departments.

Ongoing training for Sustainability teams on standards such as the SA8000, as well as in Human Rights, due diligence, health and safety and so on.

Identification of specific local needs.

More than 25 projects completed in areas such as women empowerment, health and safety, and worker participation.

More than 20 local stakeholders involved in the projects.

From isolated programmes to the *Workers at the Centre* approach.

OPTIMIZATION

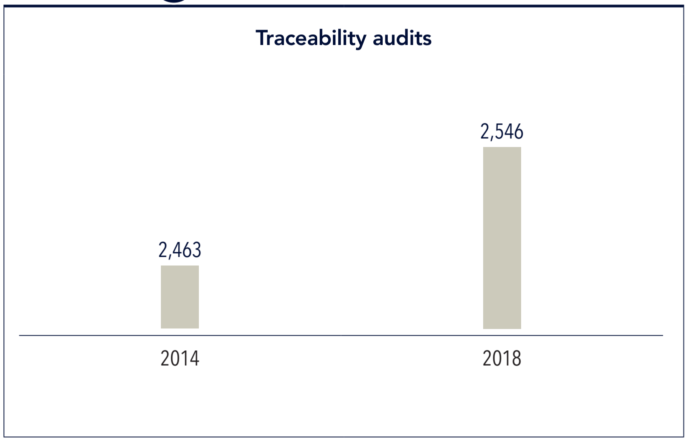
+3.000
More than 3,000 individual training sessions on Human Rights with suppliers and factories.

2,458
Corrective Action Plans

IDENTIFICATION

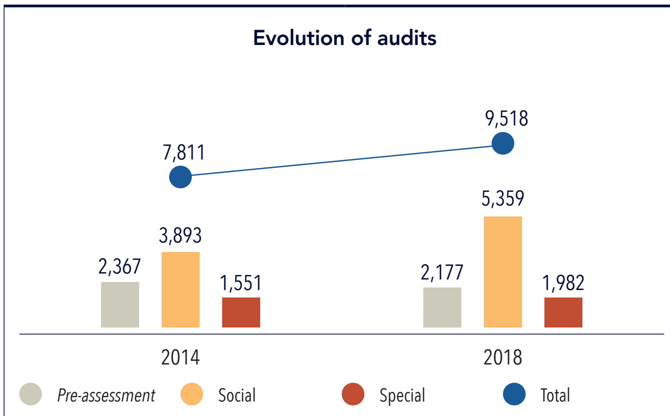
STRATEGIC PLAN 2014-2018 OBJECTIVES	STRATEGIC PLAN 2014-2018 MILESTONES	EVOLUTION OF MAIN INDICATORS	IDENTIFICATION FOLLOWING THE STRATEGIC PLAN 2014-2018
Verification of the traceability of 100% of production Regular and systematic training for all auditors using the "train the trainer" system	Online manufacturer and order management system Launch of traceability audits Public-private agreement with the International Labour Organization (ILO) to strengthen labour rights in cotton production	During this five-year period, we have intensified our identification activity, both in terms of traceability audits and in supplier training or improvements to information systems.	Co-responsibility of suppliers to ensure the traceability of their own supply chains Development of innovative tools to facilitate traceability management Strengthening of the traceability of raw materials

The traceability of the supply chain was a priority of the Strategic Plan.



ASSESSMENT

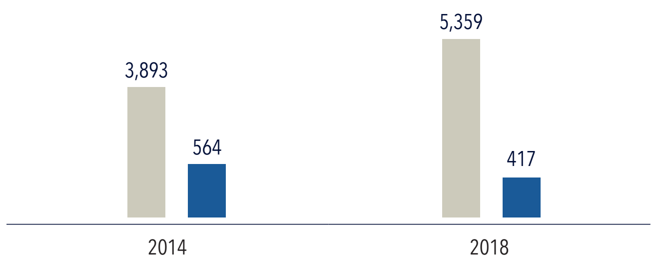
STRATEGIC PLAN 2014-2018 OBJECTIVES	STRATEGIC PLAN 2014-2018 MILESTONES	EVOLUTION OF MAIN INDICATORS	ASSESSMENT FOLLOWING THE STRATEGIC PLAN 2014-2018
Ensure sustainable compliance with the Code of Conduct for Manufacturers and Suppliers Auditing system designed to evaluate and improve management methods	Two updates of the methodology used for social audits. Update of the methodology used for pre-assessment audits. Inclusion of all audits in an online system.	The percentage of suppliers reaching the higher compliance ratings (A and B) has increased during the five years of the Strategic Plan, which demonstrates that we have achieved a continual improvement of working conditions and compliance with our Code of Conduct.	Audits as a tool to detect the root causes of non-compliance and solve these issues through other types of action. Initiatives to advance in shared evaluations within the industry, such as the Social & Labour Convergence Project.



OPTIMIZATION

STRATEGIC PLAN 2014-2018 OBJECTIVES	STRATEGIC PLAN 2014-2018 MILESTONES	EVOLUTION OF MAIN INDICATORS	OPTIMIZATION FOLLOWING THE STRATEGIC PLAN 2014-2018
Corrective Action Plans targeted at improving management systems, with self-assessment and worker participation Establish and maintain stable relationships of trust with suppliers Regular training programme for 100% of suppliers and manufacturers	Collaboration with local NGOs on the establishment of Corrective Action Plans Agreement with MUDEM on refugees in Turkey Development of responsible purchasing practices with purchasing teams	In 2018, Corrective Action Plans were implemented for 8% of social audits carried out. This demonstrates the level of improvement of our supplier compliance, given that even while we have intensified our auditing work, the percentage of suppliers requiring the immediate implementation of a strict Corrective Action Plan continues to decrease.	Continual improvement through collaboration with other stakeholders in the sector Joint remediation initiatives Programmes that go beyond individual remediation to examine root causes at the sector level.

Evolution of Corrective Action Plans in relation to social audits



Trained suppliers

SUSTAINABILITY

STRATEGIC PLAN 2014-2018 OBJECTIVES	STRATEGIC PLAN 2014-2018 MILESTONES	EVOLUTION OF MAIN INDICATORS	SUSTAINABILITY FOLLOWING THE STRATEGIC PLAN 2014-2018
Effective and efficient reference partners with whom Inditex can share good practices and create shared strategies Alignment and inclusion of the sustainability strategy in the Group's business model Workers freely chosen as representatives throughout the supply chain	Approval of Inditex's Human Rights Policy Renewal of the Global Framework Agreement with IndustriALL Creation of supplier clusters in Cambodia and Pakistan, and development of the 10 existing clusters Commitment to Action Collaboration Transformation (ACT) Participation in the Action Platforms of the UN Global Compact.	During the five years of the plan, the clusters have been one of our main tools for progress. Through them, we have been able to consolidate various alliances with local and international entities alike, with whom we share the objective of ensuring the social sustainability of the supply chain.	Strengthening of collaboration between clusters to take advantage of synergies and shared learning Focus on innovation and the use of new technologies to ensure the sustainability of the supply chain Strengthening of existing alliances with different stakeholders and the creation of new alliances in different spheres of action Sustainability of the industry as a whole

Partnerships with landmark entities

industriall ILO Shift ACT Action Collaboration Transformation BETTER THAN CASH ALLIANCE

Creation of two new clusters:

CAMBODIA AND PAKISTAN

Review of the Strategic Plan 2014–2018 Key results

Supplier clusters

Spaces for cooperation designed to promote a sustainable productive environment in geographic areas that are strategic to the development of Inditex's business model.

96%
OF PRODUCTION

2014 Update of the social audits methodology.

2015 Collaboration with the ACT initiative.

2016 Consolidation of the Workers at the Centre programmes.

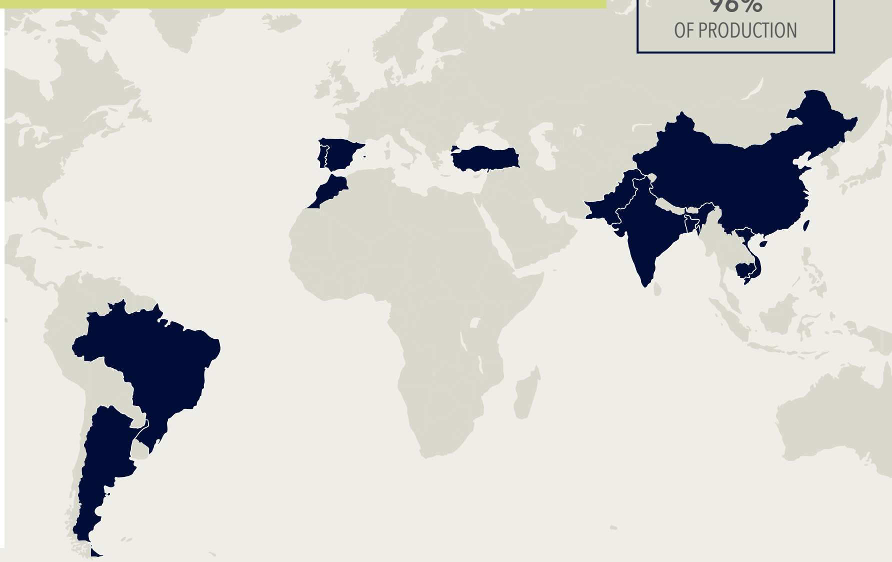
Update of the pre-assessment audit methodology.

2017 X anniversary of the signing of the Global Framework Agreement with IndustriALL Global Union.

Signing of the public-private agreement with the ILO focusing on the cotton supply chain.

2018 Adherence to the Better Than Cash Alliance.

Renovation of the Bangladesh Accord



Spain

- Coordination of the Strategy.
- Coordination of the Framework Agreement with IndustriALL Global Union

Portugal

- Signing of a Framework Agreement with the University of Minho (2018).
- Launch of an occupational health and safety programme in collaboration with IndustriALL and local authorities and trade unions (2017).

Argentina

- Initiation of collaboration with the National Institute of Industrial Technology (INTI) (2014).
- Programme to improve production management systems of factories in collaboration with INTI (2018).

Brazil

- Initiation of participation in the Sustainable Fashion Laboratory (2017).
- Signing of the PPP ABVTEX-ABIT-Zara with the ILO (2017).

Morocco

- Collaboration with Medicus Mundi on programmes related to health.
- Training on industrial relations with IndustriALL Global Union.

Turkey

- Development of the Joint Turkey Programme, in collaboration with IndustriALL Global Union (2014-2016).
- Signing of the Framework Agreement with the NGO Refugee Support Centre – MUDEM for refugee workers. (2015)

Pakistan

- Creation of a cluster to address the real situation of the local supply chain in further depth (2016)
- Participation in the pilot of the ILO's SCORE programme (2018).

India

- Development of the Sakhi Programme for women's empowerment.
- Training for suppliers on social dialogue with IndustriALL Global Union (2018).

Bangladesh

- Project to support the Worker Participation Committees with IndustriALL Global Union (2015).
- Development of programmes for the digitalization of wage payment (2018).

China

- SCORE and *LEAN* programmes to improve labour conditions (2015).
- Collaboration with the Ethical Trading Initiative on a project to raise awareness among workers on social contributions (2016).

Cambodia

- Creation of a cluster to address the real situation of the local supply chain in further depth (2015).
- Promotion of collective bargaining through ACT.

Vietnam

- Creation of a supplier union network of Inditex suppliers in collaboration with IndustriALL Global Union (2015).
- Contact in conjunction with ACT with national stakeholders to promote collective bargaining (2017).

4. Introduction of the *Workers at the Centre* 2019–2022

Inditex upholds its commitment to best practices in the social sustainability of the supply chain. Based on the experience we have accumulated over the five years of the Strategic Plan for a Stable and Sustainable Supply Chain and the lessons learned from the activities forming part of the *Workers at the Centre* strategy, in 2019 we have embarked on our new strategy for the supply chain.

Inditex's new route map is entitled *Workers at the Centre 2019-2022*. The previous Strategic Plan and the experience we have gained serve to demonstrate that we can only lead the way towards sustainability and a responsible business model if we understand the needs of workers, their families and the communities where they live, providing them with the appropriate tools to achieve decent work.

That is why our priority over the next four years will be to foster direct contact with workers to expand our knowledge of their needs. To this end, we will continue to work with the relevant stakeholders, in particular with those that have the greatest level of contact with workers, highlighting their concerns and needs.

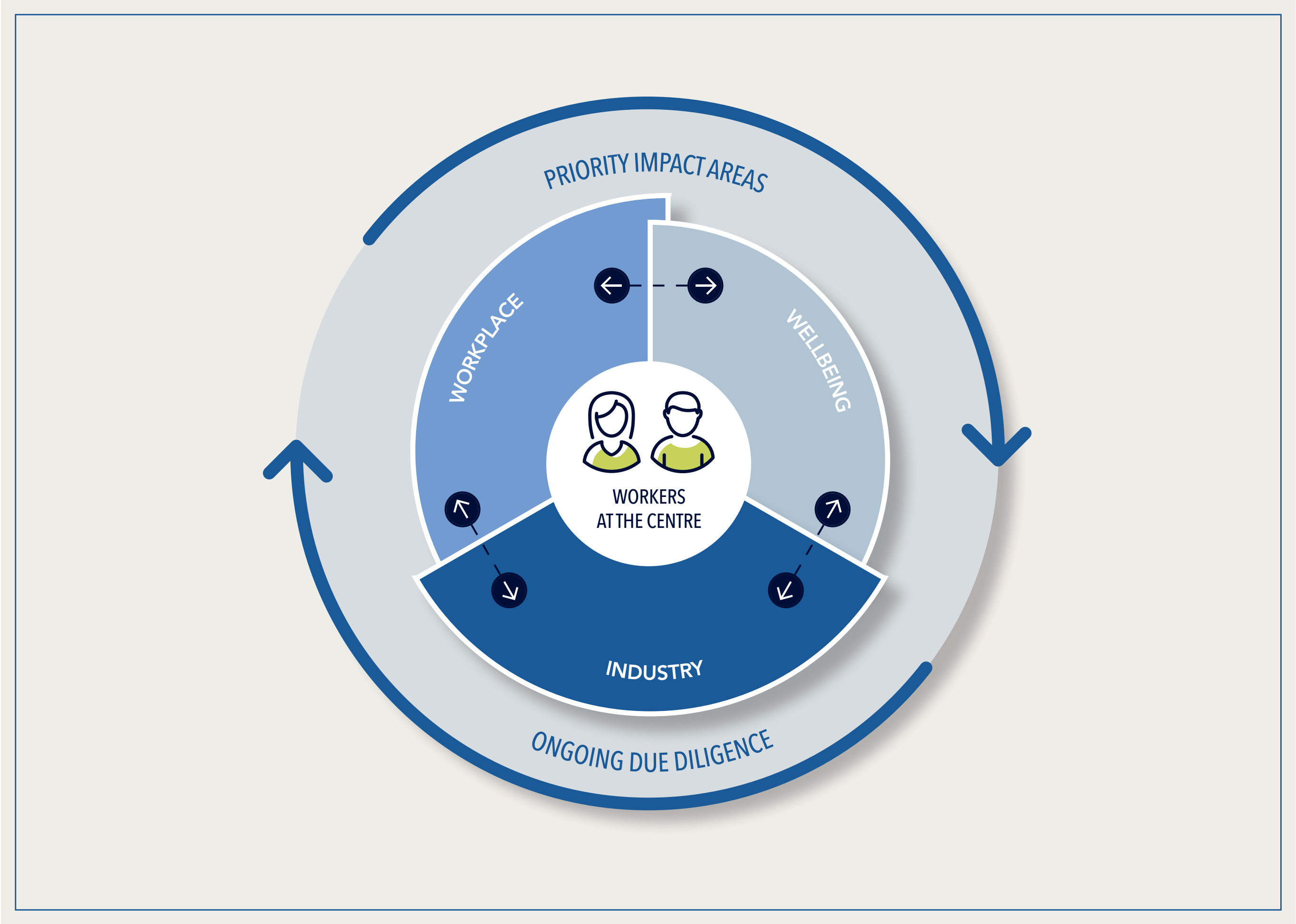
The strategy will be structured around three complementary and interconnected dimensions: workplace, wellbeing and industry.

This three-dimensional structure will allow us to continue focusing our efforts on the sustainability of the factories in our supply chain while extending these efforts to address the general wellbeing of workers and long-lasting changes and impacts in the industry.

Following a due diligence in Human Rights, we have identified the priority impact areas that will be the focus of the actions contained in the strategy with the aim of achieving a sustainable impact on workers, generating a positive social value.

More information on page 45 of this Annual Report.

| *Workers at the Centre* 2019-2022



EXCELLENCE OF OUR PRODUCTS

At Inditex we work to ensure that all our items comply with the highest standards of health, safety and sustainability, and we pay special attention to the raw materials we use. In 2018, all the brands in the Group incorporated Join Life garments into their collections, which resulted in selling 136 million items, up 85% compared to last year.

Photo: Inditex employee at the New York showroom.

SDG	TARGETS	INDITEX'S CONTRIBUTION
3 GOOD HEALTH AND WELL-BEING	**3.9**	Our commitment to product excellence is reflected in the most stringent health and safety standards, in addition to our Join Life standard and the Green to Wear environmental commitment for our supply chain. In addition, in 2018 work continued on The List by Inditex to include new chemical products classified according to a greater number of restricted substances.
6 CLEAN WATER AND SANITATION	**6.3**	Water is a vital resource for the production of our raw materials and their industrial transformation. Inditex has made a commitment to achieve Zero Discharge of Hazardous Chemicals (ZDHC Commitment) by 2020.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**9.4**	The application of the *Ready to Manufacture* and *Green to Wear* Programmes allow us to ensure compliance with our environmental standards and product health and safety standards during production with lower consumption of energy, water and chemical products.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**12.2** **12.4** **12.5** **12.8**	Through our *Green to Wear* Programme and Join Life labelling standard we encourage sustainable environmental behaviour along our supply chain, as well as promoting good manufacturing practices and favouring an efficient use of resources, waste reduction and correct waste management.
15 LIFE ON LAND	**15.1**	Our Biodiversity Strategy and Forest Product Policy reflect our commitment to the conservation of nature and forest ecosystems. In 2018 we continued increasing our use of sustainable raw materials through the Join Life label.
17 PARTNERSHIPS FOR THE GOALS	**17.16**	We collaborate with different organisations to advance the excellence of our products and the environmental sustainability of our supply chain. In 2018, our work with the Massachusetts Institute of Technology (MIT), the Better Cotton Initiative (BCI), the Organic Cotton Accelerator (OCA) and the Textile Exchange stands out, among our collaborations with other entities.

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

R&D INDICATORS – EXCELLENCE OF OUR PRODUCTS	
Throughout 2018, Inditex invested over €96 million in R&D initiatives aimed at developing novel garments which stand out for the fibres used; for new product treatments and finishings; for their technical performance traits; and for the use of new washing and dying processes, among others. In turn, and with the goal of ensuring product health and safety, Inditex earmarks significant resources to multidisciplinary scientific research to guarantee the eradication of toxic or potentially hazardous substances from manufacturing processes and from finished products in the textile and footwear industry. More information about our R&D projects on pages 160 of this Annual Report.	
Investment earmarked to R&D	€ 91,004,672

Inditex has engaged an independent study to identify and measure the R&D effort in each of the Group's areas. The results are reported on in the various chapters outlining Our Priorities and are expressed in terms of investment (in euros) and the key projects carried out. The overall results of the study as well as an explanation of the assessment and the criteria used, is available in the "Sustainability, in figures" chapter.

More information on pages 292 and 293 of this Annual Report.

In 2018, we put 103 million organic cotton garments up for sale, some 75% more than in the previous year.

Sustainable, healthy and safe products

At Inditex we are committed to the protection and development of biodiversity through a responsible and sustainable management of natural resources. This is reflected in our Biodiversity Strategy, which is based on the principles of the United Nations Convention on Biological Diversity. The goal of the Biodiversity Strategy is to protect biodiversity at every level of our activity, as well as to ensure our business decisions are based on ethical and environmental criteria.

In order to respond to requests from our customers and offer them the fashion they want, we are working so that all the items we sell meet the most demanding standards for health, safety and sustainability, paying special attention to the raw materials we choose to make our products.

Accordingly, we are working to incorporate the most sustainable fibres and raw materials in our collections from the design phase. During 2018, we put 103 million organic cotton garments up for sale, some 75% more than in 2017.

In addition to organic cotton, we continue to promote the use of more sustainable raw materials such as TENCEL™, Lyocell, REFIBRA™ and recycled polyester, polyamide, cotton and wool materials. This year, in addition, we have added some new raw materials such as organic linen, recycled polyamide and more sustainable viscose, which comply with the standards of the *European Union Best Available Techniques* and Inditex's Forest Product Policy.

In parallel to this, the number of Join Life garments in our collections continues to increase. Join Life is the label for the products with the most sustainable raw materials, and/or the products that use more efficient production technology and that have been manufactured in factories classified as A or B in both social audits and environmental assessments. In 2018, all the brands in the Inditex Group incorporated Join Life garments into their collections, which resulted in selling 136 million items, up 85% compared to last year.

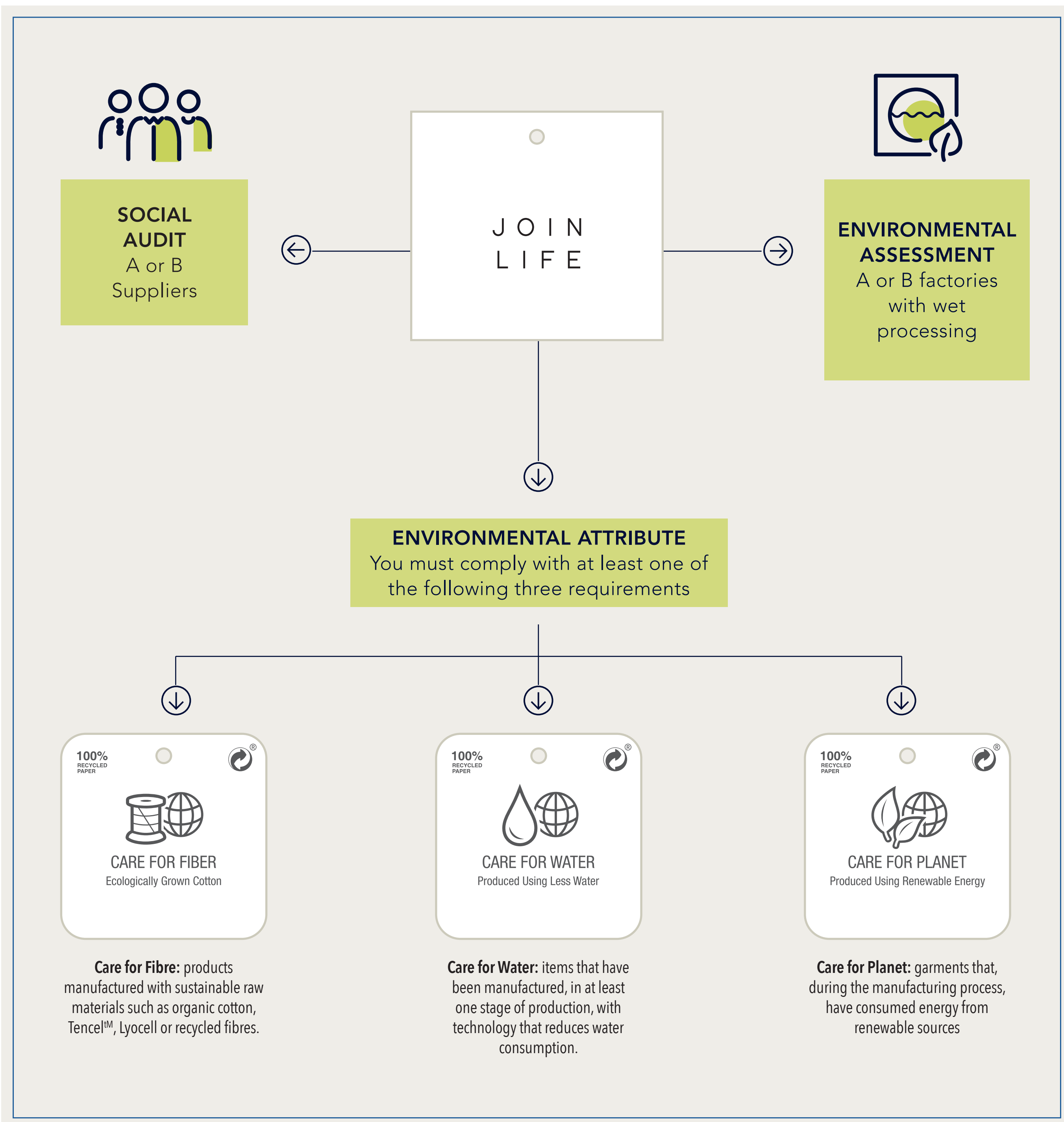
Beyond the materials, we have also advanced in terms of programmes and standards that guarantee that our products are safe, healthy and sustainable for the environment. We have created new health standards, we have made progress in programmes to improve our production and we have increased the number of substances regulated on *The List, by Inditex*. We have also increased the number of environmental assessments by our suppliers, as well as the number of manufacturers that follow the good practices included in the *Ready to Manufacture* Code.

INDITEX COMMITMENTS				PROGRAMMES IN PROGRESS
PROCESSES	GREENPEACE ZDHC Zero Discharge of Hazardous Chemicals	**2020**	**Zero Discharge of Hazardous Chemicals for all products on every stage of our supply chain.**	1. *GREEN TO WEAR* 2. ZDHC PLATFORM 3. ZDHC WASTEWATER GUIDELINES 4. GREENPEACE DETOX CAMPAIGN 5. SAC-HIGG INDEX-FACILITY MODULE
FIBRES	canopy	**2020**	**Our products do not contain fibre from ancient forests or forests at risk of extinction.**	1. OBTAINING RAW MATERIALS 2. FIBRE PRODUCER CENTRALISATION STRATEGY 3. EXCLUDING FIBRE PRODUCERS 4. TRACEABILITY TOOL
FIBRES	Changing Markets FOUNDATION	**2023**	**Guarantee the sustainable production of artificial cellulose fibres, supporting the path towards responsible viscose.**	

1. Join Life

The Join Life labelling standard is awarded to the garments produced with the most sustainable raw materials and/ or those that are manufactured with the best and most efficient production processes. Items are labelled with this seal when they meet the following requirements:

- Products manufactured by suppliers that have obtained an A or B rating in social audits.
- Products whose main components have gone through wet processing in factories (laundries, tanneries, stamping facilities or dry cleaners) that have passed environmental assessments rated as either A or B.
- The raw materials or production technology used mean that these items are awarded for their environmental excellence.



Our Join Life collections in 2018

The presence of Join Life in Inditex Group brands has received a strong boost over the year. On the one hand, Zara, Massimo Dutti and Oysho have significantly increased the number of items in their collections with the Join Life label. Parallel to this, Pull&Bear, Bershka, Stradivarius, Zara Home and Uterqüe have all incorporated Join Life products in their commercial offer, after joining the project in 2017 through work with their supply chains. This effort has resulted in more than 136 million Join Life items being sold, 85% more than in the previous year.

In this sense, Zara's offer of Join Life products has grown 34% in comparison to 2017 and represents 11% of the total products sold by the brand. Oysho has also doubled its commitment to sustainability and best manufacturing practices, going from 4.9 million to 7.8 million Join Life items, 57% more than last year. Massimo Dutti, on the other hand, has consolidated products with the Join Life label in its collection, from 68,953 units in 2017 to over 2.7 million in 2018.

Brand	Join Life garments in 2018
ZARA (*)	91,598,960
ZARA HOME	831,752
PULL&BEAR	6,970,894
Massimo Dutti	2,703,892
Bershka	23,644,573
Stradivarius	16,186
OYSHO	7,804,524
UTERQÜE	2,452
tempe (**)	2,749,555
TOTAL	136,322,788

(*) Includes Lefties garments with the Join Life seal.

(**) Manufacturer of footwear and accessories for Inditex brands. The quantity reported refers to footwear and accessories items with the Join Life seal manufactured for brands in the Group.

Zara: 91.5 million garments

Bershka: 23.6 million garments

Pull&Bear: 6.9 million garments

2. More sustainable raw materials

During the design and development stage of the collections, deciding which fabrics and materials to use is a key part of the process. At Inditex, following the key principles of our Environmental Sustainability Policy and the Strategic Environmental Plan for 2016-2020, one of our priorities is to promote the use of more sustainable fibres, which have a lower impact on the environment and reflect a more efficient use of resources.

During 2018 at Inditex, we worked with three hundred different types of raw materials. For this reason, we classify these raw materials according to their origin and two main categories: *fibres and non-fibres*. Over the course of the year, consumption was 88.24% and 11.76% respectively.

The non-fibre category includes a wide variety of different raw materials, both natural (vegetable, animal and mineral) and artificial. Its low relative importance in terms of total consumption does not justify an individual breakdown.

In the fibre category there are three different groups, depending on origin:

Type of fibre:	Definition	Percentage of use in 2018
Natural fibres	Filaments from a natural origin, which can be spun to obtain threads or cordage.	48.90%
Synthetic fibres	These fibres are made of polymers that do not occur naturally, but are instead produced in a chemical plant or laboratory, and are almost always made from petroleum by-products or natural gas.	38.70%
Artificial fibres	They are made of a natural component like a raw material, which undergoes a number of different transformations in a chemical plant or laboratory.	12.40%

Within the natural fibre category, cotton is one of the materials that is most frequently used to create our garments. Our commitment to organic cotton allows us to improve environmental performance, as it is cultivated through more sustainable practices that use only non-genetically modified seeds. In 2018, we put 103 million organic cotton garments up for sale, some 75% more than in the previous year.

We have also increased our consumption of Tencel™ Lyocell, a fibre created using wood from sustainable forests, where the trees are cultivated in a controlled manner and with programmes that guarantee reforestation. The production process for this fibre is carried out as part of a closed circuit that allows us to reuse 100% of the water and 99% of the chemicals involved. Inditex is now 2nd in the world for the consumption of this material, having sold 13 million garments made from it in 2018.

We have also continued using a more sustainable viscose in 2018, called Lenzing EcoVero™. This fibre is obtained from wood from certified and controlled sources, is manufactured in a more environmentally friendly production process than conventional viscose, and comes from a completely transparent supply chain. In addition, it has the EU Ecolabel certification for environmental excellence and complies with *European Union Best Available Techniques* standards and Inditex's Forest Product Policy.

Sustainably grown European linen garments, which are grown using natural irrigation and do not use genetically modified or defoliant seeds, as well as recycled polyamide garments, have consolidated their position among the products sold by the brands.

Our commitment to the most sustainable raw materials in 2018 has allowed us to achieve the following results:

Raw materials	Number of garments	Variation (%) with respect to 2017
Organic cotton	102,847,332	75.10%
Recycled materials	13,906,931	284.71%
TENCEL™ Lyocell	13,244,599	44.36%

2.1. Recycled raw materials

The production of recycled fabrics is more efficient in terms of consumption, since they require less water, energy and natural resources than new fibre, which means they entail a lower environmental impact. The production processes for recycled materials are also more efficient in terms of the consumption of chemical products, as they require less than virgin raw materials.

In 2018 we put more than 13.9 million garments made from recycled materials on the market, which means we almost quadrupled our use of these fibres in comparison to 2017.

Along similar lines, our Join Life collections for Zara and Massimo Dutti have incorporated new garments made with Refibra™ technology. This fibre is made from the leftover cotton from the cutting processes to produce our garments, and wood from sustainable forests and controlled sources. This material is obtained following the production process for Tencel™. This means it combines the advantages of both and reduces the need to extract virgin raw materials.

Materials such as cotton or wool can easily be reused to create new textiles through conventional or mechanical recycling processes. Inditex has been working for years with companies specialised in the conventional recycling of cotton and polyester, and this collaboration has transferred over to the products sold by the brands in the Group, which sell Join Life items manufactured with this materials.

In the cotton and wool process, textile waste is classified by type and colour so it can later be shredded down to create smaller fibres. These are used to create new recycled threads in the same colour. In terms of polyester recycling, the process not only avoids the need to extract to produce new fibres, but it also significantly reduces landfill waste and the consumption of water and energy.

Leading in sustainable fibres

According to the independent organisation *Textile Exchange*, our signification commitment to the most sustainable raw materials placed Inditex in 2018 as:

- Second largest consumers in the world of the sustainable **Lyocell** fibre.
- Fourth company in the world for **organic cotton** consumption by volume.
- Fourth in the world for the consumption of other **cellulosic fibres** of sustainable origin.
- Eighth in terms of highest volume of **recycled cotton** consumed.

(Source: *Organic Cotton Market Report 2018* and *Preferred Fibres Market Report 2018* by Textile Exchange)

2.2. Forest raw materials

Since 2014, Inditex has a Forest Product Policy in place to guarantee the sustainability of our activities, and to protect primary forests and forests in danger of extinction. Along those lines, we work to ensure that all the forest fibres we use are sourced from sustainably-managed forests.

To comply with this goal, we apply responsible purchasing policies that give priority to forest products that use the highest amount of recycled material and post-consumer waste. In addition, we encourage our suppliers to develop and expand their selection of these materials. Similarly, our stores use furnishings and paper certified by PEFC and FSC.

Promoting the use of more sustainable forest fibres

Based on our philosophy of respect for the environment, Inditex collaborates with entities like Canopy Planet and Changing Markets, promoting commitments and lines of action that ensure that our products do not contain fibres from primary or endangered forests and to encourage the use of fibres from more sustainable plant origins.

Since we launched the CanopyStyle initiative in collaboration with Canopy Planet, a total of 170 companies in the sector have joined the initiative. In 2018, and as a result of this joint work, 72% of the world's fibre production came from manufacturers who made a commitment to eliminating supplies from primary and protected forests and working towards innovative solutions that reduce the pressure on forest areas. In this sense, 52% of global production comes from suppliers that have passed the audits. And 28% of global production is free of the risk of receiving supplies from these forests.

In addition, beyond the origin of our raw materials, we also collaborate with the Changing Markets Foundation to ensure a more sustainable viscose production throughout the supply chain. To do this, as part of our Forest Product Policy, we have integrated the *Roadmap towards responsible viscose & modal fibre manufacturing*, the guidelines that drive this organisation.

Animal Welfare Policy

All the products of animal origin used in the items sold by our brands come from animals that are treated in an ethical and responsible manner in accordance with the *Five Freedoms* of animal welfare that are internationally accepted. Our commitment is governed by the Inditex Animal Welfare Policy, developed together with the Humane Society of the United States (HSUS), and is available on our website.

Since 2013, Inditex has been a member of the *Fur Free Retailer Programme* by the Fur Free Alliance, which means that our retail formats do not sell fur.

Likewise, all the wool producers in our supply chain must comply with our rigorous standards for the ethical treatment of animals. This means we do not accept cruel practices such as *mulesing* to obtain wool. In addition to this, we interrupted our angora wool production in 2014 and have not sold any products using this material since 2015.

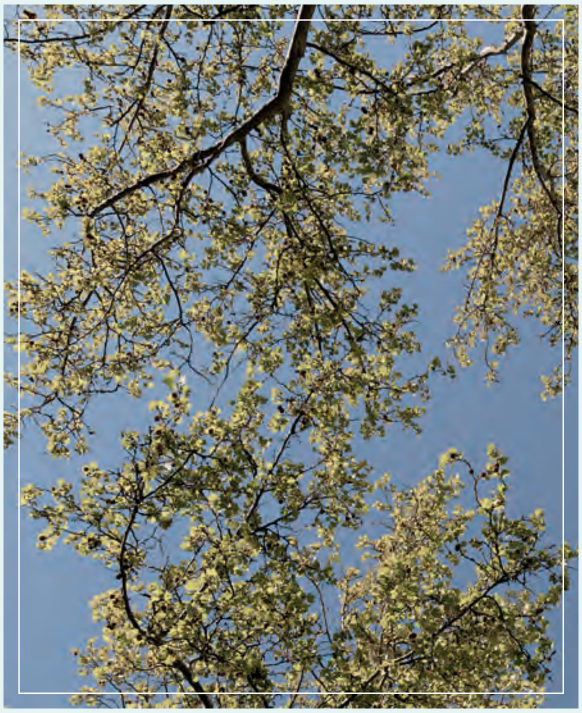
Likewise, we are committed to gradually removing mohair from our garments (currently only used in a small number) and by 2020 none of our garments will contain it.

Working together to improve forests

Forest products are essential for the textile sector: from the wood used in the furniture in our stores to the plant fibres used in some of our garments, right through to the cardboard and paper used in store operations. That is why our commitment to forest sustainability is inseparable from our efforts to ensure the sustainability of our business model.

In 2007, Inditex began working with the Regional Government of Galicia and the Forestry Research Centre of Lourizán to encourage genetic improvements to the main species in Galician forests. Our commitment was reinforced in 2015 with the design and creation of Pico Sacro, in collaboration with the Galicia Forestry Association. The idea is a hill that will be used as a biological carbon sink (to measure CO2 absorption) and a forestry laboratory, managed with the aim of providing information and transferring knowledge.

According to the recommended calculations produced by the Spanish Office of Climate Change, with the plantations of 30 June, 2018 in Pico Sacro, the CO2 absorbed in the trees will reach 639.5 tons in 30 years, which is the equivalent of 66.6 tons of CO2 per hectare of plantation.



3. We are committed to producing clean and responsible fashion

Our commitment to our customers is to ensure that the products we sell comply with the most stringent health and safety standards. These standards should be applied in general and are mandatory for all the items[1] that we sell as well as being mandatory guidelines for the manufacturing practices of all the suppliers on our supply chain.

This requirement also covers the chemical industry responsible for producing the dyes, pigments and auxiliary chemical products that are used in the textile and leather sector.

In this way, and thanks to our collaboration with technology companies, research centres and international reference laboratories, Inditex verifies that its standards have been implemented correctly through its own innovative programmes. These programmes include, on the one hand, carrying out an analysis of raw materials and articles, as well as the chemical products used to produce them. And, on the other hand, the completion of recurrent audits both in the facilities involved in manufacturing our articles and in the factories that produce the chemical products used in their manufacture.

3.1. Product health and safety

In order to work towards the excellence of our products, Inditex has a team made up of scientists and technology experts that monitor any news and changes to health and safety regulations. They are also in charge of identifying the chemical substances used in the industry and evaluating every process involved in manufacturing our products. This effort ensures that our items meet the highest levels of health and safety, regardless of any specific regulations that might apply in each market.

Thanks to this process, we have managed to go further than the List of Restricted Substances in terms of how they are used in the textile industry when establishing our product standards. We have provided additional knowledge that identifies restricted substances and controls the manufacturing processes, while we also propose the use of alternative technologies to avoid non-conformities. This knowledge is a very useful reference point for our manufacturers and for the entire industry when it comes to guaranteeing health and safety during production.

1 The articles not included in the scope of the Group's health and safety standards have reports on their minimum requirements generated according to the specific legal requirements applicable to the type of product and countries where they are sold.

During 2018 we implemented the latest editions of our health and safety standards for garments, footwear and accessories, *Clear to Wear* and *Safe to Wear*. In addition, we have continued to work on implementing the first edition of our I+ standards (called IPLUS because of its acronym, *Inditex Precautions and Limits for Users' Safety*) to cosmetics and items that come into contact with food.

- ***Safe to Wear:*** This is the Inditex standard on garment safety that ensures that our articles meet the necessary characteristics to avoid any risk to the customer. Prepared in collaboration with international experts, this standard has been specially designed to guarantee the safety of children's and baby garments in aspects such as the design, the fastening of small parts and sharp objects, as well as restricting parameters such as the amount of flammable fabric used in articles intended for both children and adults. The third edition was implemented in 2018.
- ***Clear to Wear:*** is the Inditex standard on product health that regulates parameters and substances that are limited by law, to ensure that all the clothing products, footwear, accessories, parts and fabrics we receive from suppliers have the necessary characteristics to avoid any health risks to the customer. The fourth edition was implemented in 2018.
- ***I+Cosmetics:*** This product health standard is mandatory for all our cosmetic products. In addition to controlling parameters and restricting substances that are limited by law, it governs the maximum level of impurities allowed for source materials and includes REACH (the European Union's own regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals) as mandatory EU regulation that must be complied with by all Inditex suppliers. The first edition continued to be implemented in 2018.
- ***I+FCM:*** is the Inditex standard for product health that applies to articles that come into contact with food. It regulates parameters and restricts substances that are limited by law, as well as their transfer to food under normal or foreseeable conditions of use. As with the other standards, it aims to ensure that our products meet the necessary characteristics to avoid risks to the customer's health. The first edition continued to be implemented in 2018.

	safe to wear	clear to wear	i+COSMETICS	i+FCM	i+AIR FRESHENERS	i+CANDLES	i+CHILDCARE ARTICLES
					UNDER DEVELOPMENT		
Type	Product Safety	Product Health			Product Health and Safety		
Scope	Garments, accessories and footwear	Garments, fabrics, accessories, footwear and home textiles	Cosmetics	Products that come in contact with food	Home decoration items	Decorative candles and accessories	Childcare articles
Substances and parameters	10	37	110	57	11	7	20

In addition to standards that are already in place, and in line with the 2015-2020 Strategy to create and develop new I+ standards (IPLUS) for all the product categories sold by Inditex, in 2018 significant advances have been made in the development of standards for *I+ Air Fresheners*, *I+ Candles* and *I+ Childcare Articles*.

On the other hand, and in order to comply with our environmental commitments and, more specifically, with the ZDHC 2020 programme (*Zero Discharge of Hazardous Chemicals*), we have our own Manufacturing Restricted Substances List (MRSL) that applies to all the products manufactured and details all the chemical substances that are subject to specific restrictions or where their use is prohibited.

In 2018 we updated our MRSL, which includes more than 750 substances and which, by 2020, will cover any substances that pose even a minimum risk to the environment.

3.2. Environmental performance: *Green to Wear*

Inditex devotes significant effort and resources to guaranteeing compliance and improvement, as well as strengthening the environmental commitments in its supply chain. Improving the industry in environmental terms, a more sustainable use of resources from the ecosystem, especially water, and the protection of river and marine ecosystems are priorities that we are addressing through a comprehensive approach.

In this regard, our *Green to Wear* standard aims to manufacture products that respect the environment. Green to Wear defines the environmental behaviour and minimum requirements that our manufacturers and suppliers must comply with, especially when they relate to wet processing (dry cleaners, tanneries, artificial leather factories, printing and washing and finishing installations).

Verification audits for *Green to Wear* allow us to categories our manufacturers and suppliers according to their environmental performance as either A, B, C or D. Depending on the results, those classified as A *(Best in class)* or as B *(Good performance)* can decide to aim for the Plus+ category, that is A+ or B+, if they implement the best *Green to Wear* technologies in their processes.

In 2018 we made significant advances in the new health and safety standards for all the product categories we sell.

Commitment and transparency through the Zero Discharge of Hazardous Chemicals Programme

The Global Water Management Strategy defines how we collaborate with our stakeholders in terms of this issue and is based on the principles included in the CEO Water Mandate initiative, run by the *United Nations Global Compact*. The initiative brings environmental and social aspects together, since water affects the quality of river ecosystems and, at the same time, is a resource on which the development of many communities depends.

Inditex is committed to achieving *Zero Discharge of Hazardous Chemicals* by 2020 (the ZDHC Programme), an initiative promoted by Greenpeace. To achieve this, we have driven forward and increased cooperation with our suppliers, the chemical industry and with scientists and researchers in different areas.

As a result of fulfilling all of these objectives, Inditex was named world leader in the Detox Catwalk 2016, an assessment carried out by Greenpeace to check whether textile brands are complying with their commitment to the Detox 2020 Plan, in terms of transparency and the removal of fluorocarbons Similarly, in 2018 Greenpeace recognised Inditex as a "leader of this paradigm shift" in its *Destination Zero* report.

Along these lines, we also participate in the programmes *The List, by Inditex* and *Ready to Manufacture* in order to improve and supervise both the chemical products used in the industry and the facilities where the articles are manufactured. By implementing both of these programmes, we also aim to comply with Greenpeace's *Clean Factory* vision by working with our supply chain and the chemical industry that manufactures dyes, pigments and auxiliary chemicals.

In order to take full advantage of our knowledge of the substances used in the textile and leather industry, and in application of the Precautionary Principle established by Greenpeace, Inditex promotes the Working Group for Safety Studies on Chemical Substances. The group includes experts on safety regulations and the experimental determination and computer prediction chemical substance safety from Santiago de Compostela and Pompeu Fabra universities. The objective is to build a database with as much detail as possible with regard to substances that may potentially be used in the fashion industry using available scientific data. At the same time, substances for which adequate scientific information is not available will be subject to experiments and computer analysis.

On the other hand, we also have our own Manufacturing Restricted Substances List (MRSL), which lists chemical substances that are subject to specific restrictions or are banned from use. During 2018, Inditex updated the MRSL and worked on substitutions for included substances. Inditex also made it easier for suppliers to publish the results of water analysis. We also made advances in how facilities related to wet processing are identified. Similarly, we are committed to the transparency of our progress towards this objective, and as such over the year we published all the materials indicated above on the website www.wateractionplan.com.

We carry out constant assessments to check how we are advancing towards the ZDHC Commitment through exhaustive evaluations of all the units in our supply chain with respect to the Manufacturing Restricted Substances List (MRSL) and the *Clear to Wear* standard. In this sense, the *Green to Wear* and *Picking* programmes are key to our assessments.

The methodology to implement the ZDHC Commitment begins by cleaning the manufacturing units in the supply chain, so that when we detect a breach in wastewater standards or in the final product, we can carry out a Root Cause Analysis. This allows us to identify the source of the incident and prevent it from happening in the future by implementing a Corrective Action Plan. Our research is carried out by experts in textile and leather manufacturing, and includes an audit of all the facilities involved in the affected manufacturing process, especially looking at their inventories of chemical substances and the manufacturing processes used.

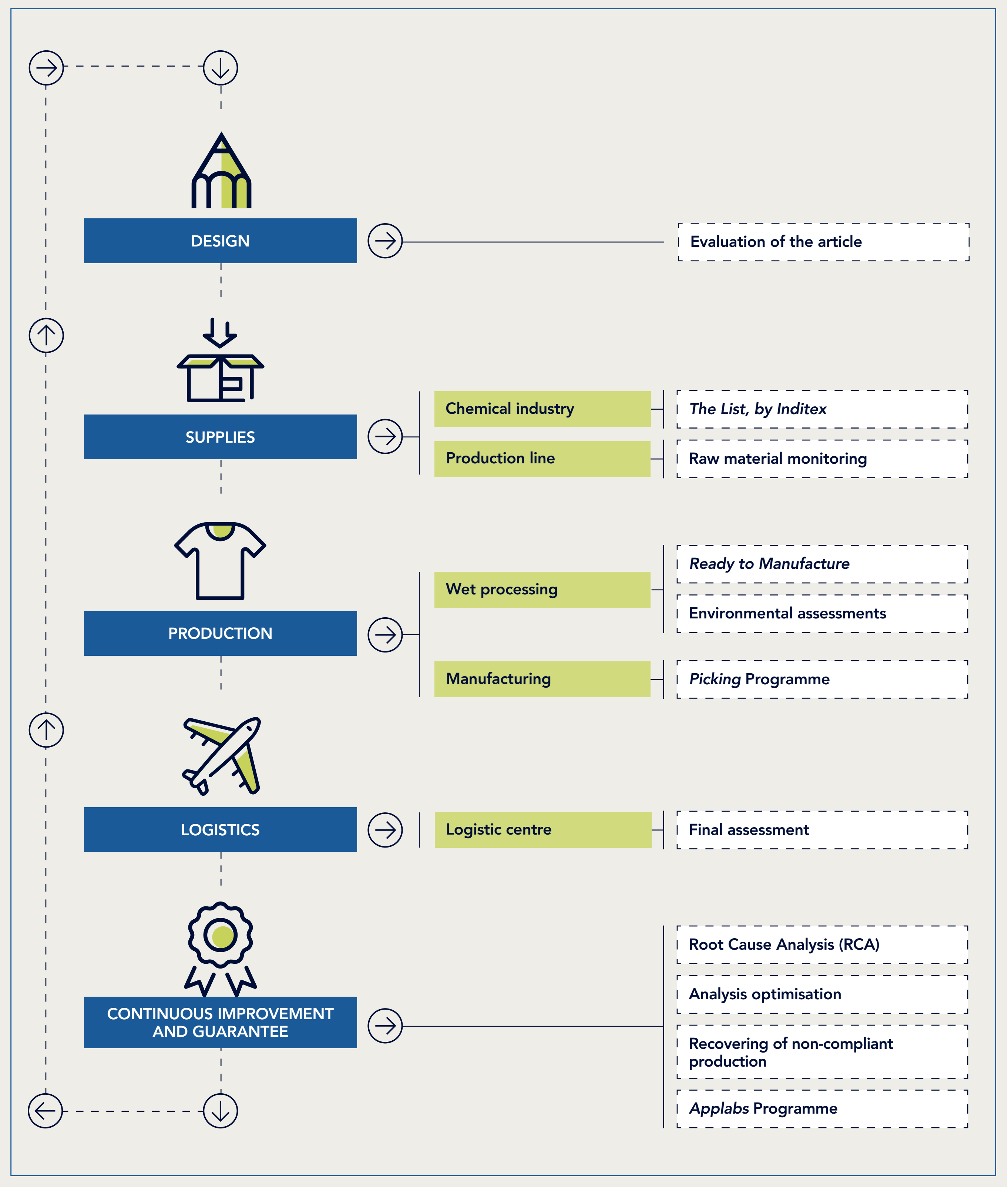
Beyond compliance with the ZDHC Commitment, we collaborate with the ZDHC Organisation by supporting initiatives such as ZDHC *Gateway*. This helps our suppliers publish the results of wastewater analysis obtained during the environmental assessments that are part of the *Green to Wear* Standard on the ZDHC *Gateway* Platform, a portal specially designed by the organisation for this purpose.

On the other hand, Inditex also collaborates with the Chinese Institute of Public and Environmental Affairs (IPE) to improve the environmental management of our supply chain in China. We work together with our suppliers to help them share the results of their wastewater analysis on the IPE website. As a result, a map has been created to monitor the environmental performance of textile factories in China that associates the list of suppliers for each brand with data on the environment, wastewater and greenhouse gas emissions (GHG).

In addition to the aforementioned commitments and goals regarding transparency, we also have a *PFC free* policy in place that is mandatory for all our suppliers and requires the removal of said compounds from our garments.

4. Control and continuous improvement in the manufacture of our products

Inditex collections are sold on 202 markets. To ensure that all our products comply with the most stringent standards for health, safety and environmental sustainability, we have developed a comprehensive control and improvement programme for every stage of production that is mandatory across our entire supply chain.



DESIGN

Evaluation of the article

Inditex monitors articles and compliance with standards in a process that starts in the design phase, when it is time to make decisions like the choice of raw materials, which are critical for subsequent stages of manufacturing. In this sense, in order to guarantee that our articles comply with health and safety from this moment onwards, we provide our suppliers with detailed information on the design of the article, the raw materials chosen (fabric, threads and linings) as well as any accessories (buttons, zips or appliqués), the manufacturing processes to be used and the size of the laces or sliding cords, if any.

R&D CONTRIBUTING TO PRODUCT EXCELLENCE

PROMOTION OF BEST PRACTICES IN THE SECTOR: THE CASE FOR PRODUCT SAFETY

Product safety is a cornerstone of Inditex's business model. The product safety pledge has been gaining importance in recent years and takes the form of unwavering compliance with applicable regulations and standards and the implementation of R&D programmes within the organisation. These programmes have enabled Inditex to embed safety throughout the entire product manufacturing process. Similarly, the various programmes carried out are making a significant contribution to moving the industry towards the adoption of best practices.

CLEARFASHION PROGRAMME

The Clearfashion Programme encompasses all of the initiatives pursued at the Company to replace the use of potentially harmful substances in any stage of production of our products with less harmful alternatives. Against this backdrop, the R&D effort in this arena is carried out in collaboration with academic institutions, research centres and other prestigious organisations. The programme is structured into three key stages:

- Detection of technological processes that lend themselves to the appearance of harmful substances
- Elimination of risky technological processes
- Replacement of potentially harmful substances with more benign alternatives

MANUFACTURING EPIDEMIOLOGY

In collaboration with the Centre for Biological Chemical and Molecular Material Research at the University of Santiago de Compostela (USC), Inditex has developed a Big Data Analysis system that allows it to detect the causes underlying technological processes that give rise to issues related with product safety and harmful substances.

Methodology applied to textile and leather garment dying, printing and finishing processes. The analytical process generated over 3 million results

Result:

Launch of a programme for the elimination of risks in wet processing in the industry

TOXICITY TABLE

In collaboration with USC's Genetics Department, Inditex has developed the **first absolute toxicity table**, testing for both acute and chronic toxicity.

Acute toxicity tests of water-soluble and water-insoluble substances	Focus: Replacement of carcinogenic substances and cardiovascular/respiratory toxicity
Chronic toxicity tests for substances regulated by the textile industry	Focus: Replacement of endocrine disruptors and reproductive toxicity
Technical assistance with toxicity matters	Focus: Replacement of harmful chemical substances in manufacturing

SUPPLIES

Raw material monitoring

6 INTERNAL CONTROL LABORATORIES TO ANALYSE 18 SUBSTANCES AND PARAMETERS REGULATED BY OUR STANDARDS

Before producing an article, we check for compliance with our health and safety standards at every the stage of raw material procurement (for fabrics, leather, trim and appliqué, among others). We also check the first batches of dyed items, stamped articles and finishes.

Inditex ensures that there are exhaustive checks on the products in the first phases of the cycle through a network of internal quality control laboratories, which are equipped with the infrastructure and instruments necessary to carry out tests in accordance with the most demanding international regulations. These laboratories become an effective tool to check for any potential non-conformities with the *Clear to Wear* and *Safe to Wear* standards during the early stages of production.

Currently, we have an internal analysis structure that has six laboratories with the technology to analyse up to 18 substances and parameters regulated by the *Clear to Wear* and *Safe to Wear* standards. These facilities are also used to monitor whether our fabrics comply with the health, safety and quality parameters of our standards..

> The 4th edition of *The List, by Inditex*, which will be officially launched in 2019, includes the classification of 25,943 chemical products sold by 26 manufacturers.

The List, by Inditex

25,943 REGULATED CHEMICAL SUBSTANCES IN THE 4TH EDITION OF THE PROGRAMME, 31% MORE THAN IN THE PREVIOUS EDITION

In 2013, Inditex launched *The List, by Inditex*, a pioneering programme in the textile and leather industry that we developed in collaboration with the chemical industry. The aim of The List is to classify and improve the chemical products used to manufacture our articles, as well as to guarantee compliance with the *Clear to Wear* standard, the Manufacturing Restricted Substance List (MRSL) and the Inditex commitment to achieve the *Zero Discharge of Hazardous Chemicals* by 2020.

The verification and checks on controlled substances in *The List, by Inditex*, involves both audits on the facilities where chemical products are manufactured and an exhaustive monitoring process of our product health policies. It also involves the analysis of chemical products.

In 2018 we continued to work on the 4th edition of *The List, by Inditex*, which will be officially launched in the first half of 2019. To produce The List, we carried out 57,267 analyses in order to classify 25,943 chemical products (31% more than in the 3rd edition) sold by 26 manufacturers (18% more than in the 3rd edition). Similarly, we are carrying out an assessment and promotion of the chemical substances included in *The List, by Inditex*, when, as well as being safe, they provide advantages in terms of environmental sustainability and saving water and/or energy during the production process. We also want to promote chemical products that allow an increase in the useful life of the final article or an increase in productivity for the facilities that use them.

PRODUCTION

Ready to Manufacture

OVER 700 SUPPLIERS INVOLVED
2,008 AUDITS IN WET PROCESSING PLANTS

In addition to showing how committed we are to our customers, our health, safety and environmental sustainability standards are designed as tools to improve the industry. That's why Inditex has a code of good manufacturing practices, *Ready to Manufacture* (RtM). This code is pioneering in the sector and also aims to ensure compliance with our standards and the ZDHC Commitment (*Zero Discharge of Hazardous Chemicals*) by 2020 This code is applicable to all direct Inditex suppliers of textile and leather goods, as well as wet process installations (dry cleaners, laundries, tanneries and stamping plants).

We ensure compliance with the *Ready to Manufacture* code through monitoring procedures and controls in all our production facilities, while establishing an analysis programme for both the chemical products used and any production processes classified as potentially risky.

In 2018, through our good practice programme, we carried out a total of 2,008 audits on wet process facilities associated with 734 suppliers. In addition, we completed 44 training sessions for fabric suppliers.

Environmental assessments

1,364 ENVIRONMENTAL ASSESSMENTS FOR WET PROCESSING OVER THE LAST FIVE YEARS
135 NEW PLANS FOR ENVIRONMENTAL IMPROVEMENTS

Based on the premises established in the *Green to Wear* Standard, we work with our suppliers to promote environmental advancements in the wet processing involved in textile manufacturing (dyeing, printing, washing, tanning and finishing). Accordingly, and since the beginning of this programme in 2014, we have carried out a total of 1,364 environmental assessments in our wet process plants.

These assessments allow us to ensure compliance with the Manufacturing Restricted Substances List (MRSL), as well guaranteeing responsible environmental behaviour in accordance with our *Green to Wear* Standard.

These inspections result in actions aimed at improving the environmental management of these facilities. In 2018, we successfully completed 135 new environmental improvement plans with personalised support, meaning significant progress for the factories in this area.

LOGISTICS

Picking Programme

OVER 790,000 ANALYSES AND TESTS, OVER 63,000 INSPECTION VISITS TO OUR MANUFACTURERS

The *Picking* Programme is a tool that guarantees that all of our articles are manufactured in accordance with our health and safety standards. To do this, we carry out technical inspection visits to our factories and select a representative number of finished garments at random. We then complete tests and analyses on these garments that ensure compliance with the regulations included in all our standards. During the 2018 financial year, 794,744[1] analyses and tests were carried out on the items collected during 63,420 inspection visits to our manufacturers.

Having the proper tools to check compliance with our standards in a fast and accurate way is a constant challenge for Inditex. For this reason, and as a complement to our *Picking* Programme, we have launched the so-called *Minilabs*, portable laboratories the size of a carry-on bag that allow users to carry out screening tests on six substances and parameters in the *Clear to Wear* Programme at any time.

Thanks to the *Minilabs*, we have been able to carry out tests in the factories themselves, increasing the efficiency of our control systems. During 2018, 1,276 *Picking* inspections were carried out using *Minilabs*, involving 17,212 analyses and screening tests. In addition, and with the aim of expanding the coverage of this test system in our main manufacturing clusters, *Minilab* suitcases have been provided for our inspectors in Pakistan, Cambodia and Vietnam, who have been trained to use them.

This development allows us both to accelerate the decision-making linked to the *Picking* Programme, as well as the possibility of recovering and saving any affected production before it is delivered. Another important aspect of this process is supplier awareness, since the test takes place in their presence and on their own facilities.

1 This data exclusively contains the analyses carried out by Inditex, in order to provide a comparison with the data from previous editions of the annual report. During 2018, 139,236 analyses and tests were carried out on Tempe articles.

Final assessment

Once the design and production have been completed, all our items are shipped from the countries where they were manufactured to our distribution centres. At this point, our health and safety technicians assess the products, monitor the results of the analyses carried out and complete other product safety inspections, especially on small parts, cords and strings.

If any design modifications or incidents are detected during the initial risk assessment for production, we make any required analyses or corrections at the time to ensure that all our products comply with Inditex standards.

CONTINUAL IMPROVEMENT AND GUARANTEE

Root Cause Analysis (RCA)

47 RCA AUDITS CARRIED OUT

When an item does not comply with *Clear to Wear* requirements, Inditex carries out a Root Cause Analysis (RCA) to understand what has happened and study any new possibilities and strategies for improvement.

During the RCA, textile and leather experts assess the facilities (dry cleaners, laundries, tanneries and print plants) involved in manufacturing the affected article in order to establish the root of the problem. Once the root cause has been identified, a Corrective Action Plan (CAP) is established for the factory to avoid future incidents and checks are carried out to ensure the *Ready to Manufacture* (RtM) Programme has been implemented.

During 2018, 47 RCA audits were carried out. The results showed that, in 79% of cases, the supplier had used chemical products not allowed on *The List, by Inditex* during manufacture, and/or chemicals that had not been properly checked before starting the manufacturing process. Cross-contamination between different production processes where appropriate manufacturing conditions were not followed was the cause of 13% of the problems detected. 2% of non-conformities were caused by the presence of restricted substances in the raw materials from the conditioning stages. Finally, 6% of the remaining nonconformities were divided between 4% of RCA where the cause of the problem could not be established, and 2% that are from a mix of different sources.

All of this information allows us at Inditex to provide feedback and enrich our *Ready to Manufacture* programmes and *The List, by Inditex*, which ensures we are constantly improving them.

Analysis optimisation

Within the framework of the *Picking* Programme, Inditex collaborates with chemical and mathematical researchers at the University of Santiago de Compostela with the aim of developing tools that can predict which manufacturing technologies have the greatest risk of generating non-conformities. In this way, and by virtue of a continuous process of updating and improvement, we can check conformity with our standards across a greater number of references and by carrying out less analyses. And all without compromising our commitment to and maximum responsibility for the health and safety of our products.

Recovering of non–compliant production

In order to reduce any products discarded due to non-conformities with our standards, we work with our scientific and technological partners to recover production by removing the substances that caused the non-conformity. As a result of this collaboration, we have implemented protocols to recover production when we detect the presence of substances such as arylamines, phenols, formaldehyde and phthalates, as well as to resolve any pH excesses or defects.

Approval of Laboratories Programme (Applabs)

In order to establish whether a production batch meets our standards, at Inditex we rely on the results of tests carried out by the external laboratories in our analytical network. Given our production model and the strict limits imposed by our standards, we aim for maximum reproducibility, precision and accuracy.

These laboratories can be trusted based on an approval programme by external laboratories called *Applabs*, which was designed and developed together with the University of Santiago de Compostela and has several stages:

- On-site audits that verify, among other things, the technical competence of the laboratory staff and how diligent they are in their analyses.

- Monitoring the results of every laboratory through comparisons. Laboratories whose results deviate from the quality levels demanded by Inditex are subject to corrective actions and, if these are not resolved, they are excluded from the Group's laboratory network.

- Mixed technical committees, brought together to discuss the problems detected, optimisation actions or new methods of analysis, among other issues.

In 2018, nine on-site audits were carried out in external laboratories and 17 intercomparison exercises were completed, involving the analysis of 8,565 correlation samples.

5. Control and continuous improvement in the quality of our products

In application of Greenpeace's *Slowing the Flow of the Materials* initiative, which aims to reduce the impact of the textile industry on resources needed for production, we put in the work in 2018 to raise the quality and durability of our garments and therefore increase their useful life.

In this regard, and given the importance we place on the continuous improvement of the technological processes involved in manufacturing our articles, we have worked to improve specific quality parameters, one of which is colour fastness. In order to improve in terms of this parameter, we need to overcome some technological limitations in the manufacturing process that lead to products that do not conform with the *Clear to Wear* Standard. To comply with these premises, we need to innovate in our search for alternative technologies for certain processes. In this sense, we have implemented solutions that offer significant advantages; they make it easier to produce higher quality articles that are more durable; they minimise the use of chemicals, water and energy; and they ensure production according to the CtW standard. In this sense, our commitment to improving the quality of our articles is specified in:

- Training meetings with our suppliers to share technological alternatives.
- Sharing and offering support for the implementation of different technical support materials that are developed in collaboration with companies that are predominantly in the dyeing, printing and chemical products manufacturing sector. These materials are the result of using technological innovation to resolve specific quality problems.

During 2018, our experts in the field of product health and safety completed training and technical support activities in some of the manufacturing clusters in the Inditex Group: Portugal, Morocco, Turkey, China, Bangladesh, India and Pakistan. In relation to technical support materials, we have developed procedures to improve colour fastness in articles that are dyed or printed with fluorescent pigments. We also want to improve the reaction of fabrics and feathers when they come into contact with an ignition source.

6. Dialogue and cooperation with international organisations

At Inditex we believe in cooperation and dialogue with universities, research centres, public and private institutions and social organisations as a primary tool to achieve continuous improvement in terms of our products and manufacturing processes.

6.1. Universities and research centres

Massachusetts Institute of Technology (MIT)

Within the framework of our Closing the Loop Programme, we work together with the Massachusetts Institute of Technology (MIT) on the MIT-MISTI (International Science and Technology Initiatives), in order to research mainly in recycling technologies and creation of textile fibers through non-polluting systems.

University of A Coruña

In collaboration with this university, at Inditex we are developing technical datasheets that analyse different existing systems and technologies for each of the different stages in the purification process in order to improve their operation and reduce the discharge of chemical substances.

University of Santiago de Compostela

We have been working with the University of Santiago de Compostela since 2004 to create and develop different shared programmes, which have visible results such as the product health and safety standard *Clear to Wear*, as well as the application of multidisciplinary solutions (chemical, biological, mathematical and pharmacological) to resolve challenges in terms of sustainability, manufacturing articles, detecting unsuitable technological processes and optimising analysis methods and risk assessment protocols.

University of Lleida. A3 Leather Innovation Centre in Igualada

Developing the best technologies for leather tanning and ennoblement, as well as sensitive and versatile methods to analyse key substances such as formaldehyde and chromium (VI), are the axes of our cooperation with the A3 Centre.

Barcelona Biomedical Research Park (PRBB)

The Barcelona Biomedical Research Park is a joint initiative with the Regional Government of Catalonia, Barcelona City Council and Inditex to assess the risks associated with the chemical substances used in the textile and leather industry.

6.2. Industry organisations

Sustainable Apparel Coalition (SAC)

We are active members of the Sustainable Apparel Coalition (SAC), with the aim of progress in improving sustainable transformation in the sector. The SAC's main initiative is the Higg Index, a tool to understand and minimise the environmental and social impacts of every stage on the textile value chain, from the choice of raw materials to the end of the product life cycle. In this context, we have updated the units aimed at brands, *retailers* and suppliers, in order to promote more sustainable practices throughout the industry.

More information on: https://apparelcoalition.org

Organic Cotton Accelerator (OCA)

This multi-sectorial initiative has the mission of promoting organic cotton around the world. We are founding members of the investment committee. In addition, in 2018 we continued to work on a project to collaborate with farmers to raise awareness of the environmental and social benefits of organic cotton and therefore promote its cultivation.

More information on: www.organiccottonaccelerator.org

Better Cotton Initiative (BCI)

At Inditex we collaborate with the Better Cotton Initiative (BCI) as members. The initiative aims to improve global production of sustainable cotton and thereby contribute to the future of the cotton sector, both in social and environmental terms. Together with other leading organisations in the textile sector, we support cotton farmers through technical training programmes, encouraging more environmentally-friendly cultivation practices.

More information on: www.bettercotton.org

Canopy Planet

As founders of the *CanopyStyle* initiative, we work with the organisation Canopy Planet to protect primary forests and forests with high ecological value through the textile brand. Our common goal is to produce artificial cellulose fibres that are sustainable, to be used as a raw material for textiles. And to do this, we collaborate with the main suppliers in the world to promote sustainability throughout the value chain.

More information on: www.canopyplanet.org

Textile Exchange

As members of *Textile Exchange*, we collaborate with this independent and non-profit organisation, which is a leading international figure in the sector. Its aim is to achieve a more sustainable textile industry, promoting and helping to establish best practices and sustainable business models.

More information on: www.textileexchange.org

Zero Discharge of Hazardous Chemicals (ZDHC)

This organisation is part of our effort alongside the rest of the industry to advance towards our commitment to achieve *Zero Discharge of Hazardous Chemicals* by 2020. In addition, we support the ZDHC's initiative calling for transparency. We also work with our suppliers to publish the results obtained from wastewater analysis carried out in the *Green to Wear* assessments. These results are published on the ZDHC *Gateway* Platform, which was developed specifically for this purpose.

More information on: www.roadmaptozero.com

CEO Water Mandate

We signed this global commitment promoted by the UN, which we use to promote and achieve an adequate and sustainable management of water resources.

More information on: www.ceowatermandate.org

Ellen MacArthur Foundation

We are in favour of the global commitment driven by the Ellen MacArthur Foundation in collaboration with the United Nations Environment plan for 2025. The commitment promotes the goal for all the plastics we use in our activity to be reused or recycled, so that they can be reintroduced into the circuit while reducing the amount of unnecessary packaging and increasing the percentage of recycled content in these materials.

More information on: www.ellenmacarthurfoundation.org

Fur Free Alliance

The Fur Free Alliance (FFA) is an international coalition of animal welfare organisations. As part of our commitment to the ethical and responsible treatment of animals, Inditex is a signatory of the *Fur Free Retailer* Programme. In accordance with its strict standards, none of our brands sell products that contain fur skin (any part of the animal skin with hair attached to it, whether unrefined or processed, or the skin of any animal killed exclusively for its fur).

Istanbul Textile and Apparel Exporters Association – ITKIB

Inditex is part of a long and fruitful collaboration in Turkey with ITKIB, the Istanbul textile association, and EKOTEKS, the customs control laboratory, in order to develop new techniques to analyse cosmetics and sustainable fibres.

6.3. Governments and public administrations

Chinese Institute of Public and Environmental Affairs (IPE)

For another year running, we have upheld our collaboration with the Chinese Institute of Public and Environmental Affairs (IPE), in order to improve the environmental management of our supply chain in China and to publish the results of wastewater analysis. We have continued to work together to develop a map that monitors the performance of textile companies in China.

More information on: wwwen.ipe.org.cn/index.aspx

CIQ Shanghai

Inditex participates in the *Pre-Testing* Programme with CIQ Shanghai, which is part of the Department of Customs Inspection and Quarantine of China, a department that is reserved for companies with a very high level of compliance with health regulations for imported items.

Global Fashion Agenda

We are committed to the Global Fashion Agenda, the main leadership forum for industry collaboration on fashion sustainability. We are working on projects related to progressing towards a circular economy for our garments by 2020.

More information on: www.globalfashionagenda.com

Fashion Industry Charter for Climate Action (UNFCCC)

In 2018, under the framework of the Polish Climate Conference, we became one of the first signatories of the *Fashion Industry Charter for Climate Action*, promoted by the UN Office for Climate Change and aligned with the objectives of the Paris Agreement. The initiative aims for an industry with zero net emissions by 2050 and establishes an initial target of reducing greenhouse gas (GHG) emissions by 30% by 2030.

CIRCULARITY AND EFFICIENT USE OF RESOURCES

86% of our stores are already eco-efficient and all of them will be by 2020. At the same time, we continue to advance the circular economy, promoting recovery, reuse and recycling, as well as the re-incorporation of as many materials as possible into our value chain.

Photo: Zara Vittorio Emanuele in Milan.

SDG	TARGETS	INDITEX'S CONTRIBUTION
7 AFFORDABLE AND CLEAN ENERGY	7.3	Inditex is committed to minimising the impact of its activity on the environment. As a result, we are doubling down on our commitment to different types of renewable energy, purchasing more of them for our facilities and fostering an efficient use. Work is ongoing to ensure that all Inditex stores worldwide are eco-efficient by 2020.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	9.4	The design of Inditex stores and offices enables the company to reduce environmental impact. By incorporating the most innovative technologies, it can improve efficiency and reduce consumption and the associated greenhouse gas emissions.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2	The Inditex *Closing the Loop* Programme helps us close our clothing production cycle by installing clothes collection containers. We also aim to achieve *Zero Landfill Waste* by 2025. Along these lines, during 2018 we partnered with the Ellen MacArthur Foundation so that all the plastic we use in our business can be reused or recycled.
	12.4	
	12.5	
13 CLIMATE ACTION	13.1	During 2018 we signed the *Fashion Industry Charter for Climate Action*, sponsored by the United Nations Climate Change Office, to reduce GHG emissions by 30% by 2030.

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

R&D INDICATORS — CIRCULARITY AND EFFICIENT USE OF RESOURCES		
	During 2018, Inditex invested more than 1.6 million euros in applied research related to circular economy and to the conversion of waste into raw materials. Among the various R&D initiatives (Research & Development), the following processes stand out: studies for the conversion of inorganic waste from fishing ports into raw materials for textile use, the development of technologically viable processes for the transformation of footwear waste into resources for industrial application, and research for the reuse of water in staining processes. At the same time, R&D activities aiming at improving energy efficiency and reducing GHG emissions along the value chain are also carried out and promoted. More information on R&D projects is available on pages 175 and 188 of this Annual Report.	
	Investment earmarked to R&D	€ 7,513,365

Inditex has engaged an independent study to identify and measure the R&D effort in each of the Group's areas. The results are reported on in the various chapters outlining Our Priorities and are expressed in terms of investment (in euros) and the key projects carried out. The overall results of the study as well as an explanation of the assessment and the criteria used, is available in the "Sustainability, in figures" chapter.

More information on pages 292 and 293 of this Annual Report.

Towards a circular economy

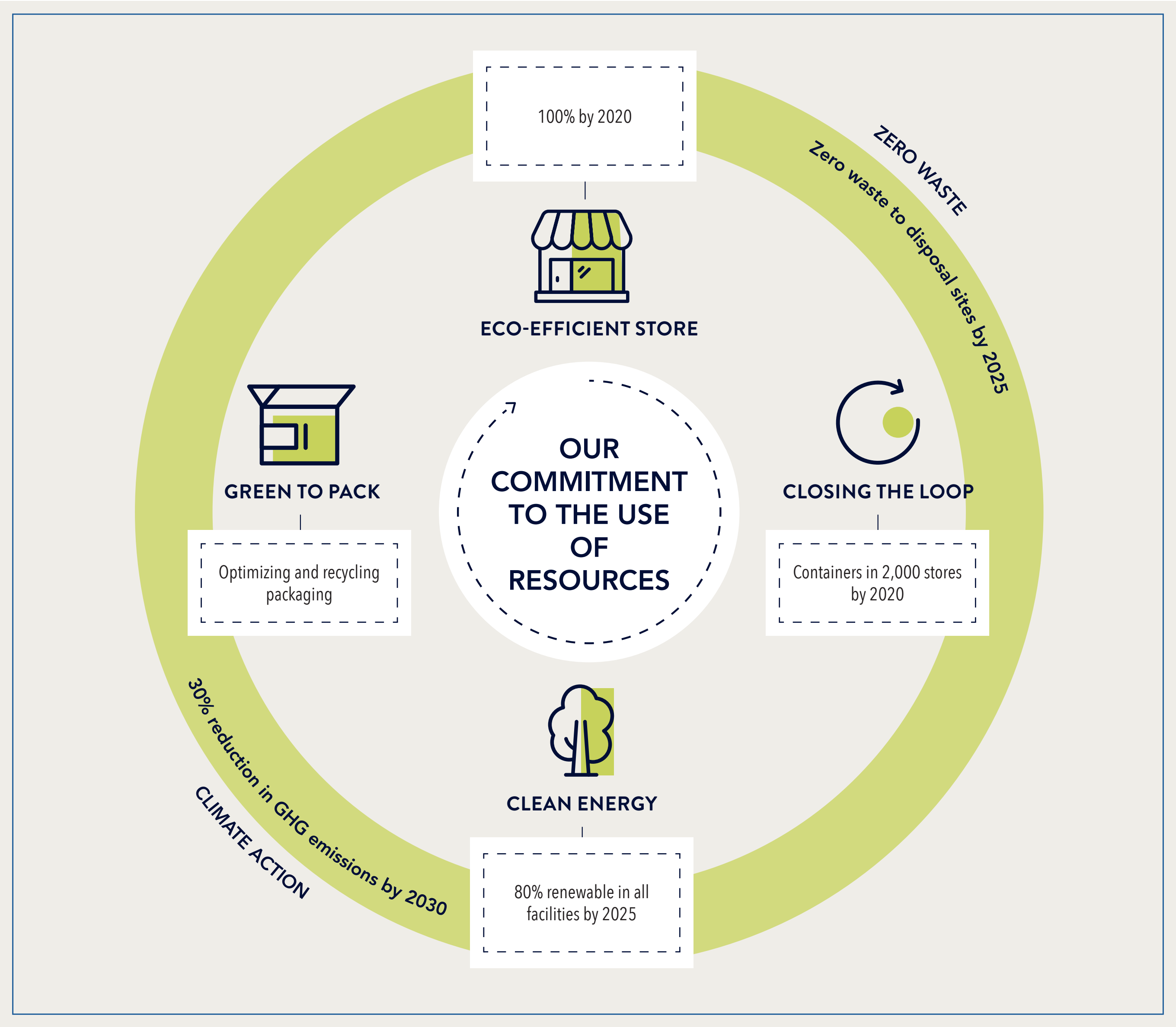
Inditex understands that progressing in a sustainable business model implies using resources more efficiently. Our three environmental strategies (Energy, Water and Biodiversity) articulate our efforts to achieve environmental excellence.

At the same time, we are investing in a comprehensive improvement of the management of materials needed for our products and industrial processes. We aim to transform the concept of waste, so that it is considered a valuable resource that can be recovered and reintroduced as raw material into the production systems. Additionally, by applying eco-design techniques, it is possible to extend the useful life of products and materials, as well as to maximize their recycling potential to address waste generation at its source.

This paradigm shift, which is generically called Circular Economy, is evident in Inditex through the different global initiatives aiming to close the life cycle of our clothing and the materials we use in our business.

Efficient use of resources does not only apply to our products, but it is also a guiding principle behind our facilities: offices, stores and logistics centres. To make it a reality, we have set several goals for ourselves, such as decoupling company growth from energy consumption and GHG emissions, and investing in renewable energies and in shipping efficiency.

It is worth mentioning that, at the end of 2018, we signed the *Fashion Industry Charter for Climate Action*, sponsored by the United Nations Climate Change Office, which sets an initial target of reducing GHG emissions by 30% by 2030.



Our Energy, Water and Biodiversity strategies articulate all our efforts to ensure the environmental sustainability of our business.

Inditex, in the main sustainability indicators

- After evaluating more than 5,600 companies each year, **CDP (*Carbon Disclosure Project*)** assigns us a leading position in its Climate Change environmental assessment system. This organisation commends our GHG emissions management goals and our practices in terms of identifying and managing risks and opportunities related to climate change. In this regard, CDP underlines how we integrate climate change into the management of our business and how we interact with our supply chain, among other issues.
- For the third consecutive year, the ***Dow Jones Sustainability Index*** has recognized Inditex as the most sustainable retail company. Their classification gives us 68 out of 100 points, surpassing the average score of the sector by 45 points and reaching the highest rating in Management Systems and Environmental Policy.
- Finally, we are 54th on the ***Global 100 Most Sustainable Corporations*** ranking published by Corporate Knights, which reviews economic, environmental, social and corporate governance indicators. This makes us the best positioned Spanish company included in this classification, surpassing three others.

1. *Closing the Loop*

Closing the Loop, 2018

- Collection of **14,824 tonnes** of clothing, footwear and accessories.
- Present in **834 Zara stores** in 24 markets.
- **Pull&Bear, Bershka, Oysho and Tempe *for&from*** add up to a total of **524 stores** in Spain.
- **Zara Home, Stradivarius and Massimo Dutti** are running a **pilot in 24 stores** in Spain.
- Our commitment to the ***Global Fashion Agenda*** is extending this programme to **2,000 stores in 2020.**

Collect, Reuse and Recycle. These are the three pillars of our *Closing the Loop* Programme, which seeks to extend the useful life of textile products, encouraging their reuse and recycling. To do this, Inditex collaborates with different non-profit organisations, with companies that specialise in recycling and with specialists in different technologies to prevent used clothes from ending up in landfills.

Currently, *Closing the Loop* is being fully implemented in our headquarters and logistics centres, as well as in a total of 1,382 Inditex stores around the world. In this respect, the collection containers for clothing, footwear and accessories are present in 834 Zara stores in 24 markets: Spain, Portugal, United Kingdom, Denmark, Sweden, Ireland, Holland, Austria, France, Norway, Greece, Romania, Turkey, Colombia, Canada, United States, Mexico, China (including Hong Kong SAR and Macao SAR), Taiwan, Japan, Australia and Lebanon.


Ecru Color
Zara Woman Join Life
To be continued

A total of 1,382 Inditex stores around the world now have containers for the collection of used clothes as part of the *Closing the Loop* Programme.

During fiscal year 2018, *Closing the Loop* was also implemented in the Spanish stores of other Group brands such as Pull&Bear, Bershka and Oysho, as well as in the *for&from* stores of Tempe, reaching a total of 524 stores. At the same time, we have launched a pilot programme with 24 Massimo Dutti, Stradivarius and Zara Home stores in Spain.

Closing the Loop is also available to Zara's *online* customers in Spain and China (only in the cities of Beijing and Shanghai). In collaboration with Caritas, a total of 1,856 containers for the collection of textile products have also been made available to the public in the streets of Spain.

We intend to continue to expand this programme to new markets and brands. In this context, we have made a commitment to the *Global Fashion Agenda*, a project that will be operational in 2,000 stores by 2020 through agreements for collaboration with 40 organisations.

Thanks to *Closing the Loop*, our customers have donated more than 684 tonnes of clothing, footwear and accessories in our stores and corporate headquarters since 2015. Of these, 86 tonnes have been donated through Zara.com's home collection option. To these are added 33,473 tonnes collected in the Spanish streets since the beginning of the programme.

For the management of donated items, we collaborate with social and Third Sector organisations. The collected clothing is donated to non-profit organisations such as Caritas, Red Cross, CEPF, Le Relais, Salvation Army or Redress, which sort them to give them the best possible destination. Thus, depending on their condition, the clothes are donated, repaired, recycled or sold to finance the social projects of these non-profit organisations.

At the same time, to close the cycle of the clothes that cannot be reused and of the remains derived from textile manufacturing, Inditex has joined forces with different companies and universities to promote sustainable innovation and develop new materials and technologies that enable textile waste to be recycled.

In this sense, the collaboration with Austrian company Lenzing to convert this textile waste into a new material, Refibra™ Lyocell, that can be reused in our items is especially important. This year, we launched the campaign *Garments with a past* with Zara, which aims to raise environmental awareness with a sustainable fashion collection based on the principles of the Circular Economy. These new garments are made with recycled polyester and cotton obtained from their own production's cutting waste.

In addition, we collaborate with the Massachusetts Institute of Technology (MIT) through its MISTI (*International Science and Technology Initiatives*), as well as with several Spanish universities and Austrian company Lenzing, to advance textile recycling processes and technologies that contribute to the Circular Economy. By 2020, Inditex's investment in technology for textile recycling will have reached 3.5 million dollars, honouring our commitment to the Global Fashion Agenda. To this end, a total of 840,000 dollars has already been earmarked for textile recycling technologies this year in collaboration with MIT and Cáritas.

Thanks to this framework agreement, the Santiago de Compostela (USC), da Coruña (UDC), Autónoma de Madrid (UAM), Rey Juan Carlos (URJC) and Politécnica de Valencia (UPV) Universities have presented different projects to find innovative solutions around the concept of Circular Economy:

- Cellulose catalytic gasification.
- Multi-scale modelling and production of bio-materials for regeneration therapy (*silk-ceramic bone*).
- Plastic waste for alternative fuels.
- Adequate clothing for thermal control.
- Costs and consequences of the decarbonization of the automotive industry.

R&D FOR CIRCULARITY

COLLABORATION WITH ORGANISATIONS TO IMPROVE THE CIRCULARITY OF THE PRODUCT LIFE CYCLE

The conversion of waste into raw material is the main goal of the circular economy. The business models of the textile industry require the incorporation of new technologies in the manufacturing processes that enhance the role of waste as a new source of materials, responding to a demand from the environment (reduction in consumption) and from customers (products that are more environmentally responsible).

Apart from controlling the effects of its productive activity, Inditex extends its research activities to the complete life cycle of the product, aware that the use of its products generates waste in the use and disposal phase.

For this reason, we collaborate with prestigious Spanish and international universities, supporting their academic research and as scientific partners. Collaborative networks are therefore becoming more and more extensive and productive.

POST-SALE

Minimization of microfibres in the washing process

Inditex, together with the Universitat Politècnica de Catalunya, is carrying out a research on the microplastics coming from clothes washing waste water and found in marine ecosystems. The project focuses on minimizing the detachment of these particles (smaller than 5mm) from clothing, in order to prevent them from being deposited in the sea.

Reduced environmental impact of product use

END OF PRODUCT USEFUL LIFE

Recycling of textile fibres

Inditex is working with the Applied Physics Department of the University of Vigo on the design of a solvent chemical treatment capable of selecting fabric components and treating them to obtain a new fabric that can be used in the successive production phases.

Reduction of unusable waste at the end of the product life cycle

Product reuse

Inditex collaborates with the Fundación URV in the research of technologies that allow the integration of the discarded product in the production chain. In this way, the garments recovered at the end of their life cycle at the collection points can be reclassified as raw materials, after a phase of separation of components. The result is new, reused raw materials.

Better use of raw materials

2. Commitment to the decarbonization of our value chain

The Global Energy Strategy is one of the pillars of our commitment to environmental sustainability, aiming to promote the rational and efficient use of energy throughout the value chain while reducing GHG emissions and helping to mitigate their effects.

In 2018, 44.91% of our global electricity consumption came from renewable sources. In Spain, we use 481,658 MWh of electricity from renewable sources, which means that 100% of the energy in our stores and centres is generated in low-emission facilities. Worldwide, this figure is 837,626 MWh from renewable energy.

To achieve these figures, we have increased the purchase of certified renewable energy to a total of 837,050 MWh in our LEED stores and buildings located in Spain, Germany, Austria, Belgium, Brazil, France, Greece, Holland, Ireland, Luxembourg, Monaco, Poland, Portugal, United Kingdom, Turkey and Switzerland. As a result of the use of this certified renewable energy, we have avoided the emission of 274,554 tonnes of GHG. Thanks to this effort, the use of electricity from renewable sources in the Company's facilities has multiplied by almost 20 since 2014.

At the same time, we have created plans to replace air-conditioning equipment with more efficient Class A equipment in existing stores ensuring the absence of ozone-depleting gases and the reduction of GHG emissions. These eco-efficiency measures implemented in our stores achieve significant electricity savings. The main ones are produced in the air conditioning system, where we estimate average savings of 40%.

The combination of these actions to promote energy efficiency and the materialization of our commitment to renewable energies have enabled us to reduce GHG emissions in our business. In 2018, we have reduced relative emissions per square metre, in Scopes 1 and 2, by 2.52%.

In terms of distribution and logistics, we have improved the efficiency of our fleet with packaging optimization measures that reduce the indirect Scope 3 emissions associated with transport. In 2018, Scope 3 emissions associated with *Downstream* Transport (i.e., taking our products from logistics centres to our stores), have produced 926,764 tonnes of CO_2eq Meanwhile, those associated with *Upstream* Transport (i.e., moving our products from suppliers to our logistics centres) produced 676,642 tonnes of CO_2eq. These emissions, which are equivalent to 4,263,677 MWh and 3,067,283 MWh of energy consumption, respectively, have experienced a slight increase in absolute terms due to the growth of the Company.

In 2018, indirect Scope 3 emissions of Inditex franchised stores have produced 129,710 tonnes of CO_2eq, which is equivalent to an energy consumption of 238,176 MWh. The slight increase in GHG emissions compared to 2017 can be explained by the growth in the franchised commercial area.

2.1. Logistics centres, company factories and offices

In 2018, the global energy consumption of our corporate headquarters, company factories, logistics centres and stores worldwide was 1,969,127 MWh. Despite an increase of more than 200,000 square metres in facilities dedicated to central services, design and logistics, the energy saving measures implemented by Inditex have enabled us to reduce our energy consumption per square meter by 2.55% compared to 2017.

In 2018, the global energy consumption of our corporate headquarters, company factories, logistics centres and stores worldwide was 1,969,127 MWh. Despite an increase of more than 200,000 square metres in facilities dedicated to central services, design and logistics, the energy saving measures implemented by Inditex have enabled us to reduce our relative energy consumption by 2.55% compared to 2017.

In this sense, the commitment to renewable energies and the implementation of circular management models in our headquarters, logistics centres and company factories are the pillars of our Environmental Management System. This system is certified under the international standard ISO 14001. During fiscal year 2019, we plan to obtain the above certification for our new fabric warehouse located in A Laracha (A Coruña).

Furthermore, our Data Processing Centre, located in the central offices of Arteixo (A Coruña), is LEED Platinum and in 2018 it has maintained the international standard ISO 50001, which certifies its energy management and the most efficient, sustainable use of the energy consumed.

The Stradivarius headquarters, located in Cerdanyola (Barcelona), also received the LEED Gold award during the fiscal year. The LEED Gold certified Zara Logística

360° restaurant, located in Zara's logistics centre in Arteixo, has been recognized by *Slow Food* as a *Km Zero* restaurant, making it the first company canteen of this size in Europe to receive this award. The canteen, which serves about 1,700 meals a day, buys 65 % of products from local suppliers, close to our headquarters in Arteixo (A Coruña).

Fashion Industry Charter for Climate Action

At the end of 2018, we signed the *Fashion Industry Charter for Climate Action*, sponsored by the United Nations Climate Change Office and in line with the objectives of the Paris Agreement, which encourages the industry to achieve zero net emissions by 2050. The initial medium-term objective is to reduce GHG emissions by 30% by 2030.

Signatories commit to addressing decarbonization of the production phase, selection of sustainable materials and low-carbon transportation, to improving dialogue and consumer awareness, working with the financial and political communities and applying scalable solutions, and to exploring circular business models.

Six working groups have been established to promote the implementation of measures such as the phasing out of coal boilers or other coal sources for heat and power generation for their own companies and direct suppliers by 2025.

Inditex maintains its commitment to make 80% of the energy consumed in all of its distribution centres, offices and stores renewable by 2025.

Our offices

Canteen

With a capacity for 660 people per shift in differentiated spaces, 12 self-checkout counters and eight menu areas, the building enhances the luminosity and warmth of its spaces with wood as the protagonist

Central Building (auditorium and gymnasium)

With a capacity for 560 people, the auditorium has a screen of 17.7 x 5.8m, consisting of 493 LED modules.
On the ground floor is the gymnasium, which has an open-plan room for different uses (cardio, toning, functional training) and three activity rooms.

New Arteixo Central Services office

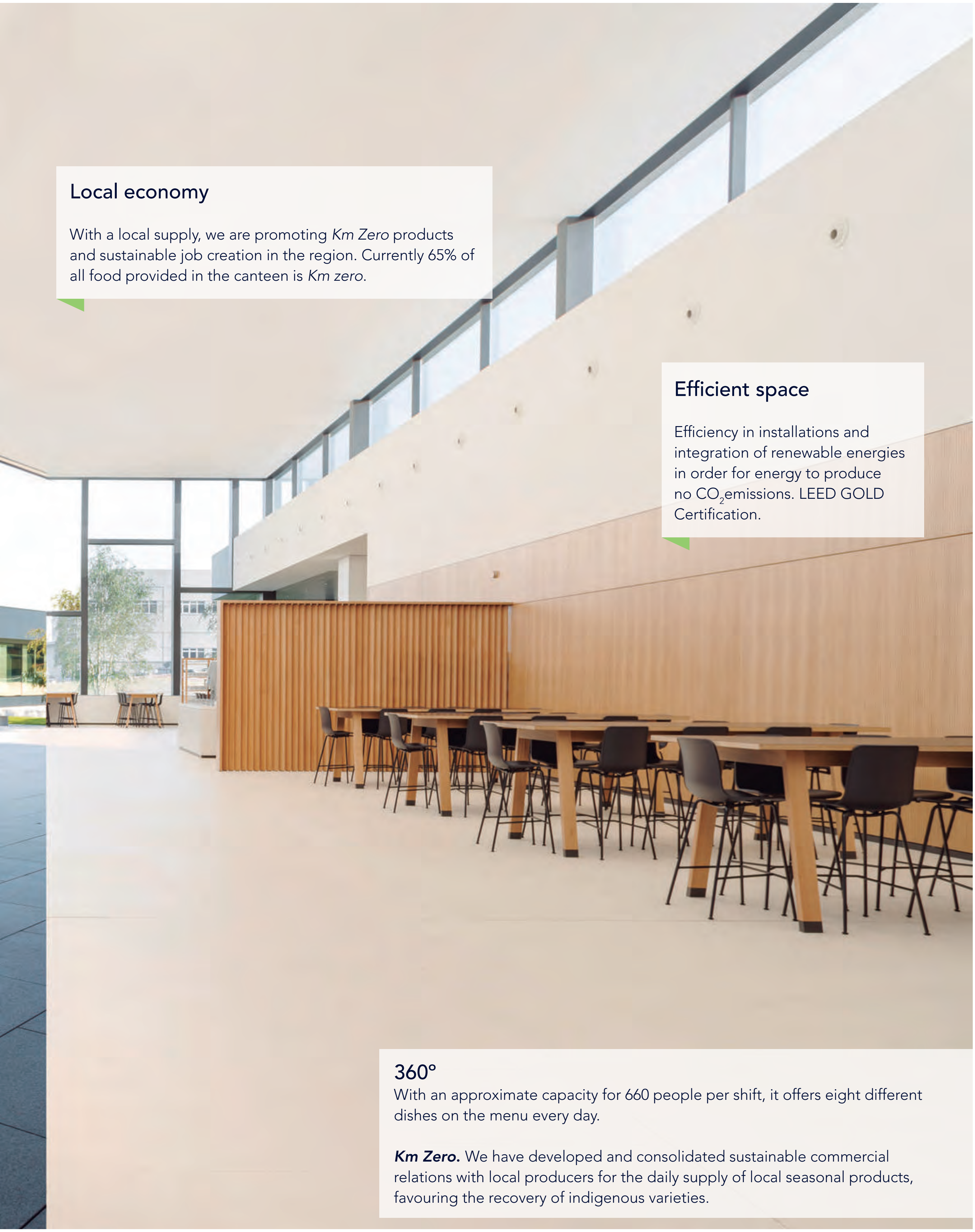
Functionality and sustainability are the core of these 80,000 square meter facilities that we opened in June 2018. These three buildings are connected with the rest of the complex through walkways and their façades feature an interactive design of vertical slats and home automation that ensure energy efficiency.

The low water consumption vegetation is located in spaces that reuse rainwater. These measures, which will reduce electricity consumption by 45% and drinking water consumption by 30%, together with the use of recyclable local materials, make the building a candidate for LEED GOLD certification.

360º dining rooms

Responsible Consumption

Responsible consumption of raw materials and supplies means working to increase the use of reusable products such as crockery, glassware and cutlery. The use of environmentally friendly cleaning products is also noteworthy.



Local economy

With a local supply, we are promoting *Km Zero* products and sustainable job creation in the region. Currently 65% of all food provided in the canteen is *Km zero*.

Efficient space

Efficiency in installations and integration of renewable energies in order for energy to produce no CO_2 emissions. LEED GOLD Certification.

360°

With an approximate capacity for 660 people per shift, it offers eight different dishes on the menu every day.

Km Zero. We have developed and consolidated sustainable commercial relations with local producers for the daily supply of local seasonal products, favouring the recovery of indigenous varieties.

2.2. Eco–efficient stores

The Company's eco-efficient stores programme is one of the most visible aspects of its commitment to the efficient use of resources.

To ensure compliance with our efficiency and sustainability requirements, we have prepared out Eco-efficient Store Manual. This manual defines the technical requirements of Group store installations and systems, as well as the operations carried out in the stores. Thanks to these measures, electricity consumption is reduced by up to 20% and water consumption by up to 40% compared to a conventional store. All of Inditex's company stores must meet these requirements by 2020.

In 2018, we applied the Eco-efficient Store Manual standards to 426 stores, which makes a total of 5,494 eco-efficient stores representing 85.7% of the total number of our company stores.

Another one of our eco-efficient store's company operations is centralized control in real time. Thanks to the centralized EcoTool platform, the Company can monitor and act individually on the air-conditioning and electricity installations to optimize their management, identify inefficiencies and improve their maintenance. At the close of fiscal year 2018, 3,191 stores were connected to this system.

Zara.com: How to also be sustainable online

Photo: Servers in Inditex headquarters in Arteixo (A Coruña).

In parallel to its eco-efficient stores programme, Inditex works to make its online platforms increasingly more responsible and achieve the target of zero emissions.

The images and contents of our website are created in our offices in Arteixo and are stored in our Technology Centre. In addition to being 100% powered by renewable energy, this centre is certified as LEED Platinum by the U.S. organization Green Building Council.

To ensure that navigation on Zara.com is quick and easy, external servers are also used. In response to the growth of our website, now covering 202 markets, we have expanded the structure of our servers with technologies that improve energy efficiency, thanks to the use of more efficient power supplies or better heat dissipation systems. In addition, we continue to work so that our servers also use renewable energy. In 2018, more than 90% of the energy used by our servers came from renewable sources.

Certified stores and offices

To ensure that our facilities meet the most advanced sustainable construction requirements, since 2009 we have been certifying our most emblematic facilities under the most prestigious standards of sustainable construction: LEED (*Leadership in Energy and Environmental Design*) and Breeam® (*Building Research Establishment Environmental Assessment Methodology*).

During this financial year, one of our Inditex Group offices and eight of our company stores around the world have received these distinctions, among them the Zara Kangnam store (Seoul), Massimo Dutti Colón (Valencia) and Uterqüe Serrano (Madrid), which was awarded the LEED Platinum. In addition, the Zara Karl Johansgate (Oslo), Pull&Bear Preciados (Madrid) and Zara Home Paseo del Borne (Palma de Mallorca) stores as well as the Stradivarius headquarters in Cerdanyola (Barcelona) have been awarded the LEED Gold.

Thus, at the close of the financial year, Inditex has 38 of its own stores certified under sustainable construction standards LEED and Breeam: 27 of them with LEED Gold, 10 with LEED Platinum and one with Breeam. A total of ten distribution centres and corporate headquarters of the Group are also certified: one with LEED Platinum, eight with LEED Gold and one with Breeam.

Certification of our facilities

EUROPE

Bershka, Colón, Valencia	Platinum
Massimo Dutti Colón, Valencia	Platinum
Massimo Dutti Serrano, Madrid	Platinum
Uterqüe Serrano, Madrid	Platinum
Zara Serrano, Madrid	Platinum
CPD Inditex, Arteixo - A Coruña	Platinum
Zara Paseo de la Castellana, Madrid	Gold
Zara Plaza de Cataluña, Barcelona	Gold
Zara Portal del Ángel, Barcelona	Gold
Zara Sánchez Brégua, A Coruña	Gold
Massimo Dutti Sant Feliu, Palma de Mallorca	Gold
Massimo Dutti Paseo del Borne, Palma de Mallorca	Gold
Oysho Diagonal, Barcelona	Gold
Oysho Paseo de Gracia, Barcelona	Gold
Pull&Bear Gran Vía, Madrid	Gold
Pull&Bear Preciados, Madrid	Gold
Pull&Bear office, Narón - A Coruña	Gold
Inditex office, Arteixo - A Coruña	Gold
Massimo Dutti office, Tordera - Barcelona	Gold
Massimo Dutti logistics centre, Tordera - Barcelona	Gold
Zara Cabanillas logistics centre, Guadalajara	Gold
Stradivarius office, Cerdanyola - Barcelona	Gold
Zara Logística 360° canteen, Arteixo - A Coruña	Gold
Oysho office, Tordera- Barcelona	Gold
Tempe office, Alicante	Breeam
Bershka, Tauentzienstrasse, Berlin	Platinum
Pull&Bear, Lijnbaan, Rotterdam	Platinum
Zara Palacio Bocconi, Rome	Platinum
Zara Park House, London	Platinum
Zara Kalverstraat, Amsterdam	Gold
Zara, Place du Molard, Geneva	Gold
Oysho Galleria Colonna, Rome	Gold
Zara, Champs Élysées, Paris	Gold
Zara Haas Haus, Vienna	Gold
Zara Home, Champs Élysées, Paris	Gold
Zara Home, Fürstenfelder, Munich	Gold
Massimo Dutti, Paseo del Borne, Palma de Mallorca	Gold
Zara Opera, Paris	Gold
Zara, Rynek Glowny, Krakow	Gold
Zara Karl Johansgate, Oslo	Gold
Oysho Rivoli, Paris	Breeam

ASIA AND REST OF THE WORLD

Zara Kangnam, Seoul	Platinum
Zara Bourke, Melbourne	Gold
Zara Home The Place, Beijing	Gold
Zara Ismail Building, Mumbai	Gold
Zara Nanjing West Road, Shanghai	Gold

AMERICA

Zara Madero, Mexico	Gold
Zara Soho, New York	Gold

Platinum Gold Breeam

The eco-efficient store

Reform

The reform process includes the restoration of decorative elements in walls, beams, ceilings and floors, as well as the reconstruction of elements from the original building.

Access

The establishment, which becomes lighter as it moves from the oldest to the most recent area, has four entrances: one in Gran Vía, one in Astarloa and two in Gardoqui.

Ground floor

With a length of 95 meters, this is the longest of Zara's street stores in the world.

Lighting

Natural light comes in thanks to the original stained glass windows and the number of windows, some of them with microperforated metallic meshes that filters the light to increase eco-efficiency.

Technology

The store has ultra-flat screens on all floors, as well as self-payment terminals, where customers can also make payments by mobile phone.

Monitoring of installations

Our efficiency platform centrally monitors the store's air-conditioning and electricity installations in order to optimize consumption.

Zara Gran Vía de Bilbao: an eco-efficient store and a unique project

With an area of almost 5,000 square meters on three floors for the Women's (ground floor), Men’s (1st floor) and Children's (2nd floor) collections, this store is an example of the optimization of our commercial presence, with a commitment to differentiated establishments incorporating all the attributes of our comprehensive physical store and online model. It also introduces our most advanced concept of eco-efficiency, which manages to reduce electricity consumption by 20% and water consumption by 40% compared to conventional stores.

3. Sustainable logistics

The efficiency of Inditex's network of logistics centres is essential to being able to send our products to stores twice a week. Inditex also understands that optimum transport and packaging management is essential to making more efficient use of resources and thus reducing the emissions associated with our processes. In this respect, the commitment to sustainability and eco-efficiency has a possitive impact also in our business.

3.1. Planning and transport management

Efficiency measures and planning in 2018

- Improved return flows prevented **5,163 lorry trips**, saving **nine million kilometres** and their associated emissions.
- The **duo-trailer for the transport of national goods** has been introduced, which increases the volume of cargo by 100% compared to a conventional trailer.
- **Two routes with LNG** (Liquefied Natural Gas) trailers have been incorporated, which have travelled **410,000 kilometres** with the Group's goods.

Throughout the year, we have improved planning and transport and optimized loads, which has allowed us to reduce the number of vehicles travelling from our distribution centres in Spain to European destinations, avoiding 1,480 routes. As a result of this and other efficiency measures, we have achieved an estimated saving of 2.5 million kilometres, the equivalent of going around the Earth 60 times.

In addition, we have optimised distribution in Europe with reverse logistics, which centralises the return process and avoids empty space in transit vehicles. In 2018, this improvement in return flow saved a total of 5,163 lorry trips, nine million kilometres and their associated emissions.

One of the novelties in terms of transport this year was the implementation of the so-called duo-trailer, which began in August 2018, to provide Inditex's freight transport service with a national authorization. Thanks to this, 58,457 km have been covered since the start date with a lorry that increases the loading volume of a conventional trailer by 100%.

We also continue to use a fleet of six megatrucks on three routes (two in Spain and another connecting our logistics centres with Morocco). These lorries can increase the volume by up to 50% compared with conventional ones, promoting efficiency in loading the lorries coming from the suppliers that serve the distribution centres, as well as the ones that supply the logistics platforms.

In addition, two routes with LNG (Liquefied Natural Gas) trailers were added during the year, which have travelled 410,000 kilometres with the Group's goods. The use of LNG reduces GHG emissions compared to the use of conventional fuels.

Finally, efforts to consolidate imported air and sea freight allowed us to save 66,905 land kilometres in Europe.

3.2. *Green to Pack* Programme

Green to Pack, 2018

- **100% of Zara.com orders** are distributed in **recycled cardboard** boxes.
- **The outer plastic bag has been removed** from Zara.com shipments.
- Inditex recycles **10,000 tonnes** of its own cardboard for these boxes

Green to Pack is a programme based on the concept of circular economy, which prioritise the use of recycled materials for packing quality standards, extending their useful life and improving their subsequent recycling. This translates into savings in resource consumption and optimization of transport.

One of the goals of *Green to Pack* is improving the quality of the cardboard boxes that transport our clothing from the suppliers. Since the start of the project in 2016, 1,876 suppliers have joined *Green To Pack* and have acquired over 10,7 million certified boxes. Currently, all of our brands are part of the programme. This improvement entails, among other aspects, greater traceability of the materials used, fewer incidents originating from the boxes, as well as increased useful life of the boxes, which are used up to five times before being sent for recycling.

At the same time, we are working to recycle these boxes at the end of their useful life. This promotes the circularity of the materials, since this recycled cardboard is used to manufacture the boxes for Zara's online shipments.

This year in the Zara *Boxes with a Past project*, more than 10 thousand tonnes of cardboard came from Zara's own boxes.

Additionally, all the cardboard boxes in which Zara's online shipments travel are 100% recycled and the protective outer bag has been eliminated. The elimination of the outer plastic bag is currently being implemented by most of our brands, such as Pull&Bear, Uterqüe, Bershka, Massimo Dutti, Stradivarius and Oysho.

In addition, Zara has approved the elimination of plastic sales bags in 2019, while the rest of the Group's brands that use plastic bags comply with current regulations, by introducing 70% recycled material and a thickness equal to or greater than 50 microns in the bags.

Furthermore, we have continued to improve the density of our shipments, which translates into savings in the consumption of resources and an optimization of transport, thereby reducing associated CO_2 emissions. Specifically, we have unified the type of footwear packaging boxes, reduced the number of cardboard covers in shipments to stores and reduced the amount of cardboard in lingerie supports.

In line with the projects we have promoted to reduce plastics, we have incorporated recycled content and innovation so that these plastics are reintroduced into the circuit, and we have signed the *New Plastics Global Economy Commitment*, promoted by the Ellen MacArthur Foundation in collaboration with the United Nations Environment.

3.3. *Zero Waste* Programme

Zero Waste, 2018

- 88% of our waste has been sent for reuse and recycling.
- Participation in high-level initiatives such as ***R2π The route to circular economy*** and ***Make Fashion Circular*** of the Ellen MacArthur Foundation.
- We reused **120 million hangers** and recirculated **1,201 million alarms**.

Through the *Zero Waste* Programme, one of the pillars to integrate the concept of circular economy into our business model, we work to ensure that by 2025 our business waste does not end up in a landfill.

The correct classification of waste in our facilities so that it can be converted into material resources is the primary goal of *Zero Waste*. To this end, we have developed internal regulations and devices that optimize the sorting and compaction of these materials and reduce the GHG emissions associated with their transport.

The materials generated in our Company's logistics centres and factories (mainly paper, cardboard, wood, plastics, metal and textile waste) are channelled through our proprietary sorting systems. They are then collected and treated by legally authorized operators, which encourages their recycling or recovery. During 2018, 88% of our waste was sent for reuse and recycling through the aforementioned circuits, thus avoiding the use of virgin raw material.

At the same time, we collaborate with waste management companies to find new solutions. Thanks to this joint effort we have developed mechanisms to use our own materials in subsequent activities, such as the inclusion of cardboard from our own facilities in Zara.com's online boxes and plastic in consumables from our primary packaging and logistics system.

To achieve our objectives we have participated in high level events and initiatives related to the concept of circular economy, such as the working group *R2π The route to circular economy* and *Make Fashion Circular* of the Ellen MacArthur Foundation.

We are currently integrating our logistics centres and online distribution centres into our material collection monitoring system in order to carry out a comprehensive analysis of our performance in terms of the project's final goal.

Through this programme, Inditex also promotes the reuse and recycling of other materials: in 2018, 120 million hangers were reused and 1,201 million alarms were recirculated.

R&D AND THE EFFICIENT RESOURCE MANAGEMENT

COLLABORATIONS AIMED AT REDUCING THE ENVIRONMENTAL IMPACT OF INDITEX

Beyond the processes directly related to our fashion design and distribution activities, we work proactively in other areas in order to reduce the environmental impact that our presence in and interaction with the environment may cause.

In this way, we develop research projects that study the different possibilities of the circularity of materials. Through them, we aspire to find innovative solutions with minor impacts on the natural environment.

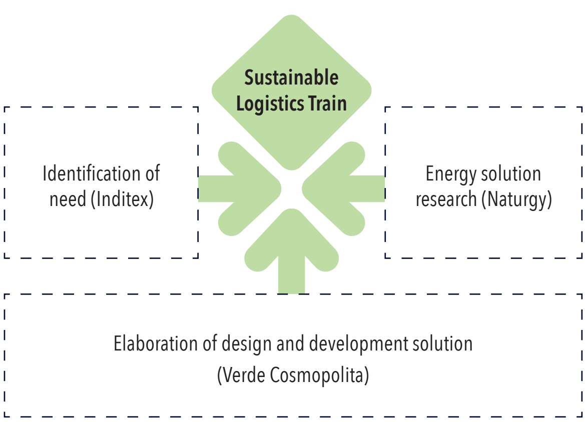
Inditex allocated more than €700,000 to the promotion of these research projects

COLLABORATION BETWEEN PRIVATE ORGANISATIONS

Inditex's collaborative networks also extend to the business sector, with research groups that provide this sector with knowledge for the improvement of production and logistics management systems.

In 2017 and 2018, we worked with Naturgy and Verde Cosmopolita, a private innovation centre, on the creation of a Sustainable Light Rail (TLS by its Spanish initials). The aim of the project is to promote the use of a purely electric and efficient means of transport for access to distribution and collection areas.

The TLS provides a more efficient use of material resources (fuels and delivery time), thereby reducing the environmental costs of its activity.



RECOVERY OF ORGANIC WASTE FROM THE ARTEIXO CANTEEN

The number of employees at Inditex's headquarters makes corporate canteens a focal point of generation of relevant organic waste. Our workers separate the remains of food into three groups in the enabled containers: the remains still edible, which are donated to an animal protection association; the non-edible remains that can still be converted into fertilizers, which are donated to a local ecological greenhouse; and those that cannot be reused through these channels, which are converted into biogas.

ML-STYLE: MARINE LITTER REDUCTION

This two-year project, developed in collaboration with two port authorities from Galicia, the Centro Tecnológico del Mar (Cetmar), and two technical consulting firms, is working towards the following goals:

- Designing an integral management system for inorganic waste in fishing ports
- Reducing marine litter
- Studying the possible utilization of recovered materials for fibres and fabrics manufacture

4. Commitment with China

ALMOST 600 ECO-EFFICIENT STORES	CONTAINERS IN 178 STORES	COLLECTION OF 1,100 TONNES OF WASTE	PROGRESS OF THE *BOXES WITH A PAST* PROGRAMME

As part of the 2016-2020 Strategic Environmental Plan, we have launched a specific Action Plan that redoubles our commitment to sustainability in China. In this sense, we have successfully completed the commitment we made in 2015 to implement the eco-efficient store model in 2018, two years earlier than for other markets.

Thus, this year China has become Inditex's leading market with 100% of its stores being eco-efficient. Thanks to the implemented measures, more than 35,000 tonnes of GHG emissions have been avoided.

During 2018 we have advanced the *Closing the Loop* Programme. In collaborating with the *China Environmental Protection Foundation* (CEPF), we have placed containers for the collection of used clothes in all our Zara stores. The programme is also implemented in Hong Kong SAR and Macao SAR together with the Redress organisation. Taiwanese customers can give their clothes a new life thanks to our collaboration with EDEN. At the same time, we have also worked on the development of the *Closing the Loop* Programme for Zara's online customers in Beijing and Shanghai.

In addition, we have worked intensely on our commitment to *Zero Waste to Landfill* by 2025. To do this, in 2018, work began on implementing a system to standardize the sorting and collection of waste generated in Inditex stores and offices, as well as in the logistics centres, warehouses and re-operation plants of the Company's main suppliers in the region. More than 1,100 tonnes of waste, out of which more than 64% was cardboard, have also been collected.

Thanks to the implementation of this system, the Company has also increased the life cycle of plastic bags, hangers and boxes, making cardboard waste part of online shipping boxes from Zara.com, within the *Boxes with a Past* Programme.

Finally, we have continued working as advisory members of the *China Council for International Cooperation on Environment and Development* (CCICED) for 2017-2022, with the aim of sharing good practices and recommendations around the circularity and the efficient use of resources.

5. Employee Training

As part of our commitment to the environment and the efficient use of resources, we conduct environmental awareness training and sustainable management workshops for our employees from the moment they join us.

In 2018 we developed new environmental training contents and methodologies specific to our groups. The contents deal with our strategy, the knowledge of our products and the most sustainable raw materials, and the management and sorting of waste.

A total of 11,721 employees have received environmental training since 2014. In this regard, we have trained 2,810 employees from 12 markets in Seedtraining, with the aim of building a common language around sustainability, familiarizing employees with the Group's Environmental Sustainability Strategy, presenting the Handbook on Good Environmental Practices in the office and involving and motivating all employees to act. More than 220 people—mainly from sales and design teams—have also been trained in the most sustainable raw materials and the most efficient processes used in the manufacture of Inditex's Join Life garments.

On the other hand, honouring the commitment we made in 2018 to the *Global Fashion Agenda*, which stipulates that all our designers will be trained in circular economy by 2020, we have designed a roadmap for this learning process. This plan begins with an online course for all the Group's designers, which addresses the conceptual framework and the main circular design strategies: incorporation of recycled materials, design for recyclability and design for product durability.

In addition, we promoted actions for waste reduction at source and material recycling improvement through training programmes. In 2018, we trained 1,381 workers in waste management.

Environmental training for store employees: *Earth Hour Selfie* Competition

On March 24, millions of people around the world remember the importance of saving energy in the fight against climate change through Earth Hour, a global action coordinated by WWF.

Within the framework of this initiative, in 2018 we presented the *Earth Hour Selfie* competition. In it, we invited employees from 24 markets to tell us through a photograph what they do to take care of the environment. The winners, Bibiane (Holland), Verónica (Spain) and Johann (Mexico), visited Inditex's office in Arteixo, where they received full environmental training and had the opportunity to learn first-hand about the Group's actions and policies in this area.

CONTRIBUTION TO COMMUNITY WELFARE

In 2018, we developed more than 620 community projects that directly benefited more than 2.4 million people. Our Corporate Community Investment in 2018 has exceeded 46 million euros and it has been focused on strategical geographic areas.

Photo: Water.org Programme in Cambodia.

SDG	TARGETS	INDITEX'S CONTRIBUTION
3 GOOD HEALTH AND WELL-BEING	3.4 3.8	The health and well-being of communities is one of the priorities of our Corporate Community Investment Programme, which materializes in both emergency medical assistance initiatives and community health and welfare improvement programmes.
4 QUALITY EDUCATION	4.4 4.5	Education is one of the three major fundamental areas in our Corporate Community Investment Programme. We develop a range of activities focused on providing opportunities through quality education that offers people the possibility of a decent life and promotes personal development and social justice.
8 DECENT WORK AND ECONOMIC GROWTH	8.5 8.6 8.8	We develop community projects that encourage the employment of vulnerable groups to foster their integration and promote sustainable development in the communities where we operate, collaborating with non-profit organisations and social enterprises, which aim to contribute to building a more diverse and inclusive society.
10 REDUCED INEQUALITIES	10.2	We promote social integration and the reduction of inequality through various community investment projects. Among other activities included in this category are in-kind contributions by Inditex to people in need, channelled through renowned community organisations.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	12.2	The promotion of Circular Economy and responsible consumption and production are also among our main areas of investment in the community. For example, we carry out social economy projects, devoted to the revaluation of clothing and footwear through reuse and recycling.
17 PARTNERSHIPS FOR THE GOALS	17.16 17.17	At Inditex we are aware that our Corporate Community Investment projects would not be effective if they were promoted in isolation. That is why, in 2018, we collaborated closely with more than 400 community organisations on the most important common challenges in the field, working together for the development of society. Because of this, this year we developed more than 620 community projects.

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

R&D INDICATORS — INDICATORS OF CONTRIBUTION TO COMMUNITY WELFARE		
	Of the more than 46 million euros invested in CCI projects, 5.6 million have been directed towards supporting R&D activities in a wide variety of disciplines and fields of application, including research programmes on diseases, the development of new health care protocols, the improvement of water quality and channelling in developing countries, and research programmes in education and social economy.	
	Investment earmarked to R&D	€ 5,661,997

Inditex has engaged an independent study to identify and measure the R&D effort in each of the Group's areas. The results are reported on in the various chapters outlining Our Priorities and are expressed in terms of investment (in euros) and the key projects carried out. The overall results of the study as well as an explanation of the assessment and the criteria used, is available in the "Sustainability, in figures" chapter.

More information on pages 292 and 293 of this Annual Report.

For the fourth consecutive year, the Dow Jones Sustainability Index has singled out Inditex as the leading company in the industry in the category of *corporate citizenship & philanthropy*.

Introduction

At Inditex we believe that it is our responsibility to contribute to the development of society through voluntary participation in community projects related to our activity. For this reason, we apply a Corporate Community Investment (CCI) Programme that is articulated fundamentally through education, social welfare and emergency relief projects.

The SDGs are the axis of our CCI strategy. In line with our activity, we concentrate our efforts on decent work and economic growth (SDG 8), reduction of inequality (SDG 10) and responsible production and consumption (SDG 12). In addition, at Inditex we make a significant contribution to health and well-being (SDG 3) and quality education (SDG 4). In this way, 84% of our CCI is earmarked for programmes that have one of these SDGs as their main objective.

Such initiatives would not be effective if they were promoted in isolation or individually. That's why, in 2018, we collaborated closely with more than 400 community organisations working in the field in order to help face these social development challenges. Because of this, we developed more than 620 community projects during the year that have directly benefitted more than 2.4 million people, 53% more than the previous year. In 2018, we allocated 46.2 million euros for these CCI activities.

This chapter outlines the key data concerning our CCI performance according to the LBG methodology, as well as the most important projects developed during the year. These projects are subject to an exhaustive monitoring and accountability process, according to previously defined objectives for each programme based on a range of key performance indicators (KPIs). The LBG methodology enables us to structure and quantify the voluntary CCI activities and measure their impact on community, both in terms of depth as well as type of impact.

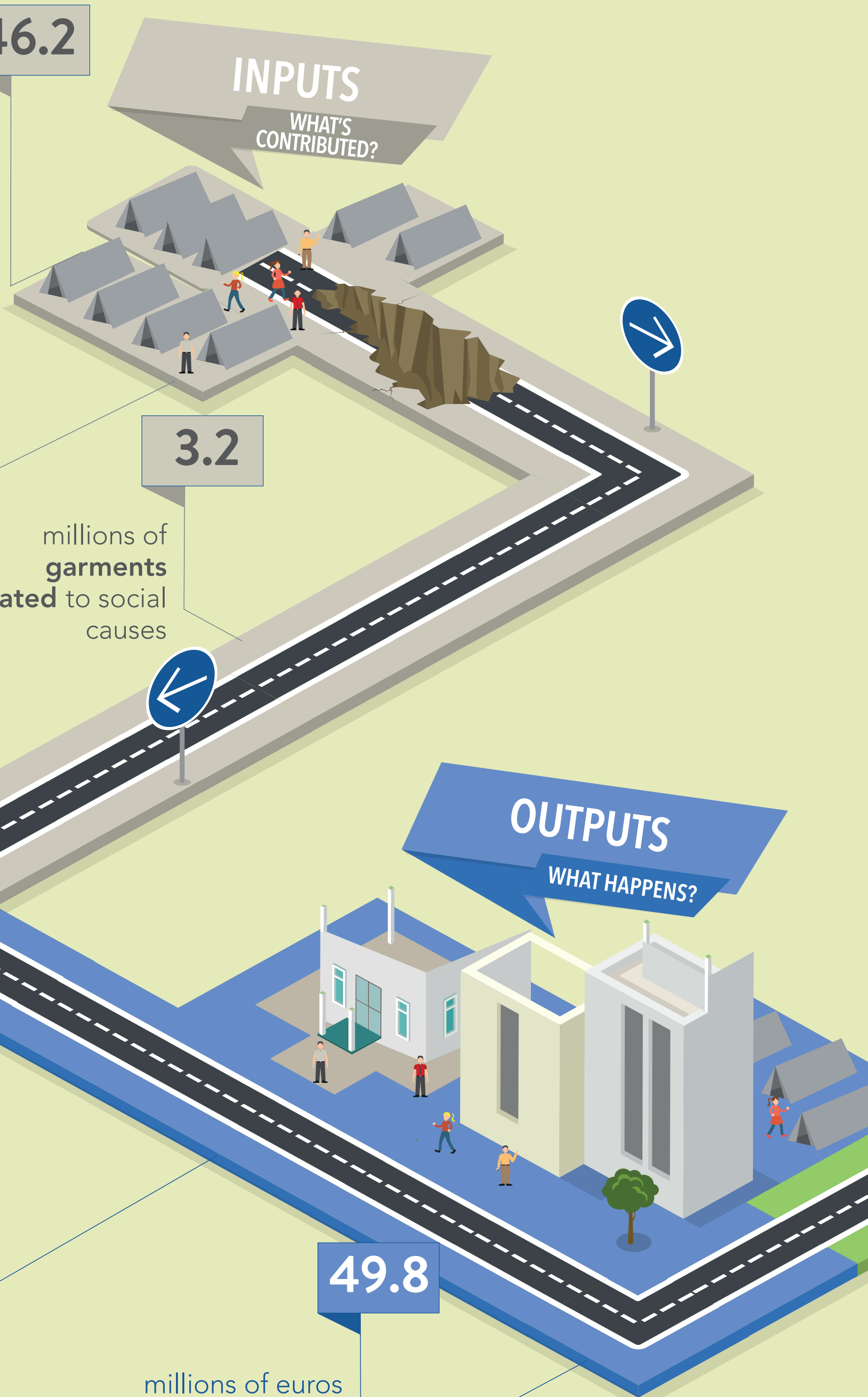
In terms of the depth of the impact, the effects our projects have on beneficiaries are broken down into the following three point scale identifying three distinct levels of change that a beneficiary might experience. Numbers recorded under each of the depth of impact headings are mutually exclusive:

- **Connection:** the number of people reached by an activity who have reported some limited change as a result of an activity.
- **Improvement:** the number of people who have reported some substantive improvement in their lives as a result of the activity.
- **Transformation:** the number of people who have reported an enduring change in their circumstances, or for whom a change has been observed, as a result of the improvements made.

With regards to the type of impact, the changes experienced by beneficiaries are broken down into the following three categories. In this case, the same beneficiary can experience more than one type of impact.

- **Behaviour or attitude change:** the activity has helped generate behavioural changes that improve the life of the people. Likewise, the activity has enabled a change in negative attitudes or prejudices, allowing people to make better decisions.
- **Skills or personal effectiveness:** the activity has helped to develop new skills or improve existing skills, enabling them to develop academically, in the workplace or socially.
- **Quality-of-life or well-being:** the activity has helped people to be healthier, happier or more comfortable, through improved emotional, social or physical well-being.

Corporate Community Investment 2018*



46.2
millions of euros **invested in CCI projects**

118,000
hours devoted by **employees** to CCI activities during working hours

3.2
millions of **garments donated** to social causes

2.4
millions of **direct beneficiaries**
(53% more than the previous year)

413
community organisations supported
(1% more than the previous year)

622
community projects implemented
(5% more than the previous year)

49.8
millions of euros **leveraged****
(294% more than the previous year)

(*) Data calculated in accordance with LBG methodology based on voluntary expenditure by Inditex on Corporate Community Investment projects during the 2018 financial year. The exchange rate valid on 31 January 2019 was used to convert contributions into euros. (**) The measure of any additional resources contributed to a community organisation or activity that come from sources other than the Company - employees, suppliers and customers, among others-. (***) Of the total 2,425,639 direct beneficiaries, the impact assessment was carried out on 2,401,131 direct beneficiaries. (****) Assessment carried out on 237 community organisations supported by Inditex, on 81 long-term strategic projects.

60%

Impact on people (depth of impact) (***)

25% of the beneficiaries made a **connection**

60% made an **improvement**

15% made a **transformation**

73%

Impact on people (type of impact) (***)

14% experienced a **positive change in their behaviour or attitude**

2% developed **new skills** or an increase in their personal effectiveness

73% experienced a positive impact on their **quality of life** or well-being

98%

Impact on community organisations (****)

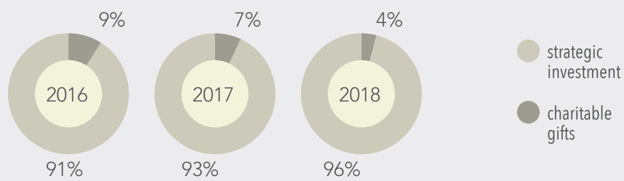
98% **improved existing / delivered new services**
91% improved **management processes**
93% taken on more **staff or volunteers**
95% increased their **profile**

Corporate Community Investment 2018

Maximizing the effectiveness of contributions

96% contributions driven by strategic investment.

Focus on strategic community projects



For the third consecutive year, investment in long-term strategic projects for specific activities (community investment and commercial initiatives in the community) increased, in comparison to charitable gifts in response to short-term or one-off events.

Maximizing impact requires focus

issue addressed

84% of our investment is focused on community activities on SDGs 3, 4, 8, 10 and 12.

78% of our community investment is aimed at reinforcing the priority activity areas: education, social welfare and humanitarian aid.

Location of activity

Inditex has targeted 96% of its community investment to projects carried out in strategic geographical areas, in terms of supplier cluster locations (67%) and stores localization markets (90%).

Alignment with SDG's and Company's business drivers

84% of investment targeted primarily towards 5 SDG's linked to our activity.

96% of investment implemented in strategic geographical areas.

Increasing the scope

5% increase in the number of CCI projects developed.

622 community projects were developed in 2018, which represents an increase of 5% on the previous year.

Increase in the number of direct beneficiaries

53% people
1% community organisations

In 2018, CCI projects directly benefitted more than 2.4 million people, 53% more than the previous year. Beneficiary community organisations also increased by 1% on the previous period, up to 413 organisations.

Increasing second–hand contributions

294% increase in additional funds raised.

Maximizing effectiveness in unlocking additional resources for the community

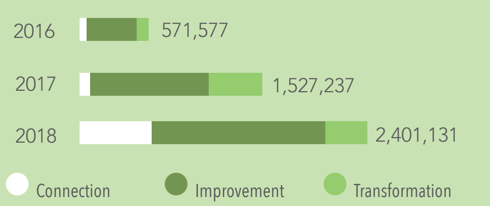
In 2018, the additional resources leveraged by our community activities as a result of the contributions made from sources other than the Company —employees, customers, suppliers, etc.— amounted to 49.8 million euros, which represents a 294% increase on the previous year.

Making greater impact

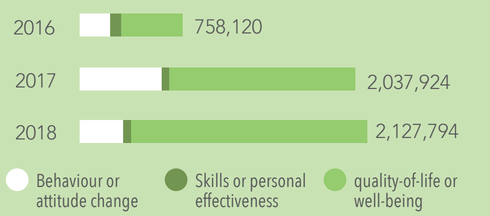
99% direct beneficiaries included within the impact assessment.

The scope of the impact assessment was extended to 2,401,131 million people —99% of the total number of beneficiaries—, compared to the 1,527,237 million people of the previous year, which represented 96% of the total number of beneficiaries. The impact has increased both in depth and type of impact.

Depth of impact



Types of impact

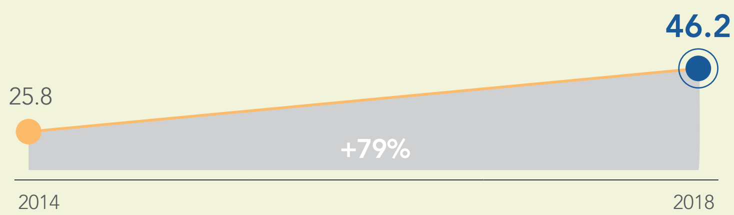


Evolution of Corporate Community Investment 2014–2018

The Corporate Community Investment (CCI) strategy is based on Inditex's Corporate Citizenship Policy. The performance of Inditex in relation to this policy during the period 2014-2018 is summarized through the following indicators.

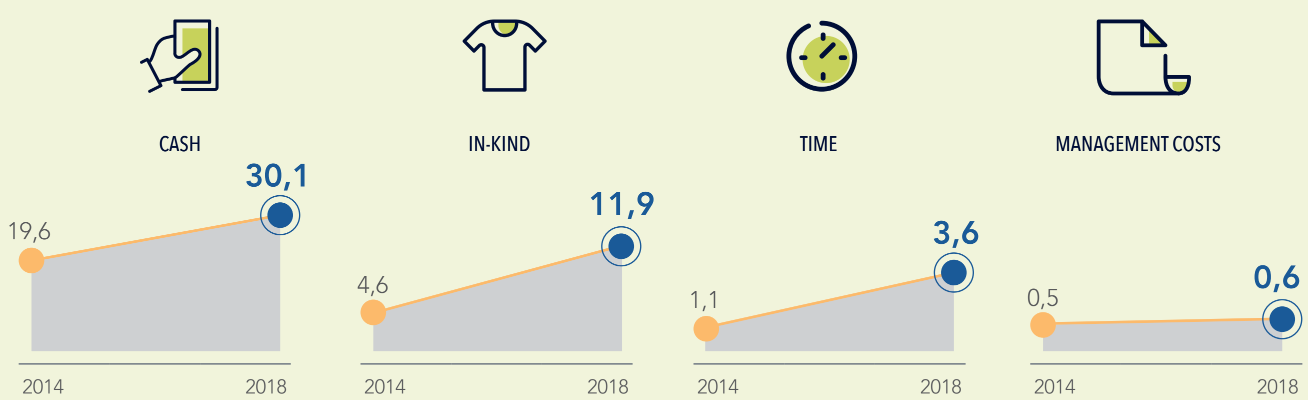
TOTAL CORPORATE COMMUNITY INVESTMENT 2014-2018
(in millions of euros)

Increasing investment. In the 2014-2018 period, Corporate Community Investment has amounted to more than 195 million euros.



BY FORM OF CONTRIBUTION
(in millions of euros)

Remarkable increases of in-kind and time contributions alongside a signifcant boost of cash contributions.



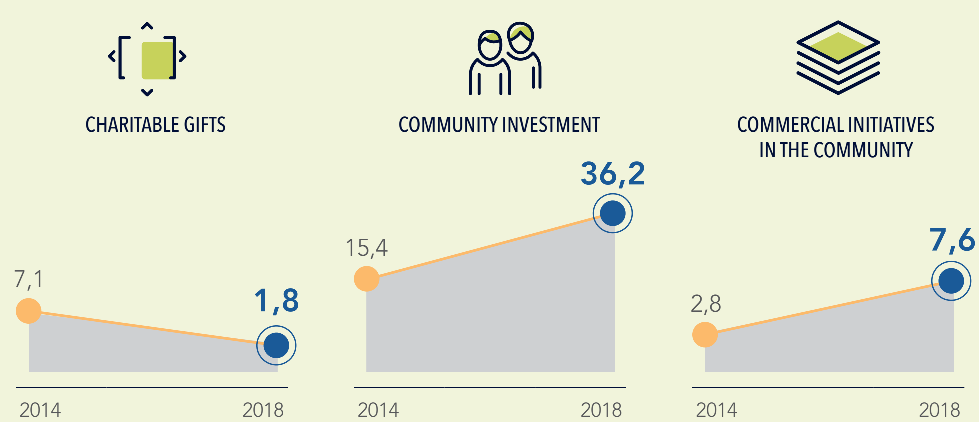
BY DRIVER FOR CONTRIBUTION (*)
(in millions of euros)

Increasing investment in strategic projects while decreasing charitable gifts.

Charitable gifts:
one-off institutional donations to the general goals of community organisations.

Community investment:
Long-term strategic commitment in partnerships with the community to support specific social activities.

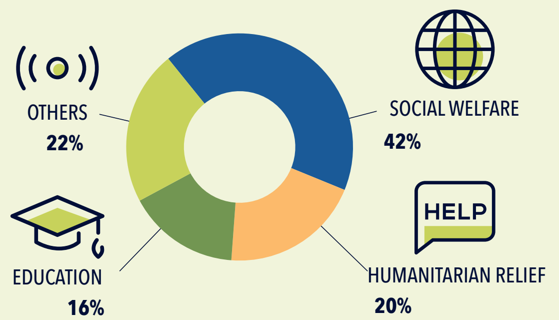
Commercial initiatives in the community:
Initiatives of social interest directly related to the Company's retail activity.



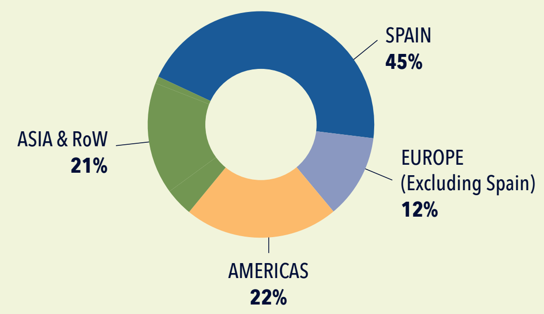
(*) Does not include management costs.

Distribution of Corporate Community Investment 2018

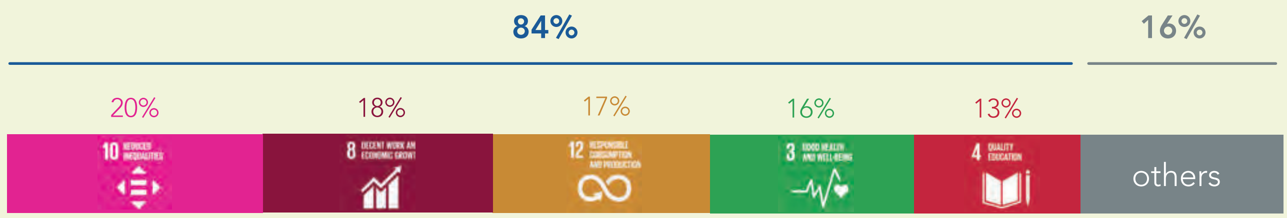
BY ISSUE ADDRESSED (*)



BY GEOGRAPHICAL AREA (*)



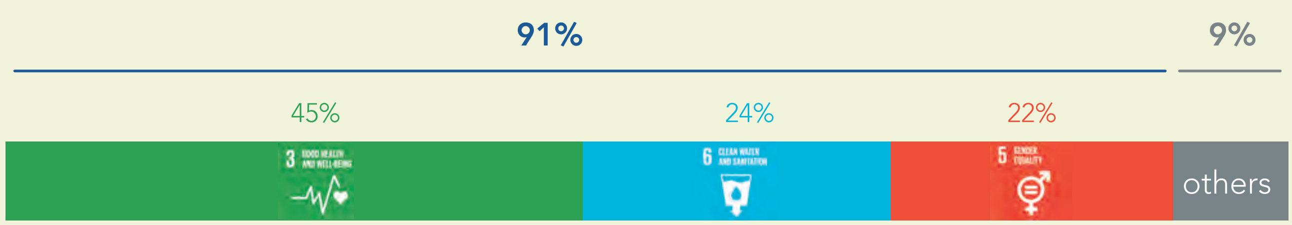
BY SDG (*)



The primary or main SDG of each of the 622 Corporate Community Investment projects developed during the current year have been identified. In 2018, we have focused our efforts on SDGs 8, 10 and 12, which represent our priorities, due to the alignment with the Company's activity. In addition, we have contributed significantly to SDGs 3 and 4. In particular, we have targeted 84% of the Corporate Community Investment - more than 38 million euros - to activities which have had some of the five SDGs as the main goal.

Distribution of direct beneficiaries 2018

BY SDG



In 2018, the primary or main SDG has been identified in relation to the 2,425,639 direct beneficiaries corresponding to 151 projects on which outputs have been measured. Based on this analysis, 91% of the beneficiaries - more than 2.2 million people - have had SDGs 3, 5 and 6 as the main objective of the activities in which they have participated.

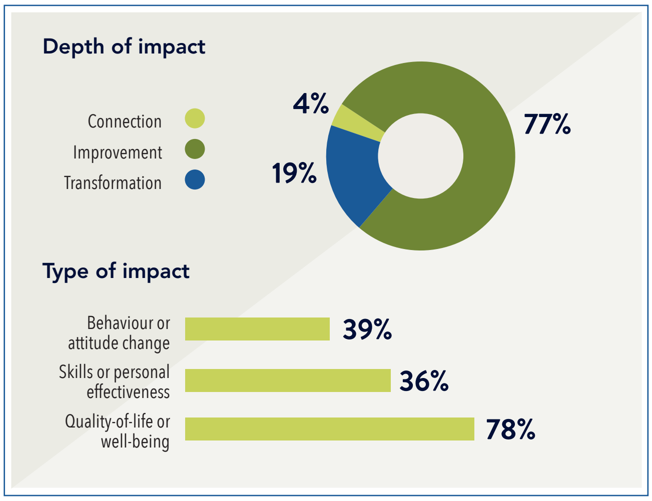
Key programmes in 2018

The Colombia Borders Programme. (Photo: Peter Porta)

1. Education

EPGO Programme (Educate People, Generate Opportunities)

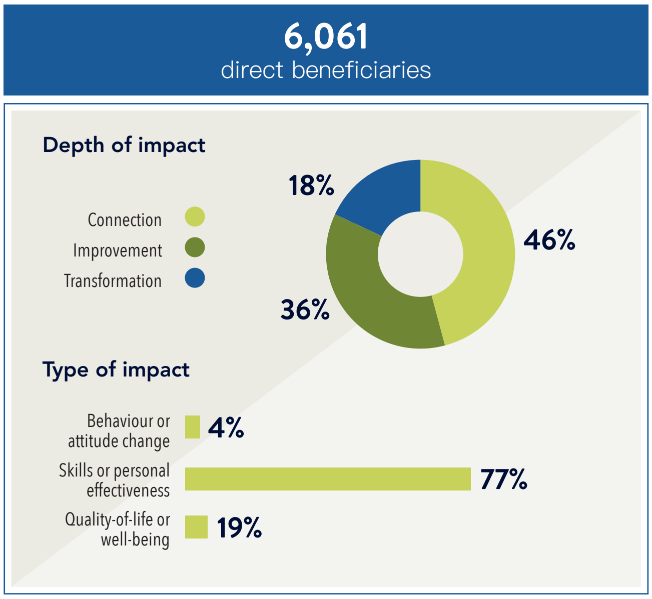
122,672
direct beneficiaries



In 2018, Inditex and Entreculturas continued to develop the three-year programme *Educar Personas, Generar Oportunidades II* (EPGO II), which in its second year served more than 122,000 people in 23 projects in 11 different countries: Argentina, Bolivia, Brazil, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, South Africa and Lebanon.

Through this programme, Inditex and Entreculturas are investing in education and training for employment, as well as in vulnerable groups (especially the displaced or refugees) through humanitarian relief. Thanks to these projects, young people and adults living in contexts of poverty have been trained to access the labour market and have their first employment experiences. Work was also done to empower and offer future opportunities to indigenous people, people with disabilities, young people at risk of exclusion and migrants and refugees.

The Colombia Borders Programme



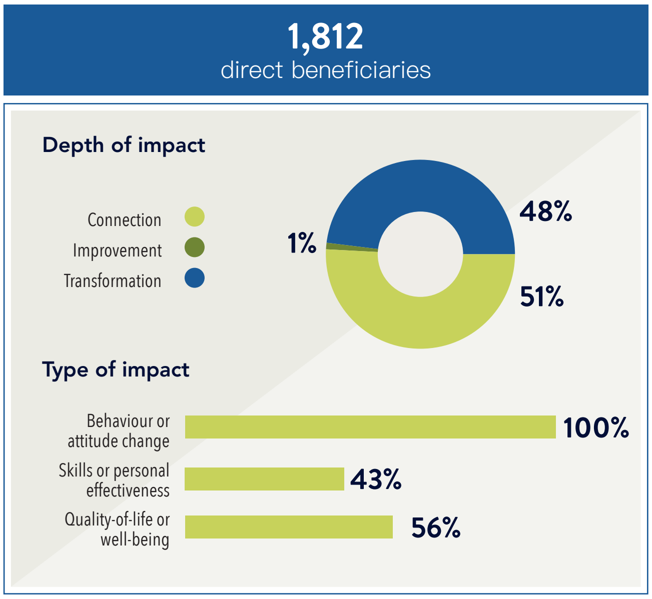
The joint work between Inditex, the Jesuit Refugee Service LAC (Latin America and the Caribbean) and Entreculturas began in 2009 with a three-year programme for displaced people and refugees in Colombia and its border countries (Panama, Ecuador and Venezuela) affected by the armed conflict. The persistence of the conflict and the success of the programme prompted a second and a third edition in the periods 2012/2015 and 2015/2018 in Ecuador, Venezuela and Colombia.

In October 2018, the fourth phase for the period 2018/2021 began, with the perspective, on the one hand, of the current Colombian context with the Peace Accords between the government and the FARC-EP; and, on the other hand, of the worsening of the political and economic situation in Venezuela, which is causing a large number of people to find themselves in a situation of extreme vulnerability and social risk.

The goal of this edition is to serve more than 18,000 people through two main lines of work:

- Integral Humanitarian Action: includes legal and psychosocial support, humanitarian aid, and livelihood support, which responds to people's immediate needs and also allows them to improve their living conditions.
- Education: peace education activities, reconciliation and prevention of violence both in schools and in host communities for displaced people.

Village Hope School Programme



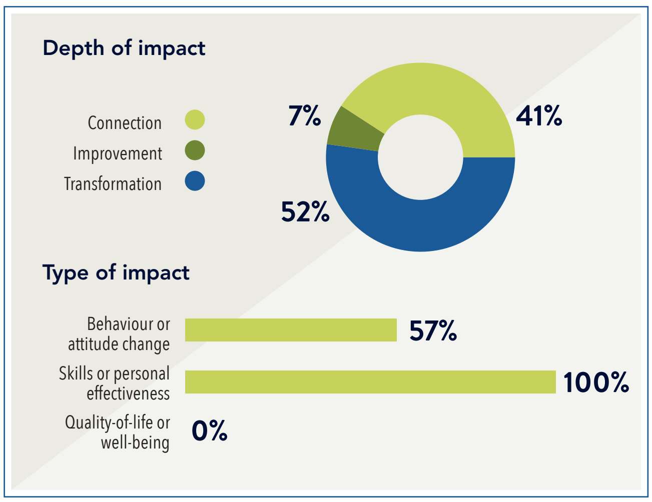
In 2016, Inditex signed a three-year agreement with China Youth Development Foundation (CYDF) for the construction of 10 rural schools per year for the *Village Hope Programme*. The aim of this programme is to improve the educational infrastructure of rural depressed areas, as well as to guarantee students' access to quality education. In 2018, it was agreed that five *Village Hope* schools were built in Ruyang (Henan Province). In addition, the construction of two large *Hope Village* schools in Yuexi County (Sichuan Province) was established, according to the needs and financial situation of the local government.

A total of 1,812 adolescents benefitted directly from this programme, which has contributed to improving their mental and physical health, as well as their academic performance. The good results have also encouraged an increase and improvement in investment in primary education by local authorities, which will make it possible to improve the quality of teaching and make society aware of the importance of supporting and meeting the needs of rural schools in impoverished areas. In this context, a group of Inditex volunteers visited the *Village Hope* school in Ningxia in September 2018 to learn more about the programme. The initiative was also awarded the CYDF *best partner award* in 2018.

Thanks to the collaboration between Inditex and Tsinghua University, 40 students from their MBA Programme have visited the headquarters of Inditex in Spain – deepening the Group's Sustainability policy through mutual learning.

Beijing Normal University Programme

587
direct beneficiaries



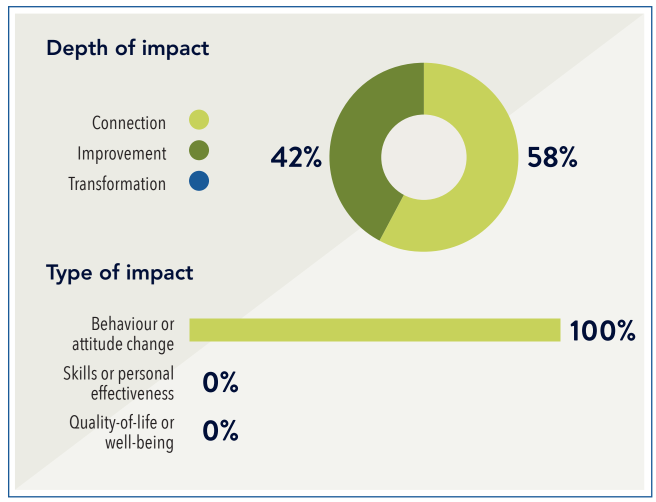
In collaboration with Inditex in 2017, Beijing Normal University's Emerging Market Institute launched a scholarship programme, targeted at MBA students coming from 30 different developing countries.

In 2018, the programme provided its participants with adequate financial resources to complete their studies. In addition, thanks to the *Inditex Chair Professors Funding*, academic and teaching excellence has been recognized with funds for research projects in sustainable development and education in impoverished areas. As part of this programme, the students visited Zara's flagship store in Nanjing West Road in Shanghai, where they received training in sustainable development, as well as Zara's logistics centre in Kunshan (Jiangsu province).

Inditex's support has also made it possible to hold the *Emerging Markets Youth Forum* (Y30), a forum whose objective is to strengthen exchange and cooperation between young people from countries with emerging economies.

Tsinghua University Programme

3,066
direct beneficiaries



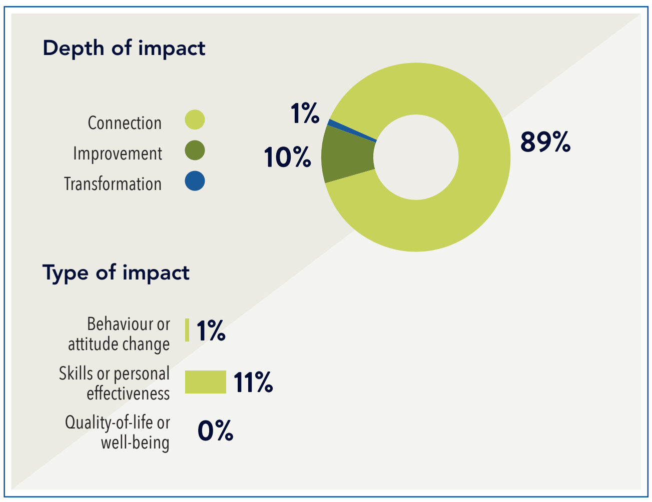
The partnership between Inditex and Tsinghua University School of Economics (Tsinghua SEM) is defined by a three-year agreement signed in 2017 and which will run until 2019. In January 2019, by virtue of this collaboration, a total of 40 Tsinghua SEM MBA students were selected to participate in the *Global Immersion in Spain* Programme: *Fashion and Sustainability*. Through the case study and the visit to the facilities, the students were able to internalize the keys to the fashion industry and learn about Inditex's sustainability policy, the objective of which goes beyond the mere implementation of this concept in the Company by analyzing the fashion demanded by customers.

Thanks to this programme, Tsinghua SEM students have also improved their knowledge of corporate social responsibility, as well as of environmentally responsible initiatives within the Company. In this sense, they have also had the opportunity to propose their own solutions to Inditex's sustainability challenges.

In 2018, the Inditex Chair in Forced Migrants and Refugees carried out the first study focused on integration of refugees in Spain.

Chair in Forced Migrants and Refugees

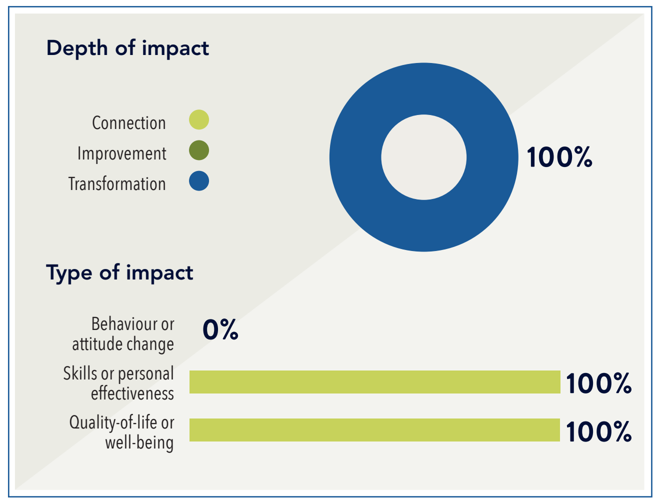
838
direct beneficiaries



During 2018, the Chair in Forced Migrants and Refugees, created by Inditex and the Universidad Pontificia Comillas, investigated the social integration of applicants for international protection in Spain, in collaboration with Cáritas Española. This is the first study focusing on refugees in Spain, making it a pioneering initiative in this field. A research programme on coexistence relations and diversity management was also set up in six Spanish cities; and two doctoral research projects have been promoted, one on the system of reception and integration of refugees in Spain, and the other on psychological intervention with the refugee population, the latter after collaboration with Harvard University. On the other hand, four postgraduates joined organisations working with refugees in Spain, Belgium, Kenya and the Democratic Republic of Congo; at the same time, awareness-raising and dissemination activities were developed, and links were established with different universities, especially with the international development department of Oxford University.

InTalent Programme

35
direct beneficiaries



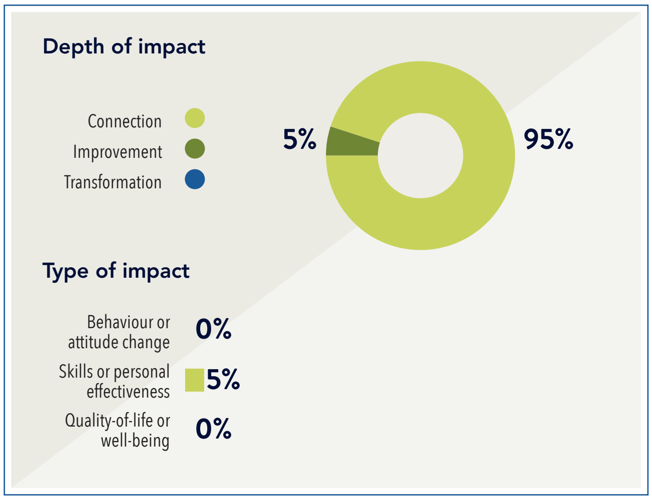
InTalent is a specific collaboration programme between the University of A Coruña (UDC) and Inditex for the hiring of post-doctoral researchers with international projection and extensive experience under the sole criterion of excellence. Under this premise, the main objective is to position the UDC as a benchmark in attracting research talent. In 2018, two new researchers joined the UDC, who were chosen from more than 100 applicants with a high curriculum level, from four continents and 26 different countries. The international nature of InTalent has attracted Spanish researchers back to Spain. Their professional careers had been developing in leading research centres in the United Kingdom, Germany, Switzerland, Italy and the United States, among other countries.

Beyond InTalent, Inditex has been collaborating since 2013 with the UDC in the granting of grants for predoctoral stays, with the aim of increasing the quality and internationalization of doctoral students' research. In 2018, the sixth edition of this programme was held and 33 students were granted grants for stays in research centres around the world.

> Thanks to the Inditex Chair, 2,574 Bangladeshi students have participated in Spanish courses, thus improving their opportunities in the labour market.

TEMPE–APSA Chair of Disability and Employability

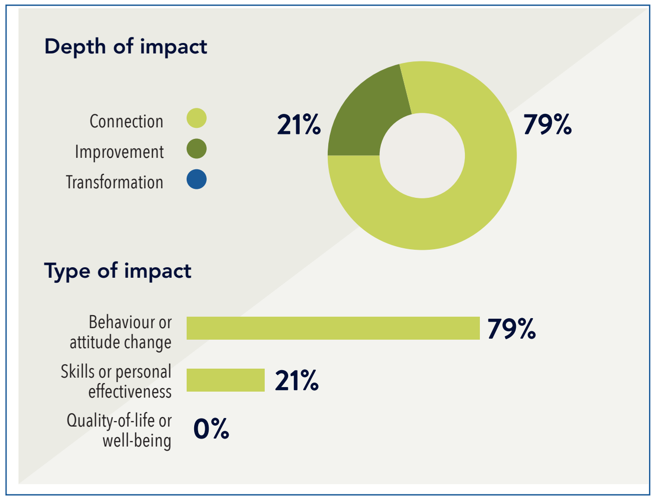
284
direct beneficiaries



The TEMPE-APSA Chair in Disability and Employability at the Miguel Hernández University in Elche (Spain) aims to promote training and research to improve the integration of people with disabilities into the labour market. Among the activities carried out in 2018, the second promotion of the Degree of University Expert in Store Auxiliary Tasks stands out, completed by a total of 15 students with intellectual disabilities, several of whom achieved their labour insertion in ordinary companies. On the other hand, the youth exchange project *Training for our future* was developed, within the framework of the Erasmus Plus Programme and in collaboration with the Irish association Walk. The project allowed 10 young Irish people with intellectual disabilities to stay in Spain as well as the Chair's students to subsequently visit Dublin and participate in workshops designed to improve their socio-labour skills.

Inditex Chair of Spanish Language and Culture in Bangladesh

2,489
direct beneficiaries



The Inditex Chair of Spanish Language and Culture at the University of Daca (Bangladesh), which was created in 2011 as a cooperation project between the local university and the universities of A Coruña and Santiago de Compostela, currently has a staff of six professors.

The Chair teaches Spanish to more than 400 students every year and organises cultural activities open to all students at the campus. In this course, new seminars were organised with academic activities related to the scientific and sports culture of present-day Spain. Activities were also promoted to bring Galician traditional music closer to Bangladeshi music, in collaboration with the Music Department of the University of Daca.

In addition, the yearly summer scholarship programme for students at the Chair and for teacher training brought five students from Bangladesh to the University of Santiago de Compostela in 2018.

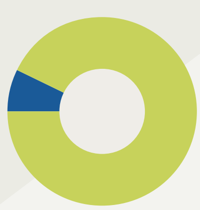
Inditex Chair of Spanish Language and Culture in Bangladesh. (Photo: Salvador Arellano)

Inditex–UDC Chair of Sustainability

384
direct beneficiaries

Depth of impact

Connection
Improvement
Transformation



Type of impact

Behaviour or attitude change	0%
Skills or personal effectiveness	7%
Quality-of-life or well-being	0%

The mission of the Inditex-UDC Chair on Sustainability in A Coruña (Spain) is to encourage universities, companies, non-profit organisations and the public to participate in community debate, academic training and applied research on responsibility and social innovation.

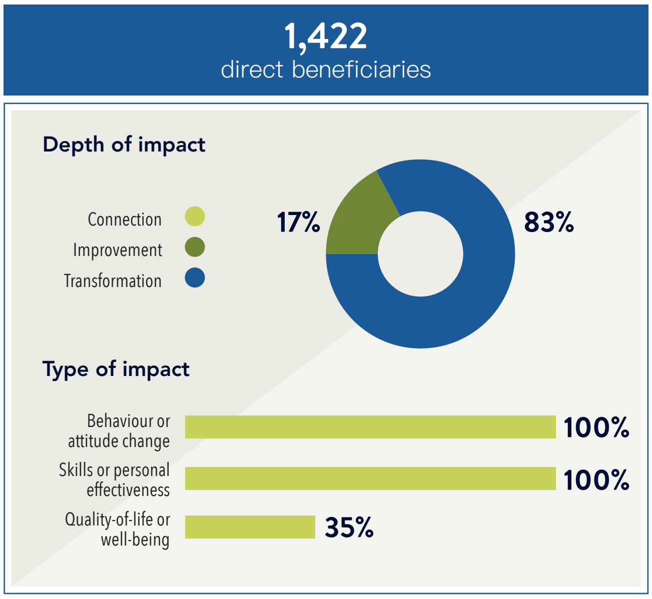
In 2018, the seventh edition of the Specialization Course in Sustainability and Social Innovation (CESIS) was held. Twenty-five students, 11 of which awarded grants from Inditex, participated in this certified postgraduate training course of 625 hours of regular classes, seminars, workshops, tutorials, conferences, institutional visits and hands-on projects with organizational partners. This program is led by 35 instructors from professional fields, alongside professors of the UDC and other universities.

The series of conferences entitled En Código Abierto (2017/2018 academic year) was also launched, with the participation of Mr. Juan Iglesias, Director of the Inditex Chair on Refugees and Forced Migrants, at the Comillas Pontifical University in Madrid; Mr. Félix Fuentenebro, Director of the Federación de Asociaciones de Medicusmundi, España; and Mr. Dan Rees, Better Work Chief.

EPGO Programme in Peru. (Photo: Entreculturas)

2. Social welfare

Employment Programme in Spain



Since 2011, Inditex has been supporting the Caritas with an employment programme, which promotes access to decent employment for people in situations of vulnerability or social exclusion through the following lines of action:

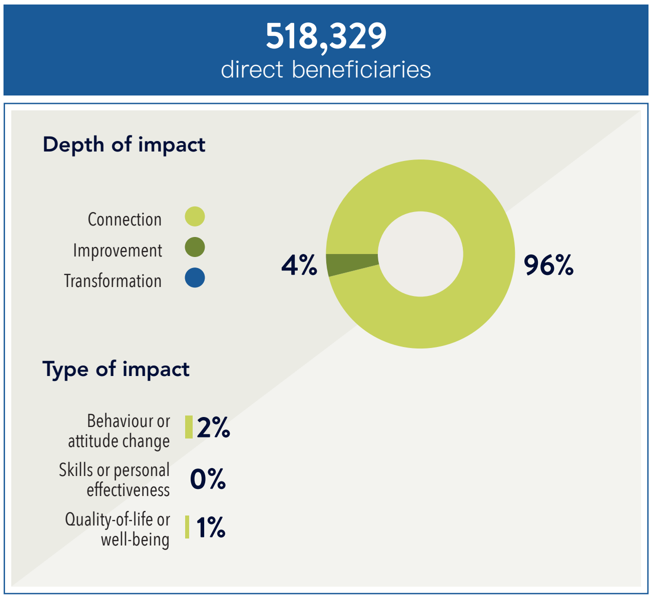
- Individualized accompaniment, to favour the social inclusion of the participants.

- Training, with the focus on improving skills, as a basic requirement to boost employability.

- Encouraging social economy initiatives that generate productive structures in a social and economic environment based on the principles of justice, social cohesion and the generation of opportunities for everyone.

During 2018, 31 social economy projects, two self-employment projects and 38 training projects were consolidated. In addition, a total of 1,422 people improved their employability, 1,056 received training and 495 found employment.

Every Mother Counts Programme



In March 2017, Inditex committed to a three-year agreement with the non-profit organisation Every Mother Counts (EMC), contributing one million dollars for projects undertaken by the organisation in the United States and Bangladesh. The projects have a particular focus on the provision of prenatal, delivery, and postnatal care and attention to pregnant women, as well as maternal health public outreach, education, and community mobilization.

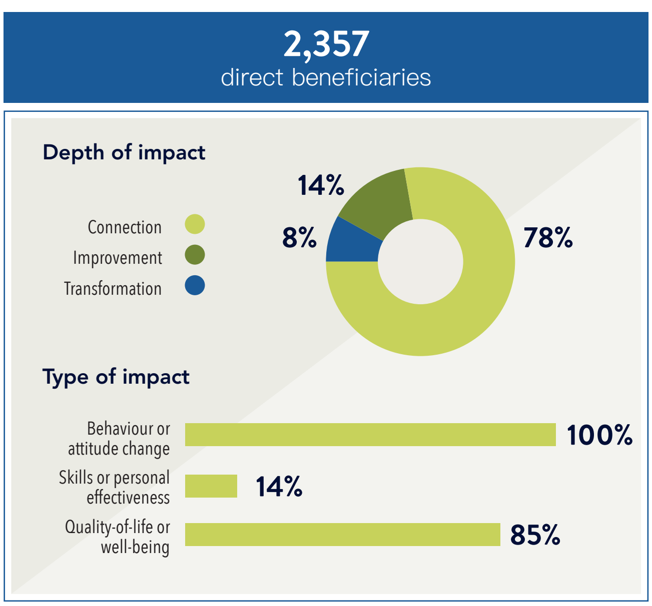
Thanks to the support of Inditex, Every Mother Counts has partnered with the HOPE Foundation for Women and Children of Bangladesh to provide services for women and children in Cox's Bazar. The services include pregnancy, delivery, postnatal, and neonatal care, as well as education on breastfeeding, newborn care, and family planning. In 2018, HOPE Foundation was able to reach over 3,060 women, along with their children, with this care and education.

In the United States, the support of Inditex has enabled Every Mother Counts to partner with the Florida non-profit organisation Commonsense Childbirth to provide access to high-quality pregnancy and post-natal care, education, and social support services for over 900 marginalized, low-income women and their babies.

Inditex's funds were also used to support Every Mother Counts' public education and community mobilization programmes in the United States, including races, film screenings, festivals, and online.

Every Mother Counts recruited 474 new runners in 2018, who in turn raised hundreds of thousands of dollars for the organisation. EMC also engaged 10,133 new donors to the organisation. Finally, in 2018, EMC's film "Giving Birth in America: California" reached over 100,000 people via CNN, and "Giving Birth in America: New York" reached over 350,000 people through Upworthy.

Brazil Programme

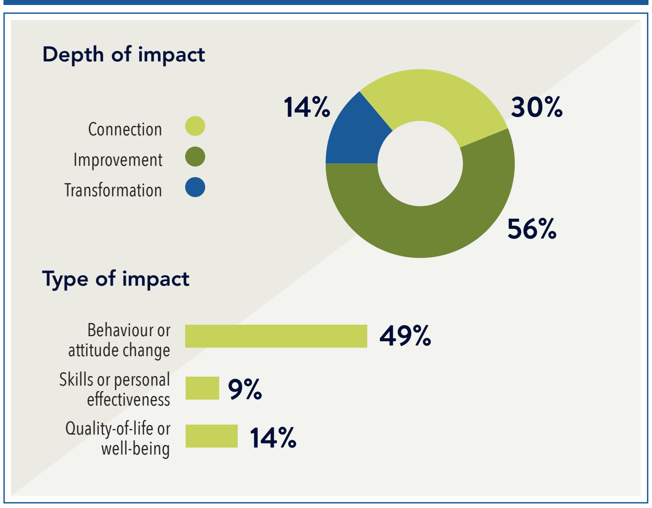


In 2018, Inditex continued to support the integration of the immigrant population in Brazil through collaboration with entities such as Missão Paz São Paulo and Aliança Emprendedora. Under this programme, more than 2,300 vulnerable people were handled during the year.

The initiative took the form of activities that regularize migration, boost employment through the improvement of professional skills, and promote the human rights of the Latin American immigrant population in the textile industry through entrepreneurship.

Community Development Programme in Bangladesh

14,378
direct beneficiaries



The Community Development Programme in Bangladesh, in collaboration with Cáritas, focuses on working with communities vulnerable to natural disasters or situations of extreme poverty both in rural areas and in Dhaka, the capital city of the country. Its work is organised into two areas of activity:

1) **Enhancing the adaptation capacity of communities vulnerable to natural phenomena such as droughts and floods.**

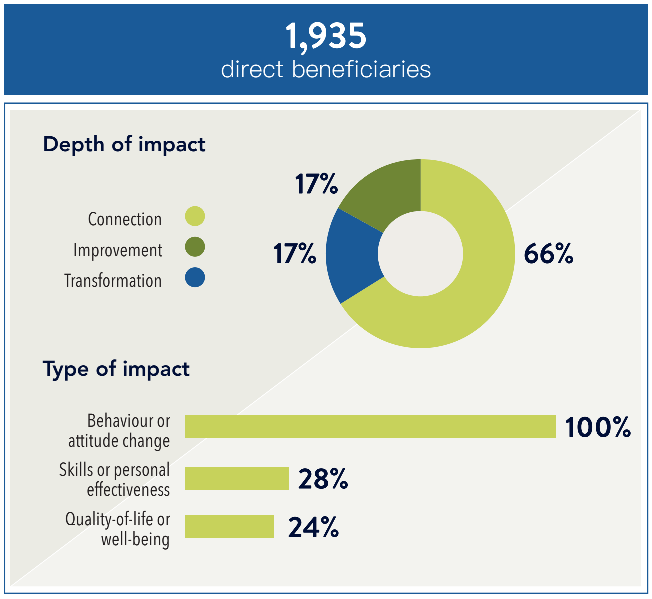
In 2018, a disaster preparedness and reduction plan was promoted to improve resilience and environmental protection through strengthening local capacities and committees in Gaibnadha, Naogaon, Sherpur and Sunamgon districts. The plan included development activities, especially in the areas of water resources management and reforestation. Similarly, communities were provided with adequate health and hygiene systems in the face of floods, droughts and wildlife incidents.

2) **Contribution to the improvement of socio-economic conditions and people's dignity in the communities affected by extreme poverty in Dhaka.**

The programme was developed in three *slums* of the city of Daca through social institutions that watch over the rights and capabilities of unemployed women and women without resources. Similarly, access to social services for children under the age of six was facilitated through the establishment of five childcare centres and the formation of parents' associations. Assistance in primary health services was also offered in care centres, referral hospitals and NGOs, among others. In 2018, training addressed to women and adolescents in areas such as nutritional support for children, health and hygiene assistance, safety and defence, maternal and reproductive health assistance and vocational training, among others, was also consolidated and strengthened.

Community Development Programme in Bangladesh. (Photo: Cáritas)

Coruña Emprega and *A Flote* Programmes



During 2018, Inditex strengthened its collaboration in local projects whose objective is to contribute to the social integration and welfare of people at risk of exclusion residing in the La Coruña area (Spain), the province of the Inditex headquarters. Inditex organised this programme through two projects called Coruña *Emprega* and *A Flote*, in collaboration with the City Council of La Coruña and the Emalcsa Foundation.

The *Coruña Emprega* Project focuses on professional qualification and intermediation with companies to promote the incorporation into the labour market of people over 45, long-term unemployed, migrants, young people without training and people with functional diversity, among others.

A total of 92 formerly unemployed people —68 women and 24 men— belonging to groups with high social vulnerability found a job in 2018 thanks to this initiative. The balance sheet assumes an average labour insertion of 85.6%. At the same time, a total of 1,122 people were sensitized through the various activities of the project. Among these, 880 people —506 women and 374 men— received personalized employment guidance. Additionally, 1,886 hours of employment training and 540 hours of work experience in companies were given.

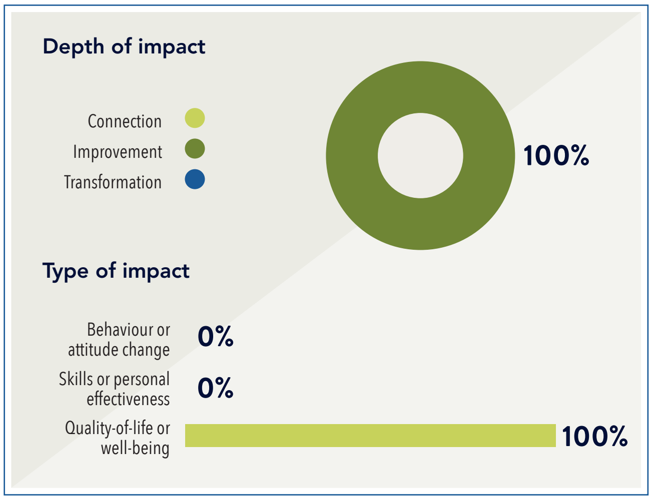
One of the novelties in 2018 was the launch of the IMOs Programme in the neighbourhoods, in which 186 people (118 women and 68 men) took part. This is an initiative which aims at bringing employment services closer to citizens, especially in neighbourhoods with the highest levels of unemployment.

In relation to the *A Flote* Project, Inditex and the Emalcsa Foundation signed a three-year agreement in 2017 for the integration of people at risk of exclusion by means of immediate aid in social emergency situations. Through *A Flote*, 692 urgent, punctual and transitory economic aids have been managed, especially in relation to the right to housing.

Meeting at Inditex headquarters between the president, Pablo Isla, and co-founders of Water.org, Matt Damon and Gary White, in January 2019.

Water.org Programme

553,653
direct beneficiaries



Inditex and Water.org have partnered together since 2015 to bring access to safe water and sanitation to people living in poverty in Cambodia and Bangladesh. Through financing for household water and sanitation solutions (known as WaterCredit), our partnership has catalyzed more than $60 million for water and sanitation loans. The result—nearly 800,000 people empowered with life-changing access to water and sanitation over the last three years.

2018 was a milestone year for this programme, reaching economies of scale and greatly accelerating the rate of impact. In Cambodia, Water.org partnered with five local financial institutions — SAMIC Microfinance, Vision Fund Cambodia, LOLC, Agora Microfinance, and Chamroeun — to reach 715,000 people through 166,000 WaterCredit loans, eight times the original target.

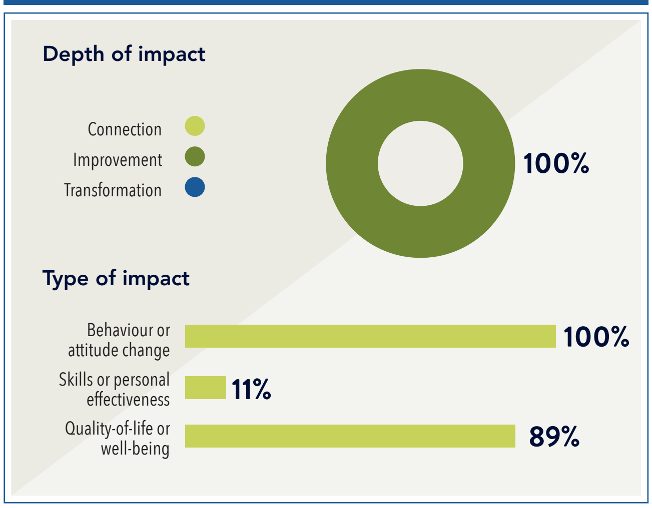
Targets were also exceeded in Bangladesh in 2018. Together, Water.org and its two financial institution partners — Sajida Foundation and WAVE Foundation — reached more than 70,000 people with access to water and sanitation through more than 16,000 WaterCredit loans. To this end, Water.org's local partners continued to provide health and hygiene education to the communities they serve, and piloted loan repayment through digital financial services.

In January 2019, the president of Inditex, Pablo Isla, held a meeting at Inditex headquarters with Matt Damon and Gary White, co-founders of Water.org, with the aim of reinforcing the strategic alliance between the two entities when it comes to providing drinking water and sanitation to communities in developing countries.

> Thanks to its collaboration with Inditex, Water.org leveraged more than 60 million dollars in microcredits for drinking water and sanitation in Cambodia and Bangladesh over the last three years.

Médicus Mundi Programme in Morocco

280
direct beneficiaries

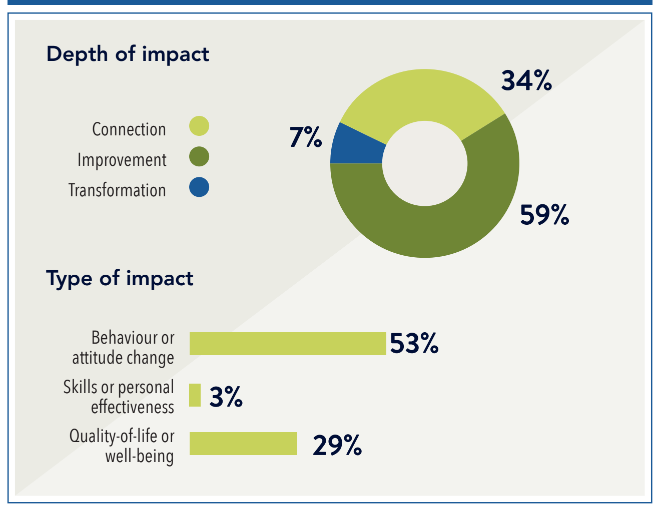


In 2018, the programme implemented by Médicus Mundi organised activities of varied nature, in collaboration with various civil society actors —including the Union of Feminist Action and the Moroccan Association of Occupational Health—, public administration actors — represented by the Directorate of Labour and Professional Insertion—, occupational doctors, and the Moroccan social security polyclinic.

On the one hand, awareness was raised among workers regarding social and labour rights and the prevention of occupational risks and illnesses. A medical campaign was also developed for the prevention of cardiovascular risks, as well as training and support for the Health and Hygiene Committees and for the delegates of Moroccan textile companies' workers. In addition, a line of work was initiated to prevent moral and sexual harassment of garment workers in the country.

Community Development Programme in Cambodia

28,804
direct beneficiaries



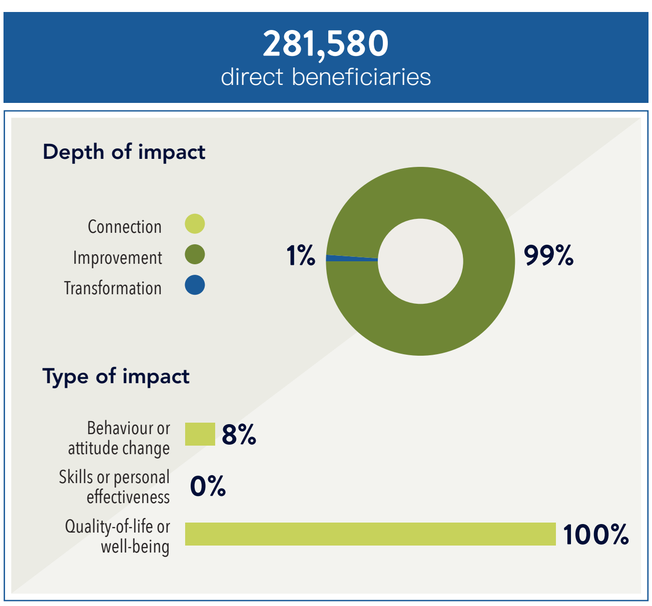
The Community Development Programme in Cambodia, in collaboration with Cáritas, works in rural areas through community associations, farming cooperatives and healthcare volunteers, and relies on the collaboration of healthcare centres and local authorities. Its objective is to improve resilience to the challenges posed by climate change, with techniques for improving and increasing the productivity of crops and animal husbandry. Work is also being done on the promotion of agricultural cooperatives that connect the production of these community associations with markets in order to increase the sustainability of the changes and encourage business opportunities at the local level. In 2018, the programme worked in 18 rural communities in the provinces of Kampong Thom, Preah Vihear and Siem Reap.

With regard to community health, the programme pays special attention to maternal and child health by improving access to health centres and hospitals, vaccinations, pregnancy care and postpartum care. The support groups of mothers contribute to improving the upbringing, especially in children under two years old, while they also collaborate in growth monitoring together with the community health volunteers. The programme was implemented during 2018 in 91 rural communities in the provinces of Battambang, Siem Reap and Preah Vihear.

Access to health care for the migrant population in Mexico.
(Photo: Juan Carlos Tomasi/ MSF)

3. Emergency relief

Access to health care for the Rohingya refugees in Bangladesh



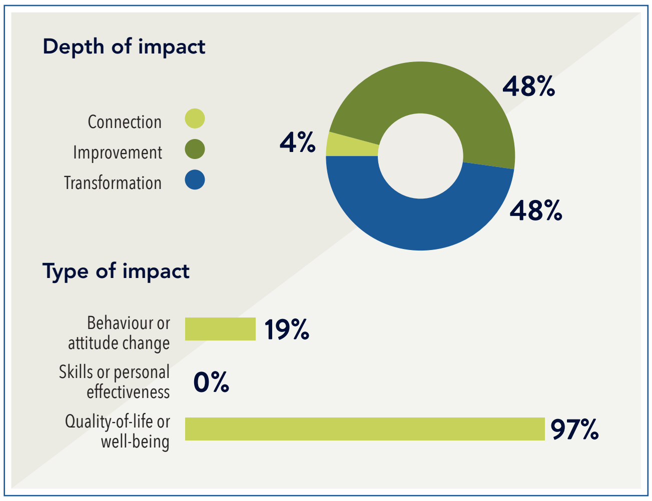
In southeastern Bangladesh, in the Cox's Bazar region, nearly one million Rohingya survive in harsh conditions after fleeing Myanmar. In 2018, Médecins Sans Frontières (MSF) teams provided aid in the camps, focusing their efforts on medical care, drinking water provision through the construction of wells, and latrines construction and maintenance.

They also carried out a total of 247,451 outpatient consultations and 2,683 hospital admissions. At the same time, specific mental health care was provided to 21,878 people to alleviate the devastating effects of trauma and improve their resilience to this complex situation.

Inditex joined the Tent Partnership for Refugees in 2018, a coalition of more than 100 companies whose objective is to generate alliances that improve the lives of refugees.

Health care in Syria

530,324
direct beneficiaries



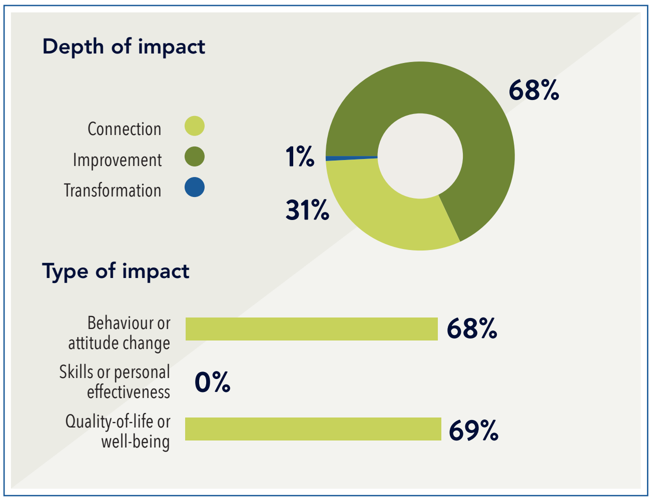
The year 2018 marks the eighth anniversary of the beginning of the war in Syria. Since then, Médecins Sans Frontières (MSF) has worked hand-in-hand with Syrian staff to address the medical needs of thousands of people still struggling to survive in this conflict.

Today, it is estimated that more than 13 million people still depend on international aid. Many of them fled in search of an alternative to the safest areas of the country, including the province of Azaz, on the border with Turkey. The Al Salamah hospital, managed entirely by Médecins Sans Frontières teams, remains 100% operational and guarantees safe, quality medical care for the 300,000 people displaced there.

During 2018, thanks to Inditex's support, 121,868 external consultations were carried out, 1,364 normal deliveries were attended and 104 Caesarean sections were performed. In addition, 1,436 active patients suffering from chronic diseases are monitored.

Access to health care for the migrant population in Mexico

29,758
direct beneficiaries



Mexico is a country of transit, destination and return for the migratory flow coming mostly from Central America (El Salvador, Honduras and Guatemala) to the United States. The people who decide to embark on the journey are undocumented migrants who had to leave their homes because of poverty, marginalization and violence situations in their countries of origin.

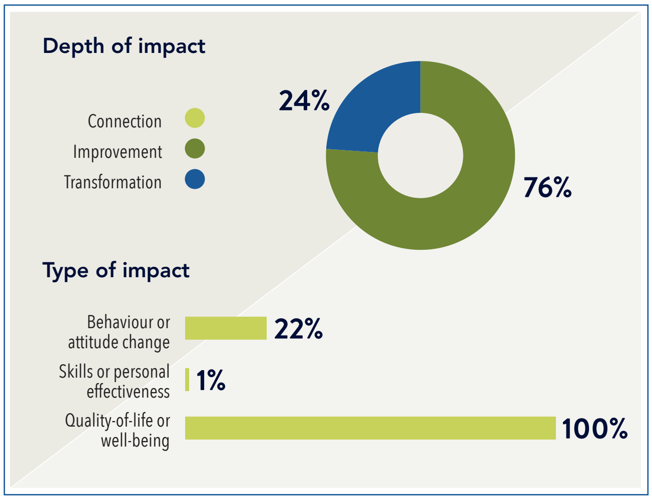
During 2018, the migratory flow did not diminish and the displaced were forced to explore new routes and means of transit, being exposed to serious situations of violence. The journey often involves kidnappings, sexual violence and torture, which have a direct impact on their physical and mental health.

Médecins Sans Frontières teams are present in various transit shelters, where they offer medical and psychological consultations. In addition, the organisation has a Comprehensive Care Centre in Mexico City, which offers specialized medical care to migrants and refugees who are victims of extreme violence, ill-treatment and torture. In 2018, MSF carried out a total of 9,278 medical consultations, and psychologists carried out 2,590 mental health consultations.

Support for the MSF Emergency Unit in Ethiopia.
(Photo: Zacharias Abubeker/ MSF)

Support for the MSF Emergency Unit

219,323
direct beneficiaries



Since 2011, Inditex has been a strategic partner of Médecins Sans Frontières, facilitating its medical response to humanitarian and emergency crises. This support is key to guaranteeing the immediacy of the agency when it comes to responding in a professional and safe manner to humanitarian alerts anywhere in the world, and being able to organise emergency missions exclusively based on medical needs. Throughout 2018, Inditex specifically supported the Emergency Unit structure and its regional response teams in the Democratic Republic of Congo, Central African Republic and Ethiopia.

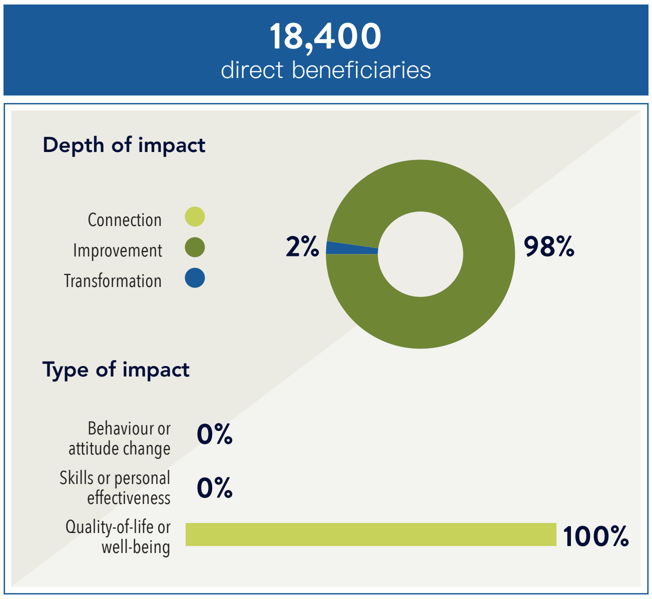
This joint effort made possible the humanitarian response to the outbreak of violence provoked by separatist movements in Cameroon. In western Ethiopia, where inter-ethnic violence in Benishangul Gumaz has displaced thousands of people in the Oromia region, MSF teams organised mobile clinics, distributed necessities goods and carried out massive measles vaccination campaigns for children. In addition, help was provided to hundreds of Nicaraguans affected by the siege of armed groups against the regime in power.

In parallel, the Emergency Unit responded to several epidemic outbreaks, including cholera in Zambia and the Democratic Republic of Congo, Lassa fever in Nigeria, measles and Ebola outbreaks in the Democratic Republic of Congo, and an outbreak of haemorrhagic fever in Iraq.

Regional teams have become indispensable in emergency response and in reaching the suffering population at critical times. In the Central African Republic, Eureca (MSF's Urgency Squad RCA) dealt with outbreaks of Hepatitis E in 2018, especially among pregnant women, and also attended to the victims of the violence plaguing the country.

In the Democratic Republic of the Congo, the RUSK (originally from French, Urgent Response Sud Kivu) remains the only entity with a rapid response capability in the South Kivu area. Thus, in 2018, teams faced epidemics of measles in Kabare and cholera in Bukavu and responded to outbreaks of violence in Byangama, Salamabila and Kalonge. Finally, Ethiopia faced the massive arrival of displaced people in Gedeo-Guji (in the Oromia region) following the outbreak of violence, while outbreaks of cholera and measles were treated in Tigray and Afar.

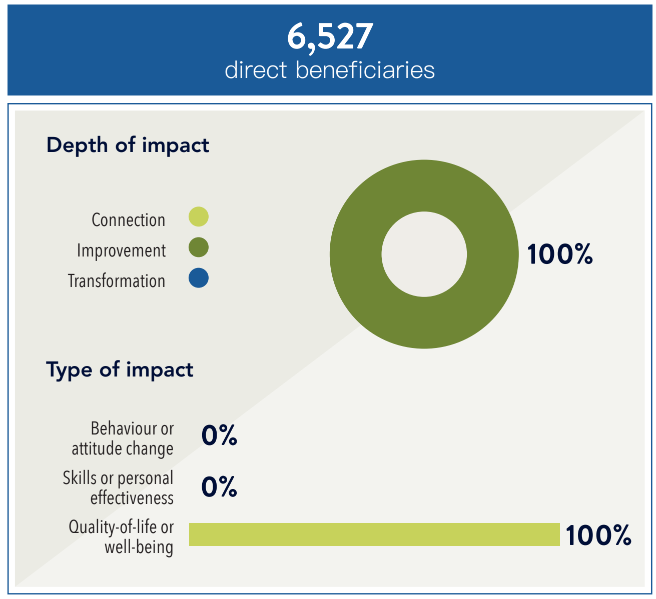
Mexico Emergency Programme



The earthquakes suffered in Mexico on 7 and 19 September 2017 left nearly 400 casualties, in addition to serious damage to infrastructure. Thanks to Inditex's support, Entreculturas supported two projects during 2018 that provided help to 18,400 people affected by the earthquake.

The first project was carried out together with the Jesuit Migrant Service and focused on rebuilding shelters for migrants who had been damaged by the earthquake. On the other hand, support was given to a Fundación Loyola project for the reconstruction of housing for affected families.

Food security in schools in Venezuela



The aim of this project was to reduce food insecurity among thousands of children in Venezuela. During 2018 work was done in 19 schools, offering a daily diet of high nutritional value that benefited 6,527 students of Fe y Alegría schools.

With this nutritional contribution their health sees an improvement, and their attendance at educational centres increases by at least 50% with respect to the attendance of the previous year.

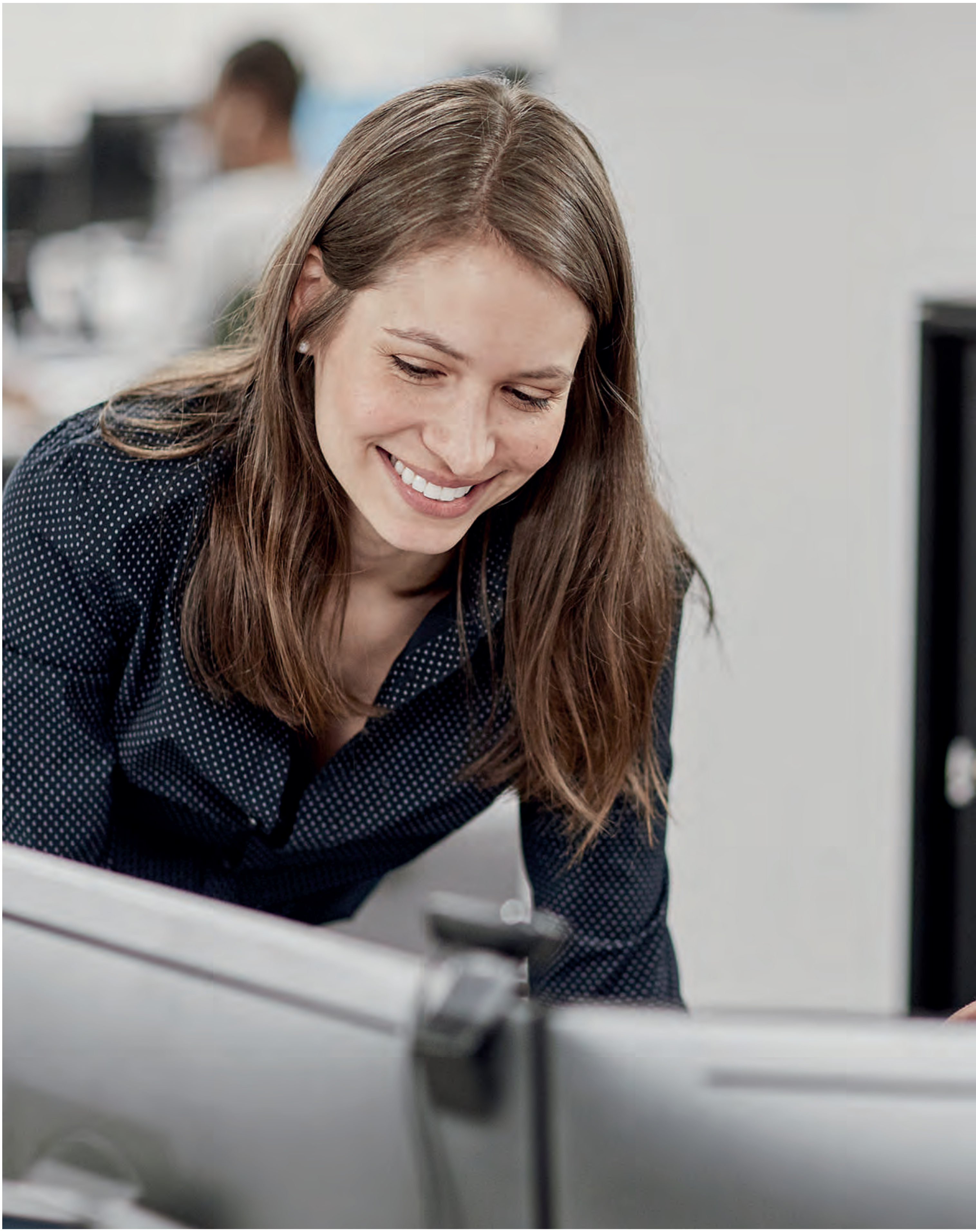
4. Others

In addition to the projects described in the previous sections, Inditex allocated 22% of its Corporate Community Investment in 2018 to activities related to health, economic development, art and culture, among other.

In 2018, we continued to provide support to research institutions, such as the PRO-CNIC Foundation, the Massachusetts Institute of Technology (MIT), the Royal Elcano Institute and the Carolina Foundation, among others. Inditex's links with art and culture materialized in collaborations with institutions such as the Real Academia Española, the Museo Nacional de Arte Reina Sofía and The Metropolitan Museum of Art, among others.

Likewise, Inditex makes charitable gifts at a corporate level, and contributions from our Group brands and subsidiaries to community organisations. In this context, in 2018 we assigned more than 1.8 million euros for charitable gifts that were distributed among more than 140 community organisations.

In order to systematize and channel this work, Inditex relies on the Sponsorship and Patronage Committee, which is the body authorized to approve these projects.



TAX TRANSPARENCY

Our total tax contribution reached 6.166 billion euros in 2018, almost half in direct taxes (2.764 billion euros). We follow the OECD Guidelines for Multinational Enterprises and publish a transparent tax report, based on our value chain and contribution to the countries where we operate, and expressly reject offshore practices or partnerships.

Photo: Employees at Inditex offices in New York (US)

SDG	TARGETS	INDITEX'S CONTRIBUTION
	9.2	At Inditex we are committed to contributing to the economic, social and industrial development of the different areas where our value chain unfolds. In this sense, the taxes we pay are a fundamental aspect of our social and economic contribution.

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

1. Commitment to transparency

Tax payment is a key aspect for the economic and social development of any community. Inhabitants depend on tax payments through construction and infrastructure growth, and the provision of valuable public services. For this reason, strict compliance with tax responsibilities in all the markets in which we operate is an inalienable principle for Inditex, and it's essencial to our values and philosophy of creating value wherever we operate.

Therefore, we apply all the principles of best tax practices, acting in a manner consistent with the principles of sustainability and corporate social responsibility.

In compliance with these tax obligations, the Company's tax contribution in 2018 amounted to 6.166 billion euros, 2.764 billion euros of which in direct taxes and 3.402 billion euros in collected taxes.

Relations with tax authorities in the countries in which we operate are governed by the principles of good faith, collaboration and mutual trust. We work to avoid tax litigation and operate in accordance with tax regulations set by the authorities and courts of each country.

Inditex also forms part of the Large Companies Forum in Spain, the main purpose of which is to promote greater collaboration between large companies and the State Tax Administration, for which it has promoted a Code of Best Tax Practices. Our Company has adhered to this code and follows approved recommendations and proposals.

On the other hand, the measures adopted by Inditex within the framework of the Anti-Money Laundering and Terrorist Financing Policy can be consulted in the chapter on Compliance, good Corporate Governance and ethical culture of this Report.

More information on pages 236 and 237 of this Annual Report.

2. Tax contribution

When calculating Inditex's tax contribution, which amounts to 6.166 billion euros, we take into account the direct taxes paid and the taxes collected on behalf of third parties in each of the countries and territories where each activity is carried out. The calculation is done by applying the *Total Tax Contribution* methodology, designed by PwC with the aim of standardizing the final information provided, since taxes are denominated differently depending on the country.

In application of this methodology, taxes are divided into five categories:

- **Profit taxes:** These includes taxes incurred for the profits obtained by the Company, such as corporation tax, tax on economic activities and taxes collected as withholdings on payments to third parties.
- **Property taxes:** These are taxes on ownership, sales, transfers or occupancy of property.
- **Personal taxes:** These are taxes associated with employment, both those borne and those collected. Included are employee personal income tax withholdings or Social Insurance payments made by the employee or the Company.
- **Product and Service Taxes:** They take into account indirect taxes on the production and consumption of goods and services, such as VAT or customs duties, among others.
- **Planet Taxes:** Taxes on the supply, use or consumption of products and services considered, in one way or another, to affect the environment.

Tax contribution 2018 (millions of euros)

DIRECT TAXES		COLLECTED TAXES	
Profit taxes	1,087	Profit taxes	122
Property taxes	110	Property taxes	13
Personal taxes	737	Personal taxes	681
Product and service taxes	822	Product and service taxes	2,585
Planet taxes	8	Planet taxes	1
TOTAL	2,764	TOTAL	3,402
TOTAL TAX CONTRIBUTION			**6,166**

2.1. Tax contribution by geographical area

Inditex pays tax on the profits generated in each territory in which it operates, Spain being the main point of direct tax contribution. This market, which accounts for 16.2% of our global sales, also includes the main activities associated with the product and activities deriving from its status as the head office market. 1.692 billion euros were generated in Spain in 2018, representing 27.4% of the global total (6.166 billion). With respect to corporate income tax, the effective tax rate in Spain was 22%, while globally it was 22.12%.

Each of the markets in which Inditex operates has different tax obligations and a specific regulatory context that places us in a very dynamic and complex reality. For this reason, the Company considers it important to manage its taxes, taking as a reference the standards of best tax practices. In addition, on 9 December 2015, the Group's Board of Directors approved a Tax Policy to establish responsible conduct in tax matters. The principles adopted follow those set out in the OECD Guidelines for Multinational Enterprises, defined in 2011.

The Company carries out a practical application of the international standard *arm´s length principle*, consistent with OECD Transfer Pricing Guidelines and with the tax law of the countries involved in the corresponding Group operations.

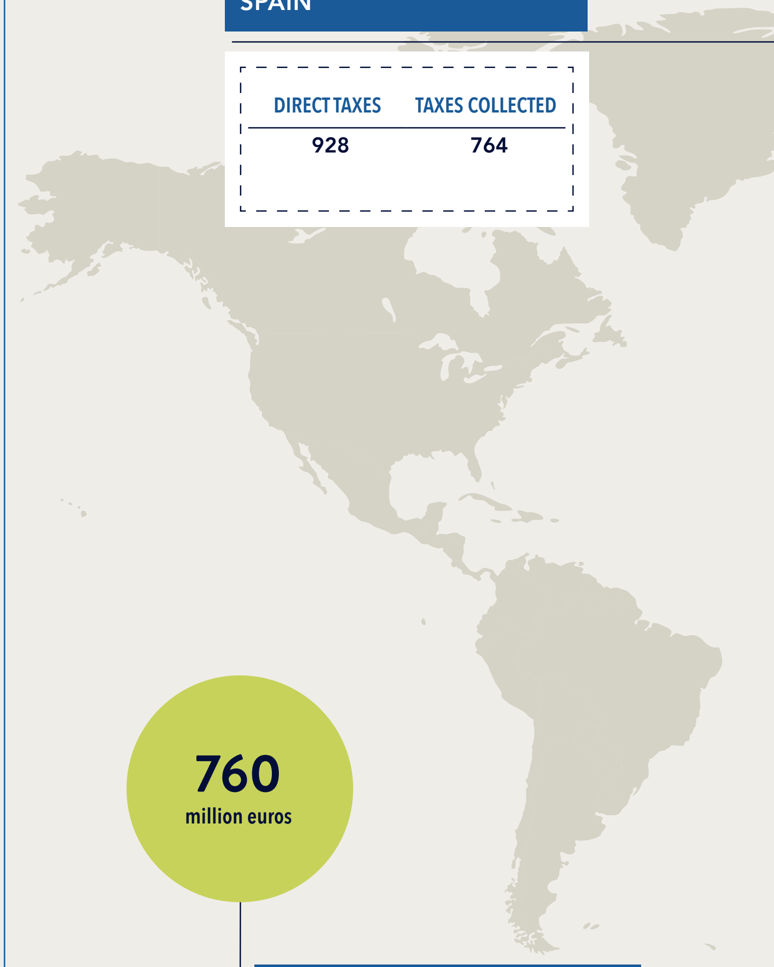
In accordance with good tax practices, we expressly reject opaque company structures that have special purpose vehicles in tax havens. During 2018, the Inditex Group companies located in territories or countries considered tax havens by Spanish law correspond exclusively to sales made in our Monaco store and the nine stores located in Macao SAR (*Special Administrative Region*).

	Sale of goods and provision of services (thousand euros)	Number of stores
Macao SAR	17,896	9
Monaco	5,919	1
TOTAL	**23,815**	**10**

Inditex's tax contribution by geographical area in 2018 (in millions of euros)

SPAIN

DIRECT TAXES	TAXES COLLECTED
928	764

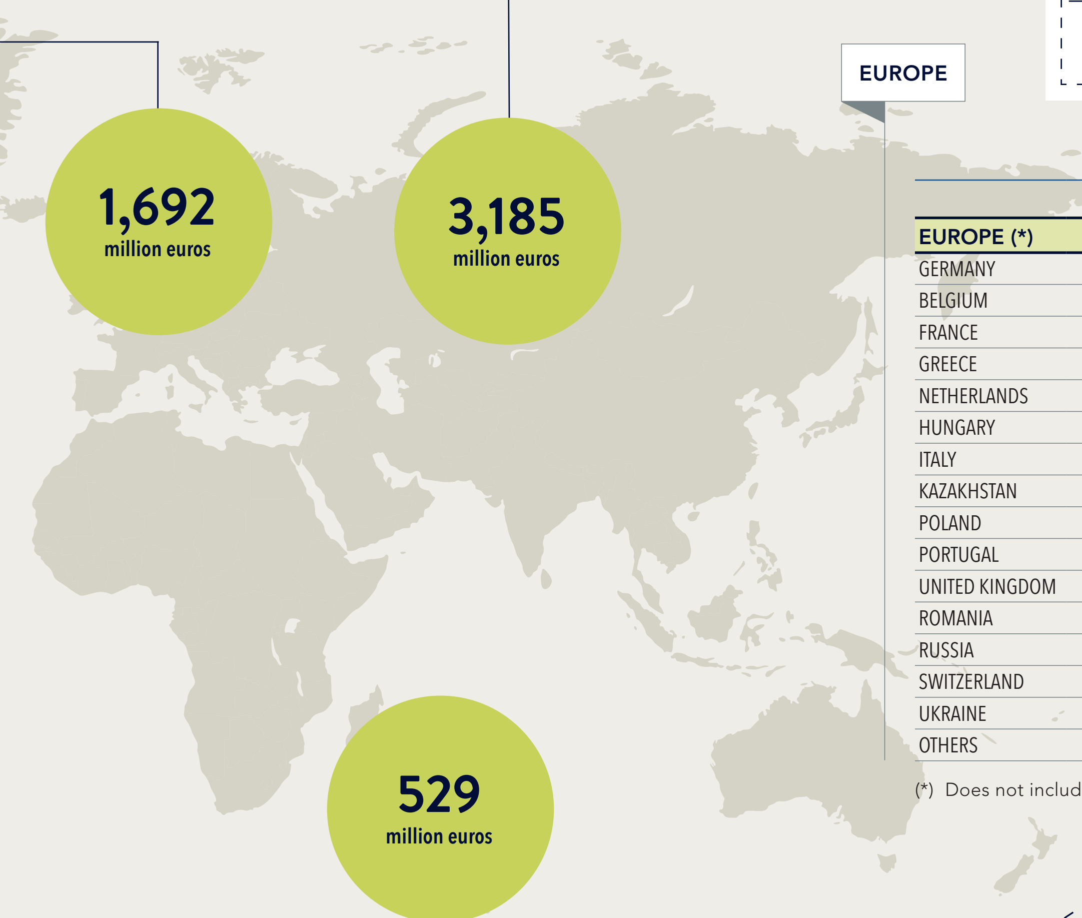


AMERICA

DIRECT TAXES	TAXES COLLECTED
489	271

AMERICA

	DIRECT TAXES	TAXES COLLECTED
AMERICA	**489**	**271**
BRAZIL	100	79
CANADA	43	33
UNITED STATES	151	107
MEXICO	136	35
OTHERS	59	17



EUROPE*

DIRECT TAXES	TAXES COLLECTED
1,002	2,183

EUROPE

	DIRECT TAXES	TAXES COLLECTED
EUROPE (*)	**1,002**	**2,183**
GERMANY	33	201
BELGIUM	35	97
FRANCE	229	324
GREECE	23	124
NETHERLANDS	108	86
HUNGARY	4	31
ITALY	82	356
KAZAKHSTAN	14	3
POLAND	11	98
PORTUGAL	46	191
UNITED KINGDOM	72	129
ROMANIA	13	73
RUSSIA	96	164
SWITZERLAND	70	15
UKRAINE	16	9
OTHERS	150	282

(*) Does not include Spain

ASIA AND REST OF THE WORLD

DIRECT TAXES	TAXES COLLECTED
345	184

ASIA AND REST OF THE WORLD

	DIRECT TAXES	TAXES COLLECTED
ASIA AND REST OF THE WORLD	**345**	**184**
AUSTRALIA	10	21
CHINA	173	109
SOUTH KOREA	27	12
JAPAN	64	28
OTHERS	71	14

TOTAL TAX CONTRIBUTION

6,166

million euros

DIRECT TAXES	TAXES COLLECTED
2,764	3,402

2.2. Tax contribution in the value chain

The different activities of the Inditex Group generate direct and collected taxes paid to tax authorities. Despite being highly integrated, we distinguish between store and online activities specific to the business of selling fashion garments (architecture, exterior and interior design, marketing and sales) and activities prior to the arrival of the product to the store (design, procurement, manufacturing, quality control and logistics).

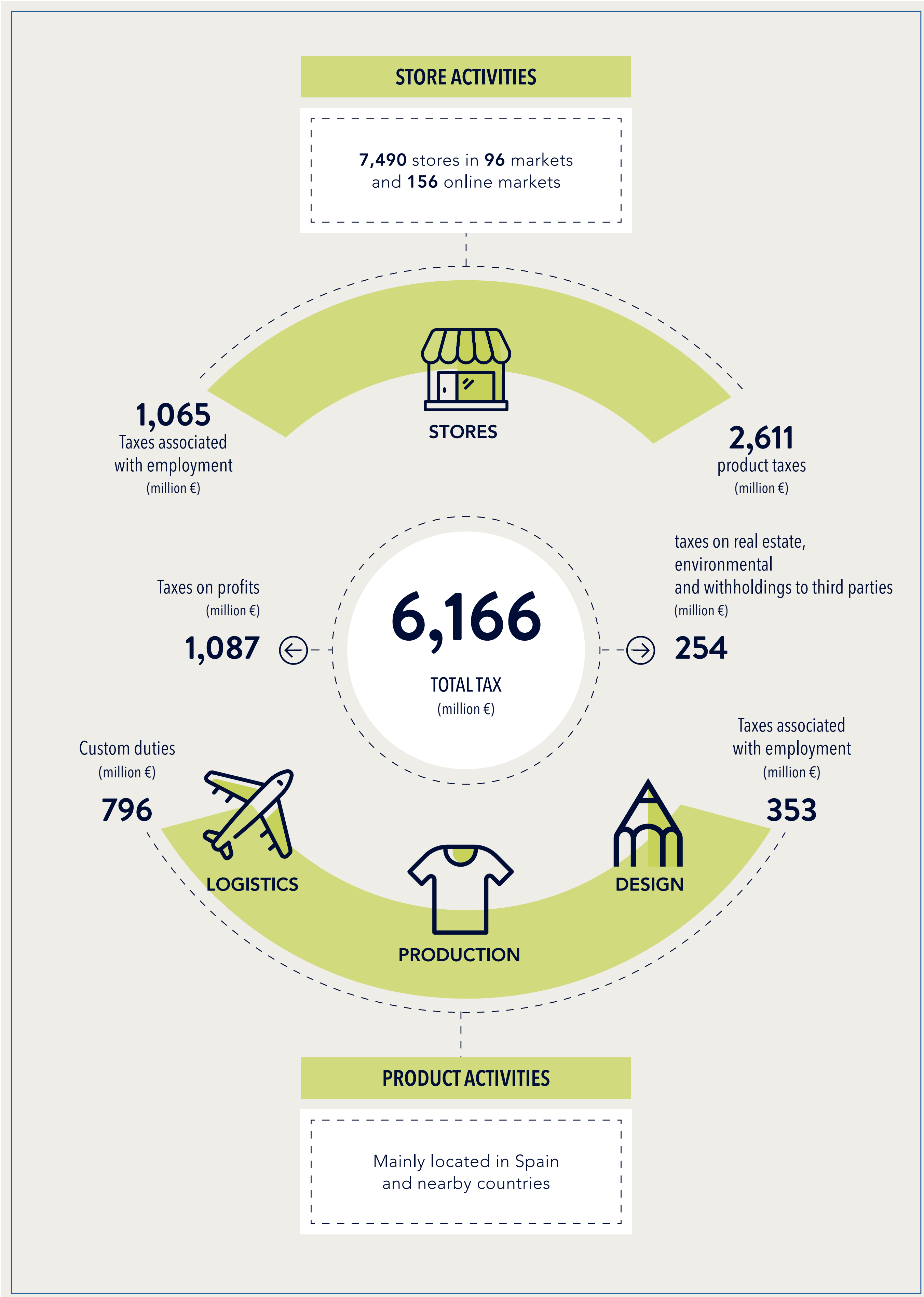
By virtue of these activities, Inditex generated in 2018 more than 1.087 billion euros in taxes on profits globally, which represents 17.6% of the Total Tax Contribution. Of these, a significant part of the total is paid in Spain, our headquarter market and the one that concentrates especially the activities of design, production and logistics.

The integrated management of our stores generated a total of 1.065 billion euros in taxes associated with employment (including personal taxes and social security contributions), which represent a significant part of the total (17.2%). In addition, sales in our stores and online totalled 2.611 billion in product taxes (VAT and equivalent), representing 42.3% of Inditex's total tax contribution.

On the other hand, product-associated activities are strongly integrated in Inditex through all its processes, from design to logistics, procurement, manufacturing and quality control. These areas, with an important component of innovation, are located mainly in Spain, which allows us to be flexible to adapt our collections at all times to the demand of our customers. In relation to these activities, taxes associated with employment amounted to 353 million euros, representing 5.7% of the Group’s total contribution in 2018.

Our centralized model for logistic distribution also generated 796 million euros in customs taxes from the imports of our goods to the markets where our stores are located. These taxes represented 12.9% of Inditex's total taxation in 2018.

In addition, all of our activities, both commercial and product, are taxed through environmental taxes, real estate taxes and other third party withholdings. Because of these items, the Group’s taxation amounted to 254 million euros in the year.


STORE ACTIVITIES
7,490 stores in 96 markets and 156 online markets
STORES
1,065
Taxes associated with employment
(million €)
2,611
product taxes
(million €)
Taxes on profits
(million €)
1,087
6,166
TOTAL TAX
(million €)
taxes on real estate, environmental and withholdings to third parties
(million €)
254
Custom duties
(million €)
796
Taxes associated with employment
(million €)
353
LOGISTICS
PRODUCTION
DESIGN
PRODUCT ACTIVITIES
Mainly located in Spain and nearby countries

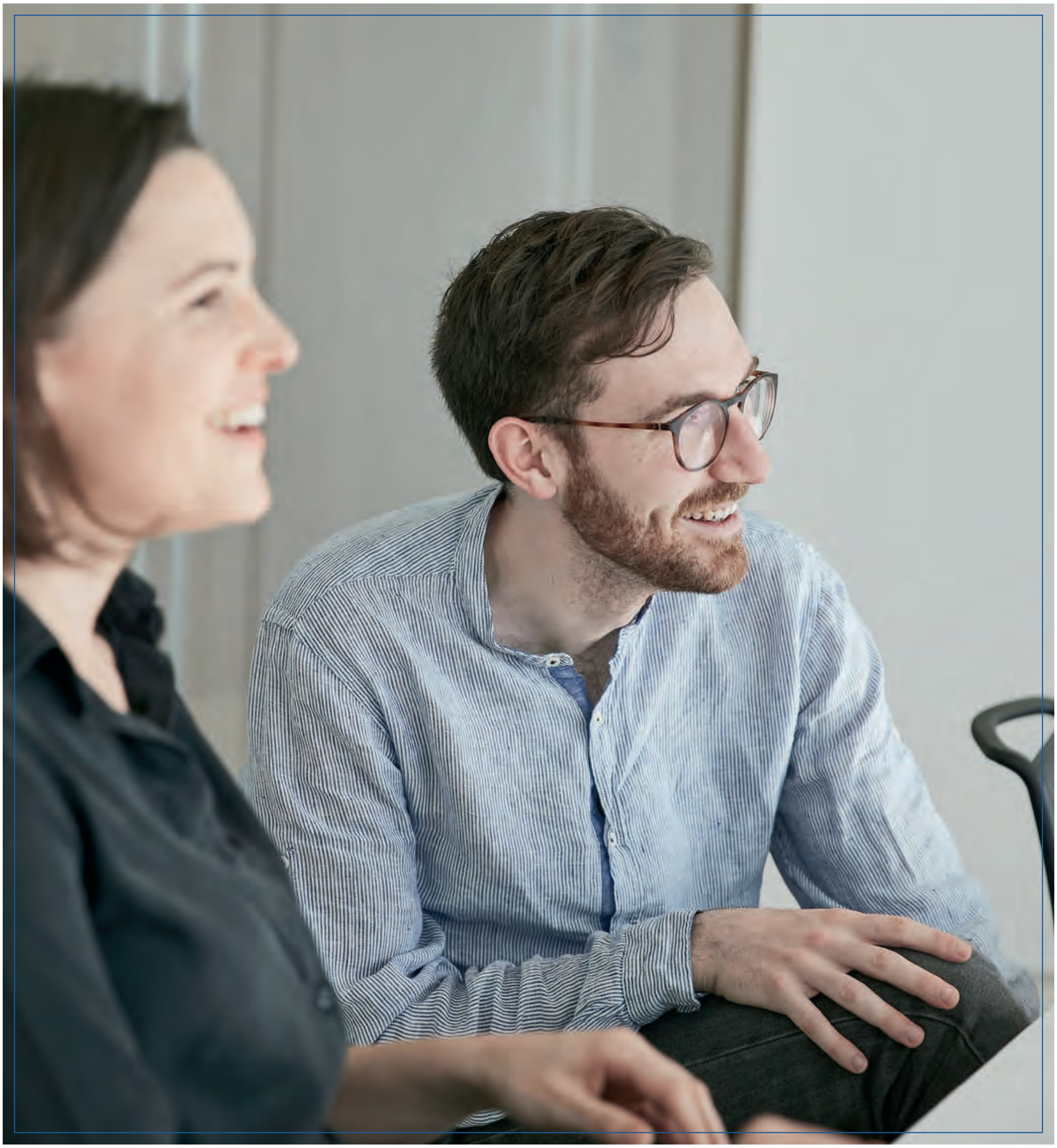
CREATING VALUE FOR OUR SHAREHOLDERS

At Inditex, we believe that value creation for our shareholders is produced thanks to an adequate balance between the reinvestment in the growth of our business, the sustainable value growth in our business environment and the distribution of an attractive and predictable dividend. In line with this principle, in the same year that the dividend grew 17.3%, we continued carrying out notable investments that have secured future growth and continued leading the principal sustainability rankings in our sector.

Photo: Employees in training in the Inditex offices in New York.

SDG	TARGETS	INDITEX'S CONTRIBUTION
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16.7	Transparency and communication guide Inditex´s relationship with its shareholders. We provide them with access to all of the necessary information in order to ensure inclusive, participative and representative decision-making that responds to their needs. Furthermore, we encourage their participation in the decision-making process of the Group´s highest governing body, the Annual General Meeting of Shareholders.

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



In 2018, we introduced a new dividend policy, increasing the ordinary payout from 50% to 60%. Additionally, a total bonus dividend of €1 per share was proposed to be distributed in the 2018, 2019 and 2020 fiscal years.

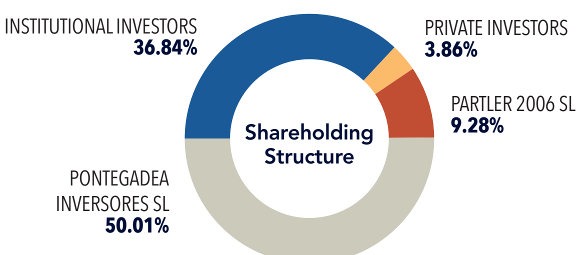
1. Our shareholders

The involvement of our shareholders in the decision-making processes of the highest governing body, the Annual General Meeting of Shareholders[1], allows us to follow their clear directive for medium and long-term sustainable value creation.

Because of this, while continuing to strengthen our policies on transparency and our communication channels that allows us to better listen, we provide value to our shareholders from the balance between the constant reinvestment in the growth of the Group, the generation of a positive impact throughout our environment and the distribution of an attractive and predictable[2] dividend.

1.1. Shareholding Structure

The approximate summary of the shareholding structure[1] of Inditex is the following:



Shareholding	Shares
Institutional Investors	1,148,270,730
Private Investors	120,380,955
Partler 2006 SL	289,362,325
Pontegadea Inversiones SL	1,558,637,990
TOTAL	**3,116,652,000**

1.2. Shareholder Remuneration

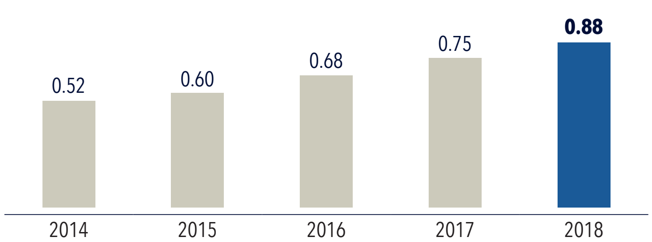
The remuneration policy for shareholders, approved by the Annual General Meeting of Shareholders aspires to offer an attractive, predictable and sustainable dividend over time. Simultaneously, this policy adheres to maintaining an adequate level of resources to assure continued investment for future company growth and value creation.

In line with this policy, in May and November of 2018, a dividend of 0.75 euros per share corresponding to FY 2017 was distributed to shareholders, amounting to a 10.3% increase from previous fiscal year.

Likewise, and taking into account the current financial position and the cash flows of the Company, the Board of Directors proposed to the Annual General Meeting of Shareholders a new dividend policy for the coming years that would increase the current standard payout from 50% to 60%. Furthermore, the Board proposed to distribute a total bonus dividend of one euro per share to be paid in relation to FY2018, FY2019 and FY2020.

Thus, corresponding to FY2018, an ordinary dividend of 0.66 euros per share was proposed with a 0.22 euros per share bonus dividend, totalling of 0.88 euros per share[2], 17.3% higher than from the previous fiscal year.

Visual: Dividend growth over the past 5 years



1 The Company's shares are represented through book entries. The maintenance of the registration of these annotations corresponds to the Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores (Iberclear). Inditex had 93,573 shareholders according to the data of the Book of Shareholders Register at the end of the fiscal year. Of the same 88,975 were individual shareholders and the other investment institutions.

2 Of this amount, 0.44 euros per share were paid on May 2, 2019 as interim dividend and 0.44 euros per share would be distributed on November 4, 2019, provided the Annual General Meeting of Shareholders approves the proposal of dividend formulated by the Board of Directors.

2. Shareholder relations

The relationship between Inditex and its shareholders (current and future) is governed by the Policy on Communication and Contact with Shareholders, Institutional Investors and Voting Advisors and the Board Governance Protocol.

Inditex guarantees that market participants (shareholders and potential shareholders in particular) have equal access to the information regarding corporate affairs. The Group´s website plays an important role in putting into practice this policy of communicative transparency and equal access of information: examples include the Investor Agenda, annual reports and presentations on the evolution of the Company.

To further promote transparency, Inditex publishes a complete list on its website of entities and analysts who produce reports and studies on the company's evolution, and of those with whom it regularly maintains a relationship based on the same aforementioned conditions.

2.1. Individual shareholders' department

Any private investor can contact the Individual shareholders' department of Inditex to obtain detailed information about the Company´s evolution and its future strategy. During the 2018 fiscal year, we fulfilled 800 diverse requests from private investors for information about our Company.

The office´s duties become particularly relevant during the time of the Annual General Meeting of Shareholders, which customarily takes place in mid-July in Inditex headquarters in Arteixo (A Coruña). The Company sends precise information and documentation so that all shareholders are adequately updated on, and can participate actively in, the decision-making process of the highest governing body of the Group.

Investor relations

All relevant information about the evolution of the business is communicated through Inditex´s corporate website *(www.inditex.com)* and is distributed to a database of investors and analysts with more than 1,100 persons included.

Inditex compliments this information with quarterly open access conference calls, and with presentations to analysts and investors throughout the fiscal year in the principal financial capitals of the world. Furthermore, 40 financial and stock market entities publish analysis and reports on Inditex´s market position.

The Company´s shareholder structure is comprised of 4,598 institutional investors who hold 36.84% of total share capital, together with 3.86% held by private investors, who both play a key role in shaping the share price and its liquidity.

3. Indices

Inditex is included in benchmark indices for both its financial performance and its best practices in sustainability.

3.1. Euro STOXX 50/ IBEX 35

Inditex has been part of the European benchmark index Euro STOXX 50 since 2011. Likewise, Inditex has been part of the Spanish index IBEX 35 since 2001.

3.2. FTSE4Good

The sustainability index FTSE4Good has included Inditex in its index since October 2002. In 2018 FTSE4Good gave Inditex a rating of 4.3 out of 5. The sustainability stock index includes global companies with a commitment to sustainability, taking into account environmental, social and corporate governance practices.

3.3. Dow Jones Sustainability Index

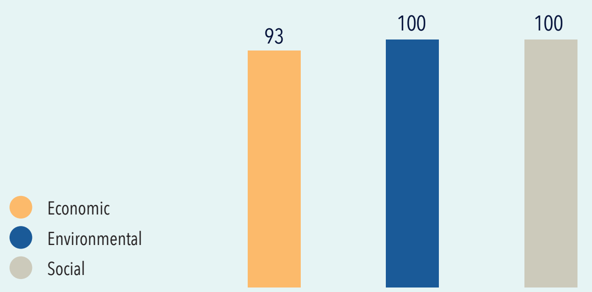
Inditex has been ranked the most sustainable company in its sector for the 3rd year in a row by the Dow Jones Sustainability Index (DJSI), with a total of 68 points out of 100, 45 points above the sector average.

Inditex has been a member of the DJSI since 2002, consistently being placed at the top end of the retailing category for sustainability. This ranking, compiled by S&P Dow Jones Indices using the methodology developed by sustainability investing specialist RobecoSAM, highlights Inditex's leadership in sustainable development and defines the company as a global benchmark in the field.

RobecoSAM's corporate assessment method was overhauled this year, reinforcing the focus on continuous monitoring of the sustainability principles that participating companies report to the market.

Specifically, the report defines Inditex in a leadership role because of its decisive commitment to respecting and championing human rights all along its value chain, its operational eco-efficiency and its environmental reporting

Percentil ranking 2018



TOTAL	100

Results of Inditex compared to industry averages, 2018

	Mark Inditex					Ranking percent (*)					Average industry mark				
	2014	2015	2016	2017	**2018**	2014	2015	2016	2017	**2018**	2014	2015	2016	2017	**2018**
Economic	79	78	76	70	**61**	98	98	100	99	**93**	42	42	42	40	**26**
Environmental	90	98	97	96	**91**	98	100	100	100	**100**	29	33	33	33	**23**
Social	76	72	76	79	**61**	97	97	98	100	**100**	33	32	29	32	**19**
TOTAL	**81**	**81**	**80**	**78**	**68**	**98**	**98**	**100**	**100**	**100**	**36**	**37**	**36**	**36**	**23**

(*) Percentage of companies in the same industry with a lower ranking than that obtained by Inditex.

COMPLIANCE, GOOD CORPORATE GOVERNANCE AND ETHICAL CULTURE

Inditex has developed an ethical corporate culture as an essential element of its Compliance Model, which not only seeks to establish a regulatory compliance system, but to also demonstrate a firmer commitment to good governance and social and environmental sustainability. Through this Model, the Company also transmits its ethical corporate culture to all of its stakeholders, promoting a respect for Human Rights throughout the Supply Chain of Inditex.

Photo: Employee in the Paris offices of Inditex.

SDG	TARGETS	INDITEX'S CONTRIBUTION
5 GENDER EQUALITY	5.1 5.5	Gender equality is a firmly held principle within the culture of Inditex, reflected in the Code of Conduct and Responsible Practices and in the Code of Conduct of Manufacturers and Suppliers. Additionally, Inditex employs a Policy of Diversity and Inclusion that makes a clear commitment to diversity and multiculturalism in the workplace and leaves zero tolerance for gender-based or any other kind of discrimination.
8 DECENT WORK AND ECONOMIC GROWTH	8.5	Inditex´s commitment to decent work is formalized in the Conduct and Responsible Practices and the Code of Conduct of Manufacturers and Suppliers. Both include a series of commitments on conduct and responsible practices, including compliance with applicable law, internal standards, and accords to which Inditex has adhered.
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	16.5 16.7	The Code of Conduct and Responsible Practices outlines a series of commitments to conduct and responsible practices, which include the establishing of lawful, ethical, and respectful relationships with suppliers and public authorities that are aligned with international regulations on the prevention of corruption and bribery. Additionally, a robust Compliance Model that conveys an authentic ethical corporate culture to all of the organisation´s interest groups has been implanted.
17 PARTNERSHIPS FOR THE GOALS	17.17	The Social Advisory Board of Inditex, the governing body on sustainability, is comprised of people and institutions external to and independent from the Group. Its principle duty is to formalize and institutionalize dialogue with key civil-society partners.

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

A) Compliance

Foreword

Inditex relies on a well-rounded Compliance Model (hereinafter, the "Compliance Model" or the "Model"), defined as a system to organise, prevent, detect, monitor and manage legal and reputational risks arising from potential noncompliance with applicable mandatory regulations and standards, internal regulations and best practices.

Compliance Function

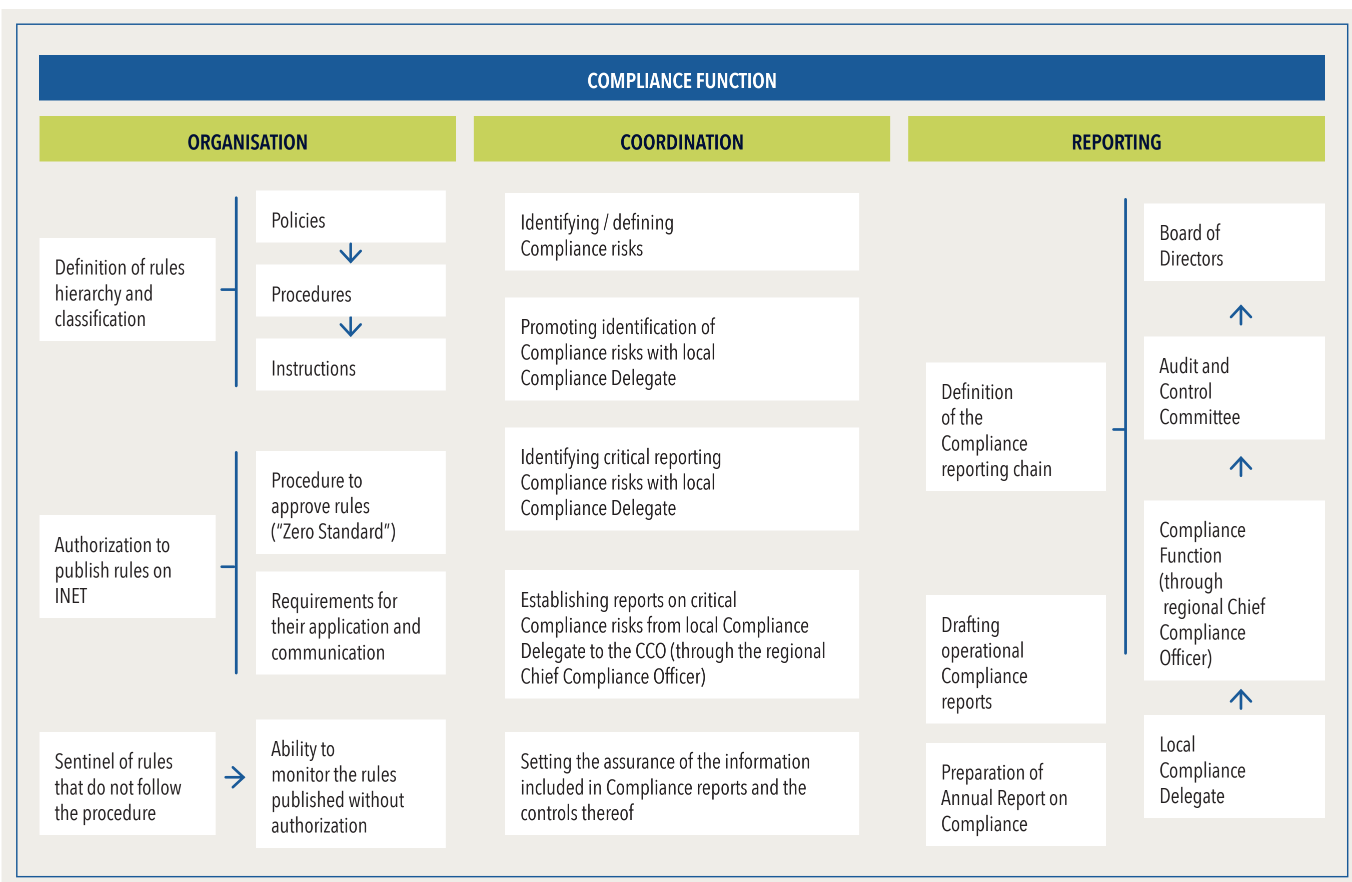
Inditex's Compliance Model is transversal , meaning that it is a corporate function that serves all the commercial formats of the Inditex Group.

In order to organise and coordinate the management of the Model, the Compliance Function has been created, represented by the Committee of Ethics, which acts as the decision-making body, and the General Counsel's Office – Office of the Chief Compliance Officer (hereinafter, "General Counsel's Office – Office of the Chief Compliance Officer" or "GCO-OCCO"), responsible for the effective management of the Compliance Model.

The Compliance Function carries out a threefold duty:

- Organisation: the GCO-OCCO oversees the process to draft internal regulations (Policies, Procedures and Instructions) and approves them, as the case may be.
- Coordination: the GCO-OCCO collaborates with the different areas and departments with compliance functions, with the identification of potential risks of noncompliance, and with the definition and implementation of controls to prevent their materialization.
- Reporting: all departments entrusted with compliance functions regularly report any critical aspects which may have an impact on Inditex, from a Compliance perspective, to the GCO-OCCO. GCO-OCCO consolidates the information gathered in a report, which is approved on a biannual and annual basis by the Committee of Ethics. Such report is tabled to the Board of Directors through the Audit and Control Committee:

Compliance Function is covered in two internal regulations: the Compliance Policy and the Compliance Management Procedure.



Structure of the Compliance Model

Based upon the guidelines provided in the regulatory framework, namely the provisions on criminal liability of legal persons of the Spanish Criminal Code, as amended, Inditex has set in train a structure of (high level) core regulations which constitute the key points of the Company's Compliance Model. Such core regulations at the basis of the Model are:

- **The Code of Conduct and Responsible Practices**,which reflects Inditex's business culture and sets forth the ethical lines of action that must be followed by all employees of the Inditex Group upon engaging in their occupation.
- **The Code of Conduct for Manufacturers and Suppliers**, which defines the minimum standards for ethical behaviour which must be met by all manufacturers and suppliers of the Inditex Group.

In addition to such core regulations (and their respective organisational documents), Inditex has approved a number of regulations which are also deemed to be high-level and cross-cutting.

The regulations at the basis of the model of criminal risk prevention should be mentioned first, aimed at preventing or, as the case may be, reducing a potential perpetration of offences:

- **The Policy on Criminal Risk Prevention**, associates commitments to an ethical conduct undertaken under the Code of Conduct and Responsible Practices with such offences whose perpetration by the employees and/or the Group itself the Policy intends to prevent.
- **The Criminal Risk Prevention Procedure** sets out the duties of the Committee of Ethics in the field of criminal risk prevention, and the organisational measures of the Company in this area.
- **The Scoping Matrix of Criminal Risks and Controls** sets out the criminal risks and controls established to prevent the materialization of such risks.

The Model of Criminal Risk Prevention is the cornerstone of the Compliance Model.

The Model of Criminal Risk Prevention is subject to a continuous process of verification (internal and external), update and improvement, to bring it into line with the development and growth of the Inditex Group, thus ensuring its effectiveness and the appropriate operation of the controls which are part of the Scoping Matrix of Criminal Risks and Controls. Likewise, any amendments of the Criminal Code are considered in the above-referred process of verification, update and improvement.

Within the scope of such Model of Criminal Risk Prevention, for the purposes of ensuring that all Inditex employees, and those third parties with whom they are engaged in any business relationship, comply with the main anti-bribery and anti-corruption regulations existing in the markets where the Group is present, the so-called Integrity Policies have been approved. Such Policies endorse the provisions set out in ISO 37001 standard and implement the ethical values of the Group, defined in the Codes of Conduct. The Integrity Policies consist of:

- **The Policy on Donations and Sponsorships**, which covers the requirements that donations and sponsorships must meet.
- **The Policy on Gifts and Business Courtesies**, which covers the requirements that must be met for the offering and/or acceptance of gifts and business courtesies to be valid and compatible with Inditex's conduct policies.

- **The Policy on Dealings with Public Servants**, which (i) expressly forbids briberies in the public or private sectors; (ii) covers extortion payments; (iii) expressly forbids facilitation payments; and (iv) establishes due diligence processes implemented to ensure that the conduct of such third parties with whom Inditex has relationships is in line with the ethical values, regulations and standards of the Company, the applicable regulations in the markets and the existing best practices regarding anti-bribery.

Additionally, as a demonstration of Inditex's unwavering commitment to anti-money laundering and the prevention of terrorist financing activities and its will to work with the competent authorities in the area, the **Anti-Money Laundering and Terrorist Financing Policy** was approved in 2018. Such Policy defines the due diligence processes implemented within the Company taking into account the different business it conducts. Such processes are:

- The process to limit cash payments at stores; and
- The process to identify and review business partners, suppliers and other third parties, with whom Inditex has a business relationship.

Pursuant to the provisions of the above-referred Integrity Policies and to Inditex's work and ethical culture, the Company does not make any direct or indirect contributions to any political parties, foundations related to them or candidates to public offices.

Other internal regulations with a significant weight within Inditex, are:

a. Financial Risk Management Policy.

b. Enterprise Risk Management Policy.

c. Corporate Social Responsibility Policy.

d. Environmental Sustainability Policy.

e. Tax Policy and Strategy.

f. Internal Regulations of Conduct regarding Transactions in Securities (IRC).

g. Policy on Internal Control over Financial Reporting System (IFRS).

h. Health and Safety Policy.

i. Director Selection Policy.

j. Remuneration Policy for Directors.

k. External Financing Policy.

l. Diversity and Inclusion Policy.

m. Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorized Markets.

International roll–out of the Compliance Model

Inditex has encouraged the international roll-out and implementation of the Compliance Model across all Group's companies and all the markets where it operates.

The global management of the Compliance Model is led by the corporate Compliance Function, with the support of regional Compliance Officers appointed in Europe, Asia and America. In turn, these later rely on local Compliance delegates in each market where the Company is present.

As part of this international roll-out process, different local policies have been implemented that seek to comply with the legal requirements and the recommendations existing in the different jurisdictions. In this regard, special mention should be made of the approval of a new Code of Conduct for the USA and Puerto Rico, in line with the regulations in force and the existing best practices in the field in such country.

Information, Awareness–raising and Training on Compliance

Inditex has implemented a repository of regulations duly arranged, easy to find and available on the Company's intranet. Such repository allows the appropriate circulation of the Company's regulations and helps monitor, implement and assess the Compliance Function.

Likewise, the Company's main regulations are also available to the different stakeholders, on the corporate website, and on the suppliers' web.

On the other hand, Inditex pays special attention to training as a key tool to raise awareness and consolidate its corporate ethical and compliance culture among its employees and stakeholders. To achieve this, Inditex provides training (both on-site and through the e-learning platform) fit for the different recipients thereof, which takes into account the activity they carry out at the Company as well as the risks they may be faced with.

The Compliance Function is responsible for coordinating the different training and awareness-raising initiatives and actions in the field of Criminal Compliance (namely, regarding the Code of Conduct and Responsible Practices and the Whistle Blowing Channel), carried out by the different areas and departments with compliance and joint reporting duties, pursuant to certain guidelines set out in the 2018 Training Plan on Criminal Compliance, launched during the year.

B) Good Corporate Governance

Corporate Governance can be defined as the manner in which companies are organised, managed and controlled. Therefore, it qualifies as a general and cross-cutting branch within the scope of Compliance management and organisation, that seeks to ensure compliance at all times and at the highest level, to wit, by members of management and members of the Board of Directors, with regulations, recommendations and best practices in the field.

In this context, good corporate governance is in place, when directors and officers responsible for governance, proceed diligently, ethically and with transparency in the performance of their duties, are held accountable for their deeds, which are subject to verification and monitoring, both internal and external, and ensure balance of powers, respect and equal treatment between all shareholders, namely the minority ones.

Section 5.4. of the Board of Directors' Regulations reads as follows: *"The Board of Directors shall perform its duties in accordance with the corporate interest, it being understood as the viability and the maximization of the Company's value in the long term for the common interest of all the shareholders, which shall not prevent taking into account also other lawful interests, whether public or private, concurring on the development of the business activity, especially those of the other "stakeholders" of the Company: employees, customers, suppliers and the civil society in general. The Board of Directors shall determine and review the business and financial strategies of the Company in the light of said criterion, seeking a reasonable balance between the proposals passed and the risks assumed."* Thus, the enhancement of the value of the Company may only be understood as an ongoing process of building value for each and every stakeholder therein involved: employees, shareholders, customers, business partners, suppliers and the society at large, i.e., a socially responsible business model that allows an ongoing dialogue and that serves the common interests of all the groups associated with the Company.

The concept of good corporate governance is an essential part of the corporate Compliance model and a strategic tool to implement the ethical, effective and competitive business model.

Annual Corporate Governance Report

In line with the foregoing, the Annual Corporate Governance Report for financial year 2018 (from 1 February 2018 through 31 January 2019) approved by Inditex's Board of Directors, available on the corporate website (www.inditex.com) and on CNMV's[1] website (www.cnmv.es) provides full and reasoned information about the structure and governance practices of the Company. In 2018, the degree of compliance with the applicable recommendations of CNMV' Unified Good Governance Code of Listed Companies (hereinafter, CGB [Spanish acronym]) stands at 99%.

Regulations on corporate governance

Inditex's corporate governance regulations are listed below, together with the date when they were last amended:

Internal Regulations	Competent Governing Body	Date of approval / last amendment
Articles of Association	General Meeting of Shareholders	19-07-2016
Regulations of the General Meeting of Shareholders	General Meeting of Shareholders	14-07-2015
Board of Directors' Regulations	Board of Directors	19-07-2016
Audit and Control Committee's Regulations	Board of Directors	19-07-2016
Nomination Committee's Regulations	Board of Directors	09-06-2015
Remuneration Committee's Regulations	Board of Directors	09-06-2015
Internal Regulations of Conduct regarding transactions in Securities (IRC)	Board of Directors	19-07-2016
Code of Conduct and Responsible Practices	Board of Directors	17-07-2012
Code of Conduct for Manufacturers and Suppliers	Board of Directors	17-07-2012
Regulations of the Committee of Ethics	Board of Directors	17-07-2012
Whistle Blowing Channel Procedure	Board of Directors	17-07-2012
Policy on Criminal Risk Prevention	Board of Directors	19-07-2016
Criminal Risk Prevention Procedure	Board of Directors	19-07-2016
Zero Standard	Board of Directors	19-07-2016
Compliance Policy	Board of Directors	13-12-2016
Integrity Policies: Policy on Donations and Sponsorships, Policy on Gifts and Business Courtesies and Policy on Dealings with Public Servants	Board of Directors	19-09-2017
Diversity and Inclusion Policy	Board of Directors	12-12-2017
Anti-Money Laundering and Terrorist Financing Policy	Board of Directors	13-03-2018
Remuneration Policy for Directors	General Meeting of Shareholders	17-07-2018

1 CNMV stands for Comisión Nacional del Mercado de Valores, the Spanish Securities and Exchange Commission.

Transparency and information

Good governance requires that stakeholders may have regular and timely access to any relevant, appropriate and reliable information, both as regards governance regulations and exercise, and the results achieved.

Therefore, in order to achieve maximum transparency, in addition to disclosing all relevant information and communications on its corporate website (www.inditex.com), Inditex has kept the market regularly posted in 2018 by submitting the relevant "Results releases" and by means of meetings and other proceedings with institutional investors.

A summary of the most relevant issues of Inditex's Corporate Governance is included in this section of the Annual Report:

1. Ownership structure.
2. General Meeting of Shareholders.
3. Board of Directors.
4. Board of Directors' Committees and other governing bodies.
5. Remuneration.
6. Senior Executives.
7. Related-party transactions and conflict of interest situations.
8. Transparency, independence and good governance.
9. Internal Regulations of Conduct regrading Transactions in Securities (IRC) and Compliance Supervisory Board (CSB).

1. Ownership Structure

1.1. Share capital

As at 31 January 2019, Inditex's share capital amounts to €93,499,560.00 represented by 3,116,652,000 shares.

All shares are of the same class and series, are represented by the book-entry method and are fully paid-up and subscribed. All of them carry the same voting and economic rights.

1.2. Market capitalization

Inditex has been listed on the different Spanish Stock Exchanges since 23 May 2001 and has been part of the selective Ibex 35 Index since July 2001. In addition, it has been part of the Stoxx Europe 600 since September 2001, of the selective Morgan Stanley Capital International Index since November 2001, of the Dow Jones Sustainability Index since September 2002, of the FTSE4Good Index since October 2002 and of the FTSE ISS Corporate Governance Index, since its launching in December 2004.

As at 31 January 2019, Inditex's share price per the listing price on Spain's Electronic Trading System (continuous market) was €24.35 per share.

1.3. Ownership structure of the share capital

The Company issues bearer shares, represented by the book-entry method. Notwithstanding the foregoing, pursuant to the provisions of section 497 of the revised text of the Spanish Companies Act approved by Real Decreto Legislativo 1/2010, of 2 July, (hereinafter, the "Companies Act" or "LSC" *[Spanish acronym]*), in FY18, Inditex has kept the contract entered into with Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) *[Spanish Central Securities Depositary in charge of the Register of Securities, and the Clearing and Settlement of all trades]* regarding the daily share ownership notification service. As at 31 January 2019, board members had a 59.364% equity interest in the Company's share capital, broken down as follows:

Name or company name of director	% of shares carrying voting rights		% of voting rights through financial instruments		% of total voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr Pablo Isla Álvarez de Tejera	0.062%		0.007% [1]	-	0.069%	-	-
Mr Amancio Ortega Gaona	-	59.294% [2]	-	-	59.294%	-	-
Mr José Arnau Sierra	0.001%	-	-	-	0.001%	-	-
PONTEGADEA INVERSIONES, S.L.	50.010%	-	-	-	50.010%	-	-
Bns. Denise Patricia Kingsmill	-	-	-	-		-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%	-	-
Mr Rodrigo Echenique Gordillo	-	-	-	-	-	-	-
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-	-	-

In addition to board members, according to the Company's Register of Shareholders, and as it is inferred from the public information recorded with CNMV, the owners of significant holdings in the Company, excluding the directors, were:

- Partler 2006, S.L. (owner of 289,362,325 shares, representing 9.284% of the share capital).

- Rosp Corunna Participaciones Empresariales, S.L.U.[3] (owner of 157,474,030 shares, representing 5.053% of the share capital).

1.4. Rights on shares

Under the 2016-2020 Long-term Incentive Plan, addressed to members of management and other employees of the Inditex Group, pursuant to the terms approved by the Annual General Meeting held on 19 July 2016 (the full text of the resolution is available on www.inditex.com), Mr Pablo Isla Álvarez de Tejera, the Executive Chairman, might receive up to a maximum number of 215,405 shares.

The first cycle (2016-2019) of the above-referred Plan accrued on 31 January 2019. Under such first cycle, Mr Isla has received an incentive in shares which materialized in 38,596 shares, after the relevant withholding tax was applied, and an incentive in cash in the gross amount of €1,348k. The settlement of the above-referred first cycle took place in the month following the statement by the Board of Directors of the annual accounts for FY18, i.e, in April 2019.

The second cycle (2017-2020) of the Plan remains in force in 2019. Under such cycle, the Executive Chairman might acquire up to a maximum number of 95,651 shares.

1.5. Para–social agreements

Inditex has not received any notice regarding the existence of any para-social agreements in respect of voting rights in annual general meetings, or which may limit the free transfer of shares, nor has it learned about any concerted actions between its shareholders.

1.6. Own shares

The authorization granted by the Annual General Meeting on 19 July 2016 remains in force, by virtue of which the Board of Directors is authorized to acquire the Company's own shares (the full text of this resolution is available on www.inditex.com).

As at 31 January 2019, Inditex's entire treasury stock stands at 2,950,143 own shares, which represents 0.095% of the share capital. No changes have occurred in 2018.

2. General Meeting of Shareholders

The General Meeting of Shareholders duly convened and with a quorum present, pursuant to statutory provisions and those of the Articles of Association and its own Regulations, is the supreme and sovereign body of expression of the will of the Company. Its resolutions are binding on all shareholders, including absent or dissenting shareholders, without prejudice to any remedies they may have at law.

1 Pursuant to the 2016-2020 Long-term Incentive Plan, the Executive Chairman may receive up to 215,405 shares, i.e. 0.007% of the Company's share capital. Further information on this issue is provided in section "Rights on shares".

2 Through Pontegadea Inversiones S. L. (50.010%) and Partler S. L. (9.284%).

3 Ms Sandra Ortega Mera and Mr Marcos Ortega Mera are the indirect owners of significant holdings through such company.

2.1. Authorities

The General Meeting of Shareholders is authorized to pass all kinds of resolutions concerning the Company. In particular, without prejudice to any other powers vested by the applicable regulations, the exercise of the following powers is reserved to such body:

(a) To resolve on the individual annual accounts of the Company and, where appropriate, on the consolidated accounts of the Company and its Group, as well as on the distribution of the income or loss.

(b) To appoint, re-elect and remove directors, as well as, confirm or revoke such interim appointments of directors made by the Board of Directors, and to review their management.

(c) To approve the adoption of remuneration systems consisting of the granting either of shares or stock options, as well as any other remuneration system linked to the value of the shares, for the benefit of directors.

(d) To approve the directors' remuneration policy pursuant to statutory terms.

(e) To conduct, as a separate item on the agenda, an advisory say-on-pay vote on the Annual Report on Remuneration of Directors.

(f) To authorize the release of the directors from the duty of preventing conflicts of interest and of the prohibitions arising from the duty of loyalty, when the authorization to release them is attributed by statute to the General Meeting of Shareholders, as well as from the obligation not to compete with the Company.

(g) To authorize the Board of Directors to increase the Company's share capital, or to proceed to the issue of bonds convertible into Company's shares.

(h) To resolve the issue of bonds convertible into Company's shares or which allow bondholders to participate in the company's earnings, the increase or the reduction of the share capital, the exclusion or restriction of the pre-emptive right, the transformation, merger, split-off or winding-up of the Company, the global assignment of assets and liabilities, the approval of the final balance sheet of liquidation, the transfer of the registered office abroad, as well as any other amendment whatsoever of the Articles of Association.

(i) To authorize the derivative acquisition of own shares.

(j) To approve such transactions which entail a structural amendment in the Company, and namely: (i) the transformation of listed companies into holding companies, through "subsidiarization" or the assignment to dependent entities of core activities theretofore carried out by the Company, even though the Company retains full control of such entities; (ii) the acquisition, disposal or contribution to another company of essential assets; and, (iii) such transactions which entail an effective amendment of the corporate objects and those having an effect equivalent to the liquidation of the Company.

(k) To appoint, re-elect and remove the statutory auditors.

(l) To appoint and remove, where appropriate, the Company's liquidators.

(m) To approve the Regulations of the General Meeting of Shareholders and any subsequent amendment thereof.

(n) To resolve on the matters submitted to it by a resolution of the Board of Directors.

(o) To give directions to the Board of Director or to submit to its prior authorization the passing by the Board of Directors of decisions or resolutions on certain management matters; and

(p) To grant to the Board of Directors such powers it may deem fit to deal with unforeseen issues.

2.2. Proceedings

The Board of Directors must call the Annual General Meeting once a year; within the first six months of the closing of each financial year in order to, at least, review the company's management, approve, where appropriate, the financial statements of the previous year and decide upon the distribution of income or loss.

The Extraordinary General Meeting shall meet when the Board of Directors so resolves, or when a number of shareholders representing at least 3% of the share capital so request, expressing in the request the business to be transacted. In this latter case, the General Meeting of Shareholders must be convened to be held within the term provided in the applicable regulations and the agenda of the meeting must necessarily include the matters that were the subject of the request.

In the resolutions regarding calling of the Annual General Meeting, the Board of Directors shall require the presence of a Notary to take up the minutes of the Meeting.

General Meetings must be convened by the Board of Directors through notice published in the Official Gazette of the Companies Register or in one of the newspapers with the largest circulation in Spain, on the Company's website (www.inditex.com) and on CNMV's website (www.cnmv.es), at least one month in advance of the day scheduled for the meeting to be held, or within any longer period required by statute, where appropriate, on account of the scope of the resolutions submitted for deliberation. The notice must state the name of the Company, the day, time and place of the meeting, as well as the date on which, if appropriate, the General Meeting shall be held on second call. There must be at least a 24-hour period between the first and the second call. The notice shall likewise state, clearly and precisely, all the business to be transacted therein.

No later than the date of publication, or at any rate, on the business day that immediately follows, the Company shall send the notice calling the meeting to CNMV, and to the Governing Organizations of the Stock Exchanges where the company's shares are listed for its insertion in the relevant Listing Bulletins. The text of the notice shall also be available on the Company's website (www.inditex.com).

Notwithstanding the above, the General Meeting shall be deemed to have been duly called and a quorum shall be deemed to be present to transact any business, whenever the whole share capital is present and all those attending unanimously agree to hold the meeting.

2.3. Quorum required to hold a valid General Meeting of Shareholders

Call	General rule (sec. 193 LSC)	Special cases (sec. 194 LSC)
First	Attendance of shareholders, present or by proxy, owning at least 50% of the subscribed share capital with the right to vote shall be required.	
Second	Generally, the General Meeting shall be validly established regardless of the share capital attending the same.	Attendance of shareholders representing at least 25% of the subscribed share capital with the right to vote shall be required.

2.4. Passing of resolutions

The system regarding passing of resolutions is that provided in the Companies Act.

2.5. Attendance to the Annual General Meeting held in FY18 and the two previous years

	Attendance data				
			% distance voting		
Date AGM	% physically present	% present by proxy	Electronic voting	others	Total
19-07-2016	0.07%	85.92%	0.94% (1)		86.93%
18-07-2017	0.08%	86.56%	0.68% (2)		87.32%
17-07-2018	0.08%	88.15 %	0.002% (3)	0.013% (3)	88.245%

(1) One hundred and forty-eight shareholders cast their vote through distance communication means, by post, or electronic vote.

(2) One hundred and fourteen shareholders cast their vote through distance communication means, by post, or electronic vote.

(3) One hundred and nineteen shareholders cast their vote through distance communication means, by post, or electronic vote, which represents 0.015% of votes cast through distance communication means shown in the table (i.e., 0.002% electronic vote + 0.013% Others).

2.6. Resolutions passed

The full text of the resolutions passed by the Annual General Meeting held in FY2018 and the result of the votes thereof are available on www.inditex.com. All resolutions were passed by majorities of votes for ranging from 99.36% to 100%.

Specifically, resolutions were passed regarding the items below:

"First.- First.- Review and approval, where appropriate, of the Annual Accounts (Balance Sheet, Profit and Loss Account, Shareholders' Equity Statement, Cash Flow Statement and Annual Report) and Management Report of Industria de Diseño Textil, Sociedad Anónima, (Inditex, S.A.) for financial year 2017, ended 31 January 2018.

Second.- Review and approval, where appropriate, of the Annual Accounts (Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Shareholders' Equity Statement, Cash Flow Statement and Annual Report) and Management Report of the consolidated group ("Inditex Group") for financial year 2017, ended 31 January 2018, and of the management of the Company.

Third.- Distribution of the income or loss of the financial year and declaration of dividends.

Fourth.- Re-election and appointment of members of the Board of Directors.

a) Re-election of Mr Rodrigo Echenique Goardillo, as non-executive independent director.

b) Appointment of Ms Pilar López Álvarez as non-executive independent director.

Fifth.- Approval of the Directors' Remuneration Policy for FY2019, FY2020 and FY2021.

Sixth.- Re-election of Deloitte, S.L., as Statutory Auditor of the Company and its Group for financial year 2018.

Seventh.- Advisory vote (say on pay) on the Annual Report on the Remuneration of Directors.

Eighth.- Granting of powers to implement resolutions."

2.7. Shareholders' rights

Any shareholder may attend the General Meeting of Shareholders regardless of the number of shares they hold.

All shares of the Company carry the same voting and economic rights, without there being any statutory or by-law restrictions on the acquisition or transfer of shares.

As regards the exercise of voting rights, the only restriction is that provided in section 83.1 of the Companies Act, according to which any shareholder who is in arrears

102-34, 102-37

regarding any outstanding payments may not exercise their voting right.

No restrictions exist either to the right to cast vote through distance communication means, which may be exercised by any shareholder.

2.8. Encouragement of informed participation of shareholders

The information on the Annual General Meeting of Shareholders held in 2018 is included in the section headed "General Meeting of Shareholders" of the Company's web page (https://www.inditex.com/en/investors/corporate-governance/annual-general-meeting), available to shareholders from the date the notice calling the AGM has been posted, encouraging the participation of all shareholders pursuant to the provisions of the Companies Act.

2.9. Relationship with investors

Information on the relationship with investors and namely the "Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors" is provided in the section headed "Investors and Stock Market indexes" of this Annual Report.

3. Board of directors

Except for such issues whose transaction is reserved to the General Meeting of Shareholders, the Board of Directors is the highest decision-making, supervisory and controlling body of the Company, as it is entrusted with its administration, management and representation, delegating as a general rule the management of Inditex's day-to-day business to the executive bodies and the management team, and focusing on the general supervisory function, which includes guiding Inditex's policy, monitoring the management bodies, evaluating the performance of senior executives, making the most relevant decisions for the Company and liaising with the shareholders.

It is also incumbent on the Board of Directors to ensure that the Company enforces its social and ethical duties, and its duty to act in good faith with regard to its relationship with its employees and with third parties, as well as to ensure that no individuals or small groups of individuals have decision power within the Company which has not been subjected to counterweights and controls, and that no shareholder receives a more privileged treatment than the others.

The Board performs its duties in accordance with the corporate interest, it being understood as the viability and maximization of the company's value in the long term in the interest of all the shareholders, which shall not prevent taking into account the rest of lawful interests, either public or private, that concur in the development of every business activity, and especially the interests of the other "stakeholders" of the Company (employees, customers, suppliers and civil society at large), determining and reviewing its business and financial strategies pursuant to such yardstick, trying to achieve a reasonable balance between the proposals chosen and the risks taken.

3.1. Authorities

The Board of Directors shall directly exercise the following powers

(a) Approval of the general policies and strategies of the Company, and namely:

(i) The strategic or business plan as well as the annual management goals and budget;

(ii) The investment and financing policy;

(iii) The dividends and treasury stock policy and namely, the limits thereof, pursuant to statute;

(iv) The design of the structure of the corporate group of which the Company is the controlling company;

(v) The risks control and management policy, including tax risks, and the periodic monitoring of the internal information and control systems;

(vi) The definition of the tax strategy of the Company;

(vii) The corporate governance policy; and

(viii) The corporate social responsibility policy.

(b) Approval of the following decisions:

(i) The drafting of the annual accounts, the management report and the proposal for the allocation of income or loss of the Company and the consolidated annual accounts and management report to be submitted to the General Meeting of Shareholders;

(ii) The notice calling the General Meeting of Shareholders, determining its agenda and preparing the proposed resolutions to be submitted thereto;

(iii) The approval of the financial information that the Company, being a listed company, must periodically release;

(iv) The approval of the Annual Corporate Governance Report, the Annual Report on Remuneration of Directors and the issue of any manner of reports that the Board of Directors should recommended or which it must issue pursuant to statute, provided that the transaction covered by such report is not eligible to be delegated;

(v) The approval of any manner of investments or transactions, which, are considered strategic or deemed to have a special tax risk, unless the approval thereof falls on the General Meeting of Shareholders;

(vi) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered as tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group, and,

(vii) The approval, after report of the Audit and Control Committee, of the transactions of the Company or of any of the companies within its Group with directors, shareholders or Related Parties.

(c) The following internal proceedings of the Board of Directors:

(i) To decide on the organisation and proceedings of the Board of Directors, including namely:

. The approval and amendment of the Board of Directors' Regulations;

. The appointment, on the proposal or after report of the Nomination Committee, as the case may be, of the internal offices within the Board of Directors, and the members and internal offices of its committees;

. The election, on the proposal or after report of the Nomination Committee, as the case may be, of directors through the co-option procedure to fill any vacancies which may occur within the Board of Directors; and

. Submitting to the General Meeting of Shareholders motions to elect, re-elect, ratify or remove directors.

(ii) The approval of a specific and ascertainable policy for the selection of directors that ensures that proposed election or re-election is duly supported by a prior analysis of the requirements of the Board of Directors and that favours diversity of knowledge, experience and gender;

(iii) The proposal of the amount of the remuneration of directors as such to the General Meeting of Shareholders, as well as the approval of the remuneration of executive directors, in both cases, on the proposal of the Remuneration Committee and pursuant to the Articles of Association and the remuneration policy for directors approved by the General Meeting of Shareholders;

(iv) The appointment and removal of chief executive officers as well as the approval beforehand of the contracts to be executed between the Company and the directors to whom executive duties are assigned;

(v) Overseeing and evaluating on an annual basis:

. The quality and efficiency of the proceedings of the Board of Directors itself and its delegated bodies;

. The diversity in the composition and skills of the Board of Directors;

. The performance of duties by the Chairman of the Board of Directors and by the chief executive of the Company;

. The performance of its supervisory and control committees based upon the reports furnished by the same, and

. The performance and contribution of each director, especially that of the chairs of the different Committees of the Board of Directors.

Where the Chairman of the Board of Directors would discharge executive duties, his evaluation shall be led by the Lead Independent Director.

To proceed to such evaluation, the Board of Directors may rely on the support of external advisors and on such internal resources which it may, from time to time, deem fit. Notwithstanding the foregoing, the Board of Directors shall be assisted every three years, by an external advisor, once the Nomination Committee has established his/her independence, to proceed to such evaluation. Upon evaluating the independence of the external advisor, the relations that such advisor, or any company within its Group, may have with the Company or with the Group shall be considered. Such relations shall be detailed, as the case may be, in the Annual Corporate Governance Report.

The Board of Directors shall carry out an annual evaluation of its proceedings and of that of its Committees and it will propose an action plan to correct the shortcomings revealed. The result of the evaluation shall be recorded in the minute of the meeting of the Board of Directors or attached thereto as an annex.

(d) The following issues regarding senior executives:

(i) The appointment and dismissal of senior executives after report of the Nomination Committee;

(ii) The approval of the basic terms and conditions of the contract with senior executives, including their remuneration and, where appropriate severance clauses, after report of the Remuneration Committee;

(iii) Overseeing the proceedings of the senior executives appointed by the Board of Directors.

(e) The remaining responsibilities reserved by the Board of Director' Regulations and the applicable laws and regulations.

3.2. Composition

9 members sit on the Board of Directors: 5 non-executive independent directors, 3 non-executive proprietary directors and 1 executive director.

As at 31 January 2019, the Board of Directors is comprised of the following members:

Name (person or company) of the director	Representative	Director category	Office on the Board	Date first appointed	Date last appointed	Election procedure
Mr Pablo Isla Álvarez de Tejera		Executive	Executive Chairman	9-06-2005	14-07-2015	AGM
Mr Amancio Ortega Gaona		Proprietary	Ordinary member	12-06-1985	14-07-2015	AGM
Mr José Arnau Sierra		Proprietary	Deputy Chairman	12-06-2012	18-07-2017	AGM
PONTEGADEA INVERSIONES, S.L.	Flora Pérez Marcote	Proprietary	Ordinary member	09-12-2015	19-07-2016	Board of Directors
Bns. Denise Patricia Kingsmill		Independent	Ordinary member	19-07-2016	19-07-2016	AGM
Mr José Luis Durán Schulz		Independent	Ordinary member	14-07-2015	14-07-2015	AGM
Mr Rodrigo Echenique Gordillo		Independent	Ordinary member	15-07-2014	17-07-2018	AGM
Ms Pilar López Álvarez		Independent	Ordinary member	17-07-2018	17-07-2018	AGM
Mr Emilio Saracho Rodríguez de Torres		Independent	Ordinary member	13-07-2010	14-07-2015	AGM

3.3. Profile of directors

- **Mr Pablo Isla Álvarez de Tejera**

Chairman of Inditex since 2011. He previously served as Deputy Chairman and CEO since 2005.

He is a Law graduate from Universidad Complutense in Madrid (1987) and became Spanish State Attorney (Abogado del Estado) in 1988, ranked #1 of its class. From 1992 to 1996 he was Group General Counsel of Banco Popular. He went on to be appointed General Director of State Assets at the Ministry of Economy and Finances. From July 2000 to 2005 he was Chairman of Altadis Group. He currently is an independent director on the Board of Directors of Nestlé S.A.

He was re-elected to the Board of Directors of Inditex by the AGM held on 13 July 2010 and 14 July 2015.

- **Mr Amancio Ortega Gaona**

Founder of Inditex. He began his textile manufacturing operations in 1963. In 1972 he founded Confecciones Goa, S.A., the first garment-making factory of Inditex and three years later he founded Zara España, S.A. the first retailing company of the Group. He was the Chairman of Inditex from the date of incorporation in 1985 to 2011. He was re-elected to the Board of Directors by the AGM held on 30 June 1990, 31 July 1995, 20 July 2000, 15 July 2005, 13 July 2010 and 14 July 2015.

- **Mr José Arnau Sierra**

A Law graduate from Universidad de Santiago de Compostela and State Tax Inspector on leave. He has been Deputy Chair of Grupo Pontegadea and its Chief Executive since its incorporation in 2001 and Deputy Chair of Fundación Amancio Ortega Gaona. Before joining Inditex in 1993 as head of the Tax Department, he held different positions in the Tax Administration.

He was appointed to Inditex's Board of Directors in June 2012, ratified by the AGM held on 17 July 2012 and re-elected at the AGM held on 18 July 2017.

- **Pontegadea Inversiones, S.L.**

Pontegadea Inversiones, S.L. is represented in Inditex's Board of Directors by Ms Flora Pérez Marcote. It holds 1,558,637,990 shares in the Company, which represents 50.01% of the share capital.

M. Flora Pérez Marcote is the Legal representative of Pontegadea Inversiones S.L. She has spent her entire professional career within the Inditex Group, where she held different positions in areas related to design and purchase of products. In addition, she has a broad experience as company director since 1992. She has been a member of Inditex's Board of Directors since 2005 as representative of Pontegadea Inversiones, S.L., where she holds the position of Deputy Chair. Additionally, she has been Deputy Chair of the Board of Trustees of Fundación Amancio Ortega Gaona since October 2005 and a member of such Board since March 2003.

She was appointed to the Board of Directors on 9 December 2015 and ratified on 19 July 2016.

- **Mr José Luis Durán Schulz**

He has been an independent director since July 2015. He holds a degree in Economics and Management from ICADE (Instituto Católico de Administración y Dirección de Empresas). From 1987 through 1990, he was an auditor at Arthur Andersen. In 1991, he joined Carrefour Group, where he held the following positions: Head of Management Control (Spain, Europe and Latin America) (1991-1997); Chief Financial Officer for Spain (1997-2001); Group Chief Financial Officer (2001-2005) and Group Chief Executive Officer (2005-2008). In July 2009, he joined Maus Frères International Group, based in Switzerland, where he held the following positions, until January 2015: Chief Executive Officer of Lacoste, Executive Chairman of Gant and Board member of Aigle, S.A. Until 4 October 2015, he was member of the Governance, Remuneration and Nomination Committee at Unibail-Rodamco, and member of the Board of Directors of such company. Until 30 June 2017, he was an independent director and member of the Audit Committee of Orange. At present, he is the CEO of Value Retail Management.

- **Mr Rodrigo Echenique Gordillo**

He has been an independent director since July 2014. He is a Law graduate from Universidad Complutense in Madrid and Spanish State Attorney, currently on leave. From 1973 through 1976 he held several positions in the State Administration. From 1976 through 1983 he was Head of Legal Services and subsequently Deputy General Manager at Banco Exterior de España. From 1984 to 1994 he held different positions at Banco Santander, where he became a member of the Board of Directors in October 1988, being appointed at the same time Chief Executive Officer and member of the Executive Committee where he served until September 1994. From October 1994 through January 1999, he was a member of the Board of Directors, the Executive Committee and all Board Committees of Banco Santander, chairing the Audit and Control Committee, and was Deputy Chairman of Banco Santander de Negocios and Santander Investment. He serves on the Board of Directors, the Executive Committee and the Executive Committee of Risks since January 1999. He has been Deputy Chairman of Banco Banif, S.A., Chairman of Allfunds Bank, and Chairman of SPREA. He has been a member of the Board of Directors of Banco Santander International and Santander Investment. He has been Ordinary Member of the Board of Directors of different industrial and financial companies such as Ebro Azúcares y Alcoholes, S.A., Industrias Agrícolas, S.A., SABA, S.A. and Lar, S.A. From July 2001 through February 2008, he chaired the Social Advisory Board of University Carlos III of Madrid. Additionally, he was first member and then Chairman of the Advisory Board of Accenture, S.A., Lucent Technologies, and Quercus y Agrolimen, S.A. He has been the Chairman of Vallehermoso, S.A., Vocento, S.A., NH Hotels Group, and Metrovacesa, S.A.

He is Executive Deputy Chairman of Banco Santander, member of the Executive Committee and Chairman of Santander España.

Likewise, he is the Chairman of Fundación Banco Santander, Deputy Chairman of the Chamber of Commerce of Spain. Member of the Board of Trustees of Fundación Consejo España-EE.UU, of the Board of Trustees of Teatro Real, of the Board of Trustees of Escuela Superior de Música Reina Sofia, of Fundación Empresa y Crecimiento and of Fundación ProCNIC and CNIC.

He was re-elected to the Board of Directors at the Annual General Meeting held on 17 July 2018.

- **Bns. Denise Patricia Kingsmill**

Baroness Kingsmill has been an independent director of Inditex since July 2016. In 2000 she was awarded a CBE for services to Employment Law and Competition. In June 2006 she was appointed to the House of Lords as a Labour Peer. She is a Member of the Select Committee on Economic Affairs.

After a 20 year legal career she became deputy chair of the Competition Commission between 1996 and 2004. She has 5 honorary Doctorates from universities in the United Kingdom.

Baroness Kingsmill has been a Chair/member of the Remuneration committees of many international companies. As a lawyer she has advised in relation to remuneration schemes. In 2001 she was invited by the Government to head a task force looking at women's employment and remuneration in the UK.

In 2003 she was appointed Chairman of the Department of Trade and Industry's Accounting for People task force. She headed a second Government enquiry ("Accounting for People") into how companies should evaluate and measure the contribution of their work forces and specifically as to how they should communicate their progress in this area of "Human Capital Management" to all their stakeholders (www.accountingforpeople.gov.uk). In 2013 she was the co-chair of the Design Commission report into Design and Public Services ("Re-starting Britain").

Until May 2018, Baroness Kingsmill was the Chair of Monzo Bank and a Member of the Supervisory Board of E. ON SE. She is currently a member of the Advisory Board for the Global Sustainability Forum, the International Advisory Board of IESE Business School and is the founding chair of Aspen Initiative UK.

Baroness Kingsmill has been an adviser to a number of international companies and has been a non-executive director of various British, European and American boards, including International Consolidated Airlines Group, S.A. and Telecom Italia.

A diverse and varied career spanning fashion and design, the law and regulation, as well as politics and people have given Baroness Kingsmill a unique perspective on the contemporary boardroom.

- **Ms Pilar López Álvarez**

She has been an independent director since July 2018. She has a Bachelor of Science in Business Administration and a Major in Finance from ICADE.

She has worked in a variety of roles at J.P. Morgan in Madrid, London and New York (1993-1999). She joined Telefónica in 1999, where she held the following positions: Head of Management Planning and Control (1999-2001), Financial Controller in Telefónica Móviles (2001-2006), Strategy Director in Telefónica de España (2006-2007), Chief Financial Officer of O2 Plc., based in the UK (2007-2011) and for Telefónica Europa based in Madrid (2011-2014), and Head of the Operational Simplification Program of Grupo Telefónica (2014-2015). She is a member of the Board of Trustees of Fundación ONCE, and of Fundación Junior Achievement, and a member of the Board of Directors of Asociación para el Progreso de la Dirección (APD).

She has served as Supervisory Board member of Telefónica Czech Republic AS (2007-2014), and as Vice Chairman of the Supervisory Board of Telefónica Deutschland Holding AG (2012-2015), as well as member of the Board of Tuenti Technologies and non-executive director of Ferguson Plc (213-2018).

At present, she is Country Manager of Microsoft Ibérica S.R.L.

- **Mr Emilio Saracho Rodríguez de Torres**

He has been an independent director since June 2010. A Graduate in Economics from Universidad Complutense in Madrid, he has an MBA from the University of California in Los Angeles (UCLA), awarded in 1980. He was also a Fulbright scholar. Mr Saracho began his career in 1980 in Chase Manhattan Bank, where he was responsible for operations in different sectors such as Oil and Gas, Telecommunications and

Capital goods. In 1985, he took part in the launching and implementation of Banco Santander de Negocios, where he led the Investment Banking division. In 1989, he was appointed head of the Division of Large Companies of Grupo Santander and Deputy General Director. He has been a director of FISEAT, Santander de Pensiones and Santander de Leasing. In 1990, he worked for Goldman Sachs in London as co-head of Spanish and Portuguese operations. In 1995, he returned to Santander Investment as General Director in charge for the Investment Banking area worldwide. From 1996 to 1998, he was responsible for the Banking operations in Asia. Mr Saracho joined J.P. Morgan in 1998 as Chairman for Spain and Portugal and head of business for the Iberian Peninsula and member of the European Management Committee. From early 2006 through 1 January 2008, he was Chief Executive Officer of J.P. Morgan Private Bank for Europe, the Middle East and Africa, based in London. He also sat on the Operating Committee and on the European Management Committee, while chairing at the same time J.P. Morgan in Spain and Portugal. He was in charge of Investment Banking operations of J.P. Morgan for Europe, the Middle East and Africa, and sat on the Executive Committee of the Investment Bank and on the Executive Committee of JPMorgan Chase. From December 2012 through April 2015, he was Deputy CEO for EMEA. From 2015 to the end of 2016, he was Vice Chairman of JPMorgan Chase & Co and from February to June 2017, he chaired the Board of Directors of Banco Popular. At present, he holds the office of director on the Board of International Consolidated Airlines Group, S.A. (IAG) and is Senior Advisor of Altamar Capital Partners.

He was re-elected to the Board of Directors at the Annual General Meeting held on 14 July 2015.

3.4. General Counsel and Secretary of the Board of Directors

Mr Antonio Abril Abadín is the General Counsel and Secretary of the Board of Directors. Likewise, he is the Secretary of all Board Committees.

The appointment and removal of the Secretary of the Board must be approved by the Board of Directors in plenary session, following a report of the Nomination Committee. The Secretary needs not be a director.

The Secretary shall support the Chairman in his duties and must provide for the smooth running of the Board of Directors by taking particular care to provide directors with the necessary advice and information, keep the documents of the Company, enter the proceedings in the minutes' books and certify the Board's resolutions. When directors or the Secretary himself/herself should express concern about any motion or, in the case of directors, about the company's performance, and such concerns are not resolved by the Board, they will be acknowledged in the minutes at the request of the person expressing them. Likewise, the Secretary shall devote particular attention to the formal and material legality of the Board's proceedings and ensure that the corporate governance principles and the Company's internal rules and regulations, are observed.

3.5. Gender diversity

Pursuant to the provisions of the Board of Directors' Regulations and the Nomination Committee's Regulations, the Nomination Committee must set a representation target for the least represented gender on the Board of Directors and prepare guidelines on how to reach such goal and ensure that, when filling up any new vacancies and when appointing new directors, selection process conform to the prohibition of any manner of discrimination. Pursuant to Inditex's "Director Selection Policy", efforts will be made so that by 2020, the number of female directors sitting on the Board would represent at least 30% of the total number of members of the Board of Directors.

Additionally, pursuant to the provisions of section 529 bis(2) of the Companies Act, the Board of Directors shall ensure that diversity of gender, experience and knowledge is fostered in recruitment processes of directors, which should not suffer from any implicit bias that may entail any discrimination and particularly, that selection of female directors is fostered.

Meanwhile, pursuant to the Code of Conduct and Responsible Practices of the Inditex Group, no one who is employed at Inditex shall be discriminated against because of their gender, and all employees shall be bound to interact with other employees, pursuant to criteria of respect, dignity and justice, taking into account the different cultural background of each individual, without allowing any manner of violence, harassment or abuse at the workplace, or any manner of discrimination on account of race, religion, age, nationality, gender or any other personal or social condition beyond qualifications and capacity.

Finally, Inditex's Diversity and Inclusion Policy, approved by the Board of Directors on 12 December 2017 seeks to fully endorse the regulatory requirements, the recommendations and the best practices in the area of diversity, and to mark Inditex's commitment to diversity and multiculturalism in the working environment, in all positions and levels within the Company, including within the Board of Directors, as well as the Company's unbreakable zero tolerance policy against any kind of discrimination. The principles and lines of action of the Diversity and Inclusion Policy govern all the proceedings in the area of human resources, such as, without limitation, recruitment and selection, compensation and benefits,

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promotions, transfers, skills enhancement, professional development and training, demotions, terminations and other, disciplinary actions.

The Annual General Meeting approved on 17 July 2018, on the proposal of the Board of Directors, the appointment of Ms Pilar López Álvarez to the Board as non-executive independent director. Thus, as at 31 January 2019 three female directors sit on the Board of Directors: Ms Flora Pérez Marcote (legal representative of Pontegadea Inversiones, S.L., non-executive proprietary director), Baroness Kingsmill (non-executive independent director) and Ms Pilar López Álvarez (non-executive independent director). This represents 33.33% of the total number of members of the Board of Directors, Inditex being above average of the companies listed on IBEX35 on this parameter. With the appointment of Ms López, the goal of having at least 30% of total board places occupied by female directors, addressed in the Director Selection Policy and in Recommendation 14 CGB, has been achieved ahead of schedule.

In addition, Baroness Kingsmill and Ms Pilar López Álvarez sit on the Audit and Control Committee, the Nomination Committee and the Remuneration Committee, which also represents a 33.33% presence of female directors on such board committees. In turn, Ms López is also a member of the Executive Committee.

3.6. Membership of Directors on Board of Directors of other listed companies

The Board of Directors may not propose or appoint any persons to fill up a vacancy on the Board who already are directors in more than four listed companies other than the Company.

As at 31 January 2019, Directors who hold offices in listed companies in Spain other than Inditex are shown below:

Name or company name of director	Name of listed company	Office
Mr Pablo Isla Álvarez de Tejera	Nestlé, S.A.	Independent director
Mr Rodrigo Echenique Gordillo	Banco Santander	Executive Vice-Chairman of the Board of Directors
Mr Emilio Saracho Rodríguez de Torres	International Consolidated Airlines Group, S.A	Non-executive director

3.7. Selection, appointment, re–election and removal of directors

The system for the selection, appointment and re-election of members of the Board of Directors constitutes a formal and transparent procedure, expressly covered in the Articles of Association, the Board of Directors' Regulations and the Nomination Committee's Regulations.

The Director Selection Policy was approved by the Board of Directors in the meeting held on 9 December 2015. According to such Policy, selection processes of prospective directors shall be based upon a prior analysis of the needs of the Company and of the Board of Directors itself. Such analysis shall be carried out by the Board of Directors on the advice of the Nomination Committee.

The outcome of such prior analysis shall be recorded in an explanatory report issued by the Nomination Committee, which may be posted on the corporate website upon calling the General Meeting to which the nomination, ratification or re-election of each director is submitted.

Prospective directors of the Company shall meet the following requirements

- Be honest, suitably qualified persons of well-known ability, competence, experience and merits.

- Be trustworthy professionals, whose conduct and career is in line with the principles laid down in the Code of Conduct and Responsible Practices and with the views and values of the Inditex Group.

Additionally, the Nomination Committee shall define the required duties and skills of candidates who have to fill each vacancy and evaluate the required time and dedication for them to effectively discharge their duties.

In the process for director selection, efforts shall be made so that the Board of Directors would reach an appropriate balance of profiles, knowledge, skills, careers and experience so that multiple viewpoints are contributed to the discussion of the business transacted and the decision-making process is enriched.

Those persons who are involved in any legal grounds of disqualification to hold the office of director, or who do not meet the requirements laid down by the Company's corporate governance rules to be a director, shall not be eligible to be a director.

The Nomination Committee shall take all necessary measures and make all appropriate enquiries to ensure that the candidates are not involved in any of the scenarios described in the foregoing paragraphs.

The Company may rely on external advisors with regard to the prior analysis of the needs of the Company, the search or assessment of potential candidates or the evaluation of their performance.

It is incumbent on the Nomination Committee to establish and ensure the effective independence of the experts referred to in the paragraph above.

Pursuant to the provisions of the Articles of Association, the Board of Directors' Regulations and the Nomination Committee's Regulations, directors shall be appointed by the General Meeting of Shareholders or by the Board of Directors, pursuant to statute and the corporate governance regulations of the Company.

The motions on the election, ratification or re-election of directors that the Board of Directors submits to the Annual General Meeting, and the election resolutions passed by the Board of Directors by virtue of the powers to co-opt that are legally reserved to it, must be preceded by (i) a motion made by the Nomination Committee with regard to independent directors, or by (ii) a report from the Nomination Committee regarding the remaining categories of directors. The above referred motion and report shall be prepared by the Nomination Committee and include the category to which the relevant director belongs, this classification being duly supported.

The motion for the election of directors that the Board of Directors submits to the Annual General Meeting shall be accompanied at any rate by an explanatory report issued by the Board of Directors assessing the qualifications, experience and merits of the proposed candidate; such report shall be attached to the minute of the Annual General Meeting or of the Board of Directors itself. Additionally, with regard to the ratification or re-election of directors, the explanatory report shall assess the quality of the director's work and his/her dedication to office during his/her mandate, as well as his/her observance of the company's corporate governance rules.

Where the Board of Directors departs from the motions and reports of the Nomination Committee, it must state the reasons for its actions and place them on record.

The Board of Directors shall explain to the Annual General Meeting in charge of appointing, ratifying or re-electing directors the category of such directors, and such classification shall be confirmed or, where appropriate, reviewed on an annual basis in the Annual Corporate Governance Report, after verification by the Nomination Committee.

The Nomination Committee shall verify on an annual basis compliance with the Director Selection Policy, and report it to the Board of Directors, which will acknowledge it in the Annual Corporate Governance Report.

The Annual General Meeting approved on 17 July 2018, on the proposal of the Board of Directors, the re-election of Mr Rodrigo Echenique Gordillo to the Board of Directors as non-executive independent director, and the appointment of Ms Pilar López Álvarez as new non-executive independent director.

The re-election and appointment process of the two directors above-mentioned, was based upon the prior analysis of the needs of the Company and of the Board of Directors itself, as provided in the relevant explanatory reports issued by the Nomination Committee on 11 June 2018, in accordance with Recommendation 14 CBG.

Mention should be made of the fact that upon reviewing the needs of the board, the Nomination Committee considered:

- The commitments undertaken by the Company pursuant to Inditex's Director Selection Policy regarding: (i) diversity of knowledge, skills, experience and gender within the Board of Directors; and (ii) the achievement of the representation goal for the least represented gender on the Board of Directors, as provided in Recommendation 14 CBG.

- The findings of the annual evaluation of the performance of the Board in FY17, carried out in December 2017, on the advice of an external facilitator, whereby the director's profiles whose presence on the board needed to be reinforced were identified. Namely, the following measures were highly valued and consequently proposed: (i) the addition of other directors with experience in the digital sector; and, (ii) an increasing presence of female directors.

Motions on the re-election and appointment of Mr Echenique and Ms López respectively as independent directors, were accompanied with the relevant explanatory reports issued by the Board of Directors, considering their qualifications, experience and merits. As regards Mr Echenique, such explanatory report included the evaluation of his performance as director and the dedication to office during his tenure, as well as the observance of the company's corporate governance regulations.

Both reports, and the explanatory report on the needs of the Board of Directors were posted on the corporate website at the time the Annual General Meeting was called.

Considering the foregoing, the motions to re-elect and appoint directors that the Board of Directors tabled to the Annual General Meeting, were found to be consistent with the analysis of board needs carried out. On the one hand, as explained in the foregoing section, with the appointment of the new director, the goal of having 30% female directors sitting on the Board of Directors, provided in the Director Selection Policy and in Recommendation 14 CBG, is reached before the scheduled date (2020).

On the other hand, as a result of the removal of Mr Espinosa de los Monteros, former affiliate director, the re-election of Mr Rodrigo Echenique and the appointment of Ms

Pilar López, respectively, as non-executive independent directors, a large majority of non-executive directors continue sitting on the Board, and the presence of independent ones is reinforced. In addition, the average seniority of independent directors is reduced from 4.25 to 3.5 years, as well as their average age.

All of the foregoing took place in accordance with the provisions and yardsticks of Inditex's Director Selection Policy, as the Audit and Control Committee has established upon conducting the periodic evaluation of the Company's corporate governance system, which scope included the verification of compliance with such Policy. The findings of such evaluation are included in a report issued on 10 December 2018 and submitted to the Board of Directors in the meeting held on 11 December 2018.

3.8. Resignation of directors

Directors must resign in such scenarios which could have a negative impact on the proceedings of the Board of Directors or the credit and reputation of Inditex.

Additionally, directors must place their office at the disposal of the Board of Directors and, should this latter deem it appropriate, tender their resignation in the following cases:

a) When they reach a certain age.

b) When they cease to hold such executive positions to which their appointment as director was associated.

c) When they are involved in any of the grounds of incompatibility or prohibition foreseen in statute, in the Articles of Association or in the Board of Directors' Regulations, including if they suddenly come to hold the office of director in more than four listed companies other than the Company.

d) When they are seriously admonished by the Audit and Control Committee for having breached their duties as directors.

e) When their remaining on the Board might have an impact on the reputation or name of the Company or otherwise jeopardize the interest of the Company. For such purposes, they shall report to the Board of Directors any criminal cases in which they are accused as well as any subsequent procedural consequences.

f) When the reasons for their appointment cease to exist.

For their part, proprietary directors must resign when the shareholders they represent dispose of their ownership interest in its entirety or reduce it up to a limit which requires the reduction of the number of proprietary directors.

Mr Carlos Espinosa de los Monteros Bernaldo de Quirós stepped down from the Board of Directors and consequently, from the Executive Committee, the Audit and Control Committee, the Nomination Committee and the Remuneration Committee, upon expiry of the 4-year term for which he had been re-elected at the Annual General Meeting held on 15 July 2014.

3.9. Proceedings of the Board of Directors

Quorum

A quorum will be present at any Board meeting when at least half plus one of its members attend it, whether in person or by proxy. Should the Board of Directors be comprised of an odd number, it will be validly held when it is attended by the whole number of directors immediately above half.

Directors shall do their best to attend the meetings of the Board of Directors, and, when they cannot do so in person, they shall endeavour to grant proxy to another member of the Board of Directors, giving instructions as to its use and communicating the same to the Chairman of the Board of Directors. Non-executive directors may be represented exclusively by another non-executive member of the Board of Directors.

Attendance to meetings

Directors' attendance data, both in person or by proxy, to meetings held in 2018 are shown below:

Governing body	Number of meetings	% Directors' attendance
Board of Directors	5	100%
Audit and Control Committee	5	100%
Nomination Committee	5	100%
Remuneration Committee	3	100%

Passing of resolutions

Except for a number of cases provided in Inditex's internal regulations, for resolutions to be passed, an absolute majority of votes for by the directors attending the meeting shall be required.

Notwithstanding the above, it shall be necessary that two-thirds of the members of the Board vote for in order to permanently delegate any power of the Board of Directors to the Executive Committee or to the Chief Executive Officer, should there be one, and to appoint the directors who have to fill such positions.

Likewise, in order to amend the Board of Directors' Regulations, the resolution must be passed by a majority of two-thirds of the directors present.

The Chairman of the Board of Directors has a casting vote in the event of equality of votes between the directors attending the meeting.

Proxy granting

Any director can grant proxy to another director in writing to be represented, such proxy having to be granted specifically for each meeting, and this must be communicated in writing to the Chairman. Non-executive directors may only grant proxy to other non-executive directors.

External advice

In order to be aided in the performance of their duties, non-executive directors may request that legal, accounting, technical, financial, commercial or other experts be engaged at the Company's expense. The commissioned task must of necessity deal with particular problems of a certain importance and complexity which may arise in the performance of the office.

The decision to engage external experts must be notified to the Chairman of the Board of Directors and it may be open to veto by the Board of Directors if it proves that: a) such engagement is not necessary for the proper performance of the duties entrusted to the non-executive directors; b) the cost thereof is not reasonable in view of the importance of the problem and of the assets and income of the Company; c) the technical assistance obtained may be adequately provided by in-house experts and staff members; or; d) the confidentiality of the information to be provided to the expert may be jeopardized.

Information

Pursuant to section 19.2 of the Board of Directors' Regulation, the notice calling ordinary meetings shall be given at least three days in advance of the meeting, and the notice shall always include the agenda of the meeting and shall be accompanied by the duly summarised and prepared relevant information.

For such purposes, documentation deemed to be appropriate to prepare the meetings of the board and its committees, according to the agenda including presentations, is made available to directors through a software platform. Through such tool, directors are granted permanent access to such documentation. Additionally, other relevant information for the appropriate performance of their duties is added through the tool.

Meanwhile, the attendance of officers and supervisors with a recurrent presence in the meetings is encouraged, to give their view on certain issues directly associated to the duties of the Board of Directors and of each of its committees, so that directors have a direct understanding of business concerns.

Likewise, Directors have the broadest powers to: obtain information on any issue of the Company (and its subsidiaries); examine its books, registers, documents and other records of the company's operations and inspect all its facilities, likewise it is also provided that the exercise of the powers of information shall be channeled through the Chairman, the Deputy Chairman or the Secretary of the Board of Directors, who will attend to the requests of directors by providing them with the information directly, offering appropriate spokespersons at the appropriate level in the organisation or establishing such measures that enable them to conduct the desired examinations and inspections on site.

Meanwhile, Directors are bound to diligently gather information on the course of business of the Company and to thoroughly prepare the meetings of the Board of Directors, and of any committee they belong to.

Evaluation proceedings

It is incumbent on the Nomination Committee to establish and oversee an annual programme for evaluating the performance of the Board of Directors, its Chairman and its supervisory and control committees. The evaluation system in respect of the Board of Directors, its members, its committees and its Chairman, is carried out as follows:

1. The Nomination Committee prepares an annual programme for the evaluation of the performance of the Board of Directors, the Chairman, and the Committees.

2. Based upon this annual programme, each committee will prepare its own report assessing its performance and that of its members. Such report shall be sent to the Board of Directors. In parallel, the Nomination Committee will prepare a report in respect of the Board of Directors, the Chairman, the Lead Independent Director and the Secretary of the Board.

   To carry out this procedure, separate questionnaires are sent to each director, as described below:

   a) An individual self-evaluation questionnaire for each director, sent by the Board of Directors (through its Chairman) to all its members.

b) An evaluation questionnaire in respect of the committees, sent by the Chair of each committee to all the members sitting on it.

c) An evaluation questionnaire in respect of the Board of Directors sent to all its members through the Chair of the Nomination Committee.

3. The Lead Independent Director shall be responsible for coordinating the evaluation of the Chairman.

4. Finally, the Board of Directors shall assess the performance of the Board itself, the Directors and the Committees, based upon the reports issued by these latter, as stated in section 2 above.

The above-referred questionnaire is reviewed and updated every year, to bring the annual evaluation of the performance of the Board of Directors, its members and committees and the Executive Chairman, into line with best practices on good governance. Noteworthy developments this year include the evaluation of whether the Board sufficiently drives compliance culture. Additionally, the role and contribution of the Lead Independent Director and the Secretary of the Board of Directors are assessed since 2017.

The Company has been advised by external consultant Spencer Stuart in such self-evaluation process for 2018.

As a result of such self-evaluation process, a number of improvements in the internal organisation and in the procedures followed has been noted:

(i) It has allowed identifying professional profiles required on the board.

Thus, the re-election and appointment of directors approved by the Annual General Meeting in 2018 have contributed to reinforce the balanced composition of the Board of Directors, namely:

- the majority presence of non-executive independent directors on the supreme governing body of the Company and its committees;
- a more balanced distribution of male and female directors, the 30% representation goal for female directors on the total board membership having been achieved ahead of schedule; and
- The addition of a new director with experience in the technology and digital sector, in accordance with the Company's digitalization strategy.

In line with the foregoing the average seniority in office and the average age of directors has been reduced.

(ii) An annual schedule of dates and business to be transacted by the Audit and Control Committee has been approved. Such schedule allows arranging the agenda of the meetings, the information and attendees, planning fixed sections (recurrent issues) and business to be transacted at certain meetings.

(iii) Proceedings aimed at promoting Compliance culture have increased, through the quarterly follow-up on a number of issues by the Audit and Control Committee.

4. Board of directors' committees and other governing bodies

4.1. Audit and Control Committee

Regulations

Article 28 of the Articles of Association, section 15 of the Board of Directors' Regulations, and namely the Audit and Control Committee's Regulations approved on 14 June 2016 (hereinafter, the "Regulations"), set out the regulations governing the proceedings of the Audit and Control Committee.

The Regulations are available on Inditex website.

Composition

Name	Office	Category	Office held since (as at 31/01/2019)
Mr José Luis Durán Schulz	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Mr Rodrigo Echenique Gordillo	Ordinary Member	Non-executive independent	14-07-2015
Ms Pilar López Álvarez	Ordinary Member	Non-executive independent	17-07-2018
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive independent	14-07-2015

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Audit and Control Committee.

The Audit and Control Committee shall be made up of a minimum of three and a maximum of seven directors appointed by the Board itself, the majority of whom must be independent directors. At present, five members of the Audit and Control Committee, entirely made up of non-executive directors, are independent, which represents 83.33% of all its members.

Members of the Committee, and namely its Chair, have knowledge, qualification and expertise in accounting, audit or risks management matters, and the required technical knowledge regarding the business sector to which the Company belongs.

The Chair of the Audit and Control Committee, who must be an independent director, shall be elected for a term that does not exceed four years and must be replaced at the expiry of the aforementioned term. He may be re-elected once a period of one year has elapsed since the date of his/her removal. Mr Durán was appointed Chair of the Audit and Control Committee on 19 July 2016.

Duties and powers

Section 5 of the Regulations sets forth the mission of the Audit and Control Committee and its powers are set out in sections 6 to 15 and 27 to 30 thereof.

The Audit and Control Committee is mainly entrusted with powers regarding supervision of (i) the process to prepare the regulated financial information; (ii) the Statutory Audit; (iii) the Internal Audit, and; (iv) the internal control and risk management. Namely, it is entrusted with the following duties:

- To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of the Audit and Control Committee , and namely, regarding the result of the audit conducted, explaining that it has contributed to the integrity of the financial information, and the role played by the Audit and Control Committee in this process;

- To oversee the effectiveness of the internal control system of the Company, the internal audit and the risks management systems, including tax risks, and to review with the auditor the significant weaknesses of the internal control system revealed in the course of the audit, all of which without jeopardizing its independence; for such purposes, the Committee may, if appropriate, submit recommendations or motions to the Board of Directors, with the relevant term for follow-up;

- To oversee the process for preparing and disclosing the regulated financial information regarding the Company and, as the case may be, its Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and the appropriate application of accounting criteria, and to submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such information;

- To table to the Board of Directors, for the subsequent submission thereof to the General Meeting of Shareholders, the motions on recruitment, appointment, re-election and replacement of the external auditors, taking charge of the recruitment process pursuant to the provisions of the applicable regulations, as well as the terms and conditions of the agreement to be executed with them and to regularly gather from the external auditors information about the audit plan and its performance, in addition to preserving its independence in the performance of its duties;

- To liaise with the external auditors in order to receive information on those matters that could represent a threat to its independence, so that the Committee may review them, and on any other matter related to the implementation of the audit process, and, where appropriate, the authorization of any services other than those forbidden, pursuant to the terms of the applicable regulations, as well as on those other communications envisaged by the audit legislation and the auditing standards. At any rate, the Committee shall receive every year from the external auditors, the statement of its independence regarding the entity or those entities directly or indirectly related thereto, as well as the detailed and separate information on any additional services of any manner rendered and the relevant fees received from the above-mentioned entities to the external auditors or by the persons, natural or legal related to such external auditors, pursuant to the provisions of the prevailing regulations on the audit activity;

- To issue on an annual basis, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been jeopardized. Such report must address at any rate, the reasoned assessment of the provision of each and every additional service referred to in the foregoing paragraph, considered both separately and as a whole, other than the legal audit and regarding the independence system or the regulations on the audit activity;

- To advice beforehand the Board of Directors on all the topics covered by statute, the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the periodic financial information that the Company must disclose on a regular basis; (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties;

Additionally, pursuant to the provisions of section 15 of the Board of Directors' Regulations and sections 5 to 15 of the Audit and Control Committee's Regulations, the Committee shall also assume duties in the following fields:

- Corporate governance: (i) evaluate the appropriateness of the corporate governance system; (ii) oversee and receive information about the degree of compliance with the Internal Regulations of Conduct regarding transactions in securities (IRC) and other corporate governance rules;

- Compliance with internal regulations of the Company: (i) establish and oversee the mechanisms allowing to report any irregularity or noncompliance with internal regulations (i.e., Whistle Blowing Channel); and, (ii) receive information on a half-yearly basis on the degree of compliance with the Codes of Conduct and the proceedings of the Whistle Blowing Channel; (iii) prepare and submit the Annual Corporate Governance Report; and, (iv) oversee the proceedings and suitability of the corporate website.

- Corporate social responsibility: (i) oversee the CSR Policy, and (ii) follow-up on its strategy and practices.

- Environmental sustainability: (i) oversee the Policy, and (ii) follow-up on its strategy and practices.

- Tax issues.

- Oversee the strategy and relationship processes with the different stakeholders and, namely, with shareholders and investors.

4.2. Proceedings

The Committee shall meet, at least on a quarterly basis, for the purposes of reviewing the periodic financial information to be submitted to the market authorities as well as the information that the Board of Directors must approve and include as part of its annual public documentation. Likewise, it shall meet each time that its Chair calls it. The Chair must call the Audit and Control Committee whenever the Board of Directors or the Chairman thereof would request the issue of a report or the submission of motions and, at any rate, whenever it is appropriate for the successful performance of its functions.

It should be underlined that the Chair and the Secretary of the Audit and Control Committee hold a preparatory meeting with the officers of the main areas directly related to the Committee on account of their duties, at any rate the Chief Financial Officer and the Chief Audit Officer, for the purposes or reviewing and preparing the items on the scheduled agenda. The meeting of the Audit and Control Committee is called after such preparatory meeting is held.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary.

Members of management or staff members of the Company and its Group are bound to attend the meetings of the Audit and Control Committee and provide its members with assistance and access to the information they may have, upon request of the Committee. Likewise, the Committee may also request the presence at its meetings of the Company's auditors.

Activities of the Audit and Control Committee

The Audit and Control Committee held 5 meetings in 2018.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Audit and Control Committee in 2018 stands at 100%.

The average duration of each meeting has been of approximately four hours.

In addition to the main lines of action described below, the Annual Report on the proceedings and activities of the Audit and Control Committee for financial year 2018 includes a schedule of the meetings held by such body in the year, business transacted and related working papers – mainly the relevant reports and motions – and the attendees.

In 2018, the main lines of action of the Audit and Control Committee have focused on the following:

A. Powers regarding the process to prepare the periodic financial information, annual accounts and audit report

- The process to prepare and release financial information

The Audit and Control Committee reviews Inditex's economic and financial information before it is approved by the Board of Directors.

To do so, prior to the stating of the quarterly, half-yearly or annual financial statements, the Audit and Control Committee also meets with the Company's Management to review the enforcement of the accounting standards, the estimates made upon stating the financial statements, etc.

Additionally, the Committee, which is entirely made up of non-executive directors, meets with the external auditors for the purposes of reviewing the Company's annual accounts and certain periodic financial information, reviewing the fulfilment of legal requirements and the appropriate use of generally accepted accounting standards upon stating the annual accounts.

The Audit and Control Committee reviewed on 12 March 2018 the results for full year 2017. It reviewed the quarterly results of 2018 and the relevant Results Releases and Press Releases in the meetings held on 11 June (first quarter), 10 September (first half) and 10 December 2018 (third quarter). Such results – and the respective Results Releases and Press Releases – were provided by the Board of Directors to the market and its supervisory bodies on a quarterly basis pursuant to the Periodic Public Information (PPI) format.

Likewise, the 2017 annual accounts and management reports, both individual and consolidated, and the 2017 Audit Report were also reviewed. The Committee verified that an unqualified Audit Report was issued.

- Report on the Internal Control over Financial Reporting (ICFR) System

The Committee has overseen the effectiveness of the Internal Control over Financial Reporting (ICFR) System. This is accounted for in section F of the 2017 Annual Corporate Governance Report approved on 12 March 2018. The Company's ICFR system has been verified by the statutory auditors, who issued an unqualified report.

The Committee gave a favourable report to the new Policy on Internal Control over Financial Reporting System (ICFR) on 10 December 2018.

B. Powers regarding statutory audit

- Overseeing the effectiveness of the statutory audit and compliance with the audit contract

The audit conducted in 2017 was reviewed at the meeting of the Audit and Control Committee held on 12 March 2018, with the attendance of the external auditors previously called to attend.

The work done by external auditors consisted of auditing the consolidated financial statements of the Group as at 31 January 2018 and auditing the individual financial statements of certain Group companies, also as at 31 January 2018. They issued an unqualified report. Likewise, they also issued in 2018 a limited review report on the financial statements.

Additionally, the main issues, classified in international, domestic, accounting issues and other less relevant ones, were reviewed.

Members of the Audit and Control Committee met with external auditors on 12 March, 11 June and 10 September 2018, without any member of the management being present, to transact different business under its remit.

Likewise, external auditors were in attendance in the meeting held on 10 December 2018 upon special invitation of the Committee, to address the 2019 audit plan.

- Verifying the independence of Statutory Auditors

Pursuant to the provisions of the Procedure to Contract an Auditor for the Provision of Non-audit Services, approved by the Audit and Control Committee on 18 July 2016, such Committee evaluated and approved in all the meetings held in 2018 the engagement of external auditors by the Company and Group companies of non-audit services.

On 12 March 2018, the Committee approved the report on the independence of the external auditors, which also addressed the provision of non-audit services.

Pursuant to Recommendation 6 CBG, such report was made available to the shareholders on the corporate website (www.inditex.com) at the time the AGM was called.

In the above-referred meeting, having established that independence requirements are met, and assessed the performance of the auditors regarding the statutory audit for the previous year, the Audit and Control Committee gave a favourable report to the re-election of statutory auditors, to be approved by the Board and subsequently submitted to the Annual General Meeting.

C. Powers regarding Internal Audit

The Chief Audit Officer attended all the meetings of the Audit and Control Committee held in 2018 and took an active part therein.

Different issues within the Committee's remit were addressed in such meetings and the Committee oversaw the work plan of the Internal Audit Department (progress report of the projects and review of the follow-up on the most critical recommendations, both of operational, financial, compliance and systems audits currently in progress), and approved its budget and its activities report.

In the meeting held on 12 March 2018, the Audit and Control Committee raised to the Nomination Committee the motion to appoint Ms Paula Mouzo Lestón as new CAO of the Inditex Group replacing Mr Carlos Crespo González.

D. Powers regarding Compliance

- Supervision of the Model of Criminal Risk Prevention: review of the reports issued by the Committee of Ethics

The Audit and Control Committee reviewed and approved the 2017 Annual Report of the Committee of Ethics on 12 March 2018, and the Half-Yearly Report for FY2018 in the meeting held on 10 September 2018. During this last meeting, the Committee acknowledged the Report on the Model of Criminal Prevention issued and approved by the Committee of Ethics on 5 March 2018.

The above reports address a number of issues, including, without limitation, the enforcement of the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, with a description of the cases seen by the Committee of Ethics, the proceedings carried out and the resolutions issued; the outcome of the supervision of the Inditex Group' s Model of Criminal Risk Prevention, and proceedings to implement the corporate Compliance model at domestic and international level (circulation and communication of such model, proceedings regarding the acceptance of the Code of Conduct and Responsible Practices, and training on corporate compliance).

Likewise, the Audit and Control Committee followed-up on the progress of the degree of implementation of the Group's corporate Compliance model in the meetings held on 10 June and 11 December 2018.

- Corporate policies.

In order to bring the internal regulations of the Company into line with certain regulatory developments, international standards and best practices on corporate governance and corporate compliance, and to implement certain aspects of the internal regulations, in 2018 the Audit and Control Committee gave a favourable report to the following corporate policies:

- The Anti-Money Laundering and Terrorist Financing Policy, in the meeting held on 12 March 2018. Such Policy was subsequently approved by the Board of Directors in the meeting held on the following day.

- The Policy on Internal Control over Financial Reporting System (ICFR) and the Policy on Management of Insurable Risks, in the meeting held on 10 December 2018. Both policies were subsequently approved by the Board of Directors in the meeting held on the following day.

- Annual and half-yearly Compliance report

By way of the annual and semi-annual Compliance report, the Compliance Function informed the Audit and Control Committee of the most relevant Compliance issues reported on in the various Markets and, where appropriate, on action plans for resolution or mitigation at its March 12 and September 10 sessions in 2018.

E. Overseeing control and risk management function

The Audit and Control Committee is responsible for verifying the level of risk tolerance and its limits, at least by means of an annual review and receiving periodic reports on the degree of compliance with the Enterprise Risk Management Policy, which will be tabled to the Board of Directors. Its main proceedings in the field were:

- Risks Map

In this regard, in the meeting held on 10 September 2018 the Head of the ERM Department apprised the Audit and Control Committee of the main risks affecting business development and control measures established to manage and monitor such risks. The Committee gave a favourable report to the updated 2018 Risks Map.

- Assessment of other risks

Pursuant to sections 5(j) and 9(f) of the Audit and Control Committee's Regulations and the Enterprise Risk Management Policy, the evaluation of any question regarding non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks) is part of its duty to oversee the effectiveness of risk control systems.

The Committee encourages the attendance of officers and supervisors at its meetings, to receive regular reports on the operation of the systems established, namely regarding the following:

- Report on Tax Policies

  Pursuant to the provisions of the Company's Tax Policy, the Audit and Control Committee acknowledged the tax policies followed in the year in the meeting held on 12 March 2018.

- Report on the follow-up of projects of IT and Information Security Departments

  In the meetings held on 11 June and 10 December 2018, the Committee acknowledged the reports on Cybersecurity and Information Security addressing the most relevant issues in the field which may have an impact on the Company, and followed-up on the progress of the projects of the Information Security Department.

- Report on IP litigation

  In the meeting held on 10 December 2018, the Committee acknowledged the report submitted by the Head of the IP Department regarding, without limitation, cases seen, proceedings associated with IP assets management and the outcome thereof, and the evolution of the main litigation.

- Report of the Data Protection Officer

  In the meeting held on 11 June 2018, the Committee acknowledged the report on the degree of implementation of the requirements on Data Protection introduced upon entry into force of Regulation (EU) 2016/679 of the European Parliament and of the Council last 25 May 2018.

F. Powers regarding Corporate Governance

The most relevant proceedings carried out in 2018 regarding observance of statutory and good governance requirements have been:

- Annual Corporate Governance Report (hereinafter, ACGR)

The Audit and Control Committee approved on 12 March 2018 the 2017 Annual Corporate Governance Report, drafted as regards its format, contents and structure, in accordance with the provisions of CNMV's Circular 7/2015 of 22 December. The ACGR was submitted by the Committee to the Board of Directors, which approved it on 13 March 2018, and subsequently sent to the CNMV as a relevant fact. The ACGR is available on CNMV website (www.cnmv.es).

- Review of the reports of the Code Compliance Supervisory Board and the Office of the Chief Compliance Officer

The Audit and Control Committee reviewed in the meetings held on 12 March and 10 September 2018 the quarterly reports prepared by the Office of the Chief Compliance Officer in respect of the enforcement of the Internal Regulations of Conduct, and the half-yearly reports issued by the Compliance Supervisory Board in respect of measures taken to promote knowledge and ensure compliance with the provisions of the IRC.

- Evaluation of the appropriateness of the corporate governance system

In the meeting held on 10 December 2018, the Audit and Control Committee appreciated that the Company's corporate governance system is appropriate, as it considers that it meets its purpose of promoting corporate interests taking into account the lawful interests of the different stakeholders.

- Related-party transactions

In the meeting held on 12 March 2018, the Audit and Control Committee issued and approved the report on related-party transactions carried out by the Inditex Group throughout 2018.

Pursuant to the provisions of Recommendation 6 CBG, such report was made available to the shareholders on the corporate website (www.inditex.com) upon posting the notice calling the Annual General Meeting.

- Report on a potential conflict of interest

Pursuant to section 229 LSC, as amended by Act 31/2014 of 3 December to improve corporate governance, the Audit and Control Committee gave a favourable report to a potential conflict of interest.

- Report on treasury stock

The Committee acknowledged in the meeting held on 12 March 2018 the report on treasury stock, issued by the Capital Markets Director pursuant to the document headed "Recommendations by the Comisión Nacional del Mercado de Valores for securities issuers and financial intermediaries acting on their behalf in discretionary transactions with own shares" dated 18 July 2013.

- Report on its activities

The Audit and Control Committee issued the annual report on its activities on 11 June 2018. It was published in the 2017 Annual Report and is available on www.inditex.com.

G. Other powers

The Audit and Control Committee is charged with overseeing and coordinating the report on social information and diversity, pursuant to the applicable regulations and the international standards of reference. In this regard, it has engaged in the following proceedings:

- Report on non-financial information and diversity

The Committee gave a favourable report to the Group's report on non-financial information and diversity for FY17 in the meeting held on 12 March 2018. Such report covered the description of the group's business model, and the most significant priorities embedded in its strategy, those associated with: (i) Human Rights; (ii) social and staff-related issues; (iii) anti-corruption and anti-bribery; and, (iv) environmental issues, as well as the review and description of the policies approved regarding each of the topics and due diligence procedures enforced to identify and evaluate the risks affecting the same.

Such report was reviewed by an external facilitator, and the Audit and Control Committee established that the report was unqualified and was an integral part of the management report for FY17.

All the foregoing pursuant to Real Decreto-ley 18/2017 of 24 November, amending the Code of Commerce, the Revised Text of the Companies Act, approved by Real Decreto-legislativo 1/2010 of 2 July and Act 22/2015 of 20 July on Statutory Audit, regarding non-financial information and diversity.

- Inditex's Annual Report

The Audit and Control Committee gave a favourable report to the 2017 Annual Report in the meeting held on 11 June 2018. Such Report provided information on the activities of the Company and its Group over recent years, namely in 2017 regarding three specific areas: financial, social and environmental.

4.3. Annual report on the proceedings and activities of the Audit and Control Committee

The Audit and Control Committee issues on an annual basis a report on its activities during the year. Such report is available to shareholders on the Company's website (www.inditex.com) since the date when the notice calling the Annual General Meeting is posted.

4.4. Nomination Committee

Regulations

Article 29 of the Articles of Association, section 16 of the Board of Directors' Regulations, and namely the Nomination Committee's Regulations approved on 9 June 2016 (hereinafter, the "Regulations"), set out the regulations governing the proceedings of the Nomination Committee. The Nomination Committee's Regulations are available on Inditex website.

Composition

Name	Office	Category	Office held since (as at 31/01/19)
Mr Emilio Saracho Rodríguez de Torres	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent	14-07-2015
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent	14-07-2015
Ms Pilar López Álvarez	Ordinary member	Non-executive independent	17-07-2018

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Nomination Committee.

The Nomination Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors. At present, five of the directors sitting on the Nomination Committee are independent, which represents 83.33% of all its members.

Mr Saracho was appointed Chair of the Nomination Committee on 14 July 2015.

Duties and powers

Section 5 of the above-referred Nomination Committee's Regulations sets forth the mission of the Nomination Committee and its powers are set out in sections 6 to 9 thereof. Namely:

- To evaluate the responsibilities, knowledge and experience required on the Board of Directors. For such purposes, it shall define the functions and qualifications required of candidates who must fill each vacancy, and evaluate the time and contribution required for them to effectively discharge their duties.

- To set a representation target for the least represented gender on the Board of Directors and to provide guidance on how to reach such target.

- To ensure that upon filling new vacancies or appointing new directors, selection procedures ensure the nonexistence of any manner of discrimination.

- To table to the Board of Directors the motions on the election of independent directors to be appointed through the co-option procedure, or to be submitted to the General Meeting of Shareholders, as well as the motion for the re-election or removal of said directors by the General Meeting of Shareholders.

- To issue a report regarding the motions to elect the remaining directors prior to their appointment through the co-option procedure or to be submitted to the General Meeting of Shareholders, as well as the motions for their re-election or removal by the General Meeting of Shareholder.

- To issue a report regarding the motions to appoint and to remove senior executives.

- To review and arrange for the succession of the Chairman of the Board of Directors and of the Chief Executive of the Company and, where appropriate, to raise motions to the Board of Directors in order for such succession to take place in an orderly and planned manner.

Proceedings

The Nomination Committee shall meet at least once a year, and each time that its Chair calls it. The Chair of the Nomination Committee shall call it each time that the Board of Directors or the Chairman thereof requests the issuing of a report or the adoption of proposals and in any case, whenever this is suitable for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the call shall be authorized by the signature of the Chair. A quorum will be present at any meeting of the Nomination Committee when at least half plus one of its members attend it, whether in person or by proxy. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary.

Activities of the Nomination Committee

The Nomination Committee held 5 meetings in 2018.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by Nomination Committee during financial year 2018 stands at 100%.

The average duration of each meeting has been of approximately two hours.

In addition to the main lines of action described below, the Annual Report on the proceedings and activities of the Nomination Committee for financial year 2018 includes a schedule of the meetings held by such body in the year, business transacted and related working papers – mainly the relevant reports and motions – and the attendees.

In 2018, the main lines of action of the Nomination Committee have focused on the following:

A. Powers regarding appointment of Directors

In the meeting held on 11 June 2018, the Nomination Committee proposed the re-election of Mr Rodrigo Echenique Gordillo and the appointment of Ms Pilar López Álvarez to the Board of Directors as independent directors. Such motion was subsequently tabled by the Board of Directors to the Annual General Meeting.

The Committee had previously approved an explanatory report on the prior analysis of board needs for the purposes of re-election and appointment of directors.

The pertaining reports issued by the Nomination Committee were made available to the shareholders on the corporate website (www.inditex.com) from the date the Annual General Meeting was called.

Subsequently, in the meeting held on 17 July 2018, the Nomination Committee gave a favourable report to: (i) the motion to appoint Ms Pilar López Álvarez as ordinary member of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee; and, (ii) the motion to re-elect and appoint Mr Rodrigo Echenique Gordillo and Ms Pilar López Álvarez, respectively, as ordinary members of Inditex's Executive Committee. Such motions were approved by the Board in the meeting held on that same date.

B. Powers regarding appointment of officers

In the meeting held on 12 March 2018, the Nomination Committee gave a favourable report to: (i) the motion to appoint Mr Carlos Crespo González as Chief Operating Officer of the Inditex Group, and; (ii) on the proposal of the Audit and Control; Committee, the motion to appoint Ms Paula Mouzo Lestón, as new Chief Audit Officer of the Inditex Group replacing Mr Crespo. Such appointments were subsequently approved by the Board of Directors in the meeting held on 13 March 2018.

Additionally, in the above-referred meeting of 12 March, the Nomination Committee gave a favourable report to the motion to appoint Mr Antonio Flórez de la Fuente, as Director of Bershka, which was subsequently approved by the Board of Directors. Consequently, the appointment of this latter was already taken into account to all intents and purposes in the Annual Corporate Governance Report for FY17.

In the meeting held on 11 December 2018, the Nomination Committee gave a favourable report to the appointment of Ms Lorena Mosquera Martín, as new Director of Zara Home, replacing Ms Eva Cárdenas Botas. Such appointment was subsequently approved at the meeting of the Board of Directors held on that same day.

C. Powers regarding the process to evaluate the performance of the Board of Directors, its members and committees, the Executive Chairman, the Lead Independent Director and the Secretary of the board

Pursuant to the provisions of the Board of Directors' Regulations, the Nomination Committee's Regulations and, in line with the Recommendations of the Good Governance Code, in the meeting held on 10 September 2018, the Nomination Committee submitted to Board of Directors the supervision of the "Programme for the Evaluation of the Board of Directors, the Directors, the Committees and the Executive Chairman". Such programme addresses the establishment and supervision of the annual evaluation of the performance of the advisory committees of the Board.

Likewise, pursuant to Inditex' internal regulations and best practices in the field of corporate governance, the Nomination Committee approved on 11 December 2018 the report on the evaluation of the performance of the Board of Directors, the Directors, the Nomination Committee and its members, the Executive Chairman, the Lead Independent Director and the Secretary of the Board. Such report was subsequently approved by the Board in the meeting held on that same day.

The outcome of the evaluation conducted in FY18 has been positive in respect of the areas evaluated, highlighting the following, without limitation: the size and structure, the functions, the effectiveness and the proceedings, the planning and organisation of the meetings of the Board of Directors and of the Nomination Committee and the Remuneration Committee, and the contribution and performance of the Directors, the Executive Chairman, the Lead Independent Director and the Secretary of the Board. The Audit and Control Committee remains the best valued committee, in respect of all aspects reviewed.

In 2018, the Nomination Committee has been advised by external consultant Spencer Stuart in the self-evaluation process of the Board of Directors, its members and its committees.

4.5. Annual report on the proceedings and activities of the Nomination Committee

The Nomination Committee issues on an annual basis a report on its activities during the year. Such report is available to shareholders on the Company's website (www.inditex.com) since the date when the notice calling the Annual General Meeting is posted.

4.6. Remuneration Committee

Regulations

Article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations, and namely the Remuneration Committee's Regulations approved on 9 June 2015 set out the regulations governing the proceedings of the Remuneration Committee. The Remuneration Committee's Regulations are available on the corporate website.

Composition

Name	Office	Category	Office held since (as at 31/01/2019)
Mr Rodrigo Echenique Gordillo	Chair	Non-executive independent	14-07-2015
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent	14-07-2015
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Ms Pilar López Álvarez	Ordinary Member	Non-executive independent	17-07-2018

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Remuneration Committee.

The Remuneration Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors. At present, five directors sitting on the Remuneration Committee, entirely made up of non-executive directors, are independent, which represents 83.33% of all its members.

Mr Echenique was appointed Chair of the Remuneration Committee on 14 July 2015 and re-elected to such office on 17 July 2018. He had previously chaired the defunct Nomination and Remuneration Committee since 15 July 2014.

Duties and powers

Section 5 of the Regulations sets forth the mission of the Remuneration Committee and its powers are set out in section 6 thereof. Namely:

- To propose to the Board of Directors the remuneration policy for directors and general managers or those who carry out Senior Management duties directly reporting to the Board, the executive committees or the chief executive officers.

- To propose to the Board of Directors the individual remuneration and the remaining terms and conditions of the employment agreements of executive directors, ensuring that they are observed.

- To propose the basic terms and conditions of the contracts with senior executives, including their remuneration and severance pay, where appropriate.

- To propose to the Board of Directors the system and amount of annual remunerations of directors and the individual remuneration of executive directors and the remaining essential terms of their agreements, including any eventual compensation or indemnity which might be determined in case of removal, pursuant to the provisions of the corporate governance system and of the remuneration policy of directors approved by the General Meeting of Shareholders.

- To prepare and submit to the Board of Directors for approval, the Annual Report on Remuneration of Directors and verify the information on remuneration of directors and senior executives included in the corporate documents.

- To verify that the remuneration policy fixed by the Company is observed.

- To ensure that no eventual conflict of interest situation would affect the independence of the external advice given to the Committee.

- To propose to the Board of Directors the cancellation of payment or, if appropriate, the refund of variable items which make up the remuneration of directors based upon results, where such items have been paid on the basis of information later shown clearly to be inaccurate; likewise, to propose the termination of the relation with the relevant supervisor(s) and the filing of the relevant claims.

Proceedings

The Remuneration Committee shall meet at least once a year, and each time that its Chair calls it. The Chair of the Remuneration Committee shall call it each time that the Board of Directors or the Chairman thereof requests the issuing of a report or the adoption of proposals and in any case, whenever this is suitable for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the call shall be authorized by the signature of the Chair or the Secretary. A quorum will be present at any meeting of the Remuneration Committee when at least half plus one of its members attend it, whether in person or by proxy. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary.

Activities of the Remuneration Committee

The Remuneration Committee held 3 meetings in 2018.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Remuneration Committee during financial year 2018 stands at 100%.

The average duration of each meeting has been of approximately two hours.

In addition to the main lines of action described below, the Annual Report on the proceedings and activities of the Remuneration Committee for financial year 2018 includes a schedule of the meetings held by such body in the year, business transacted and related working papers – mainly the relevant reports and motions – and the attendees.

In 2018, the main lines of action of the Remuneration Committee have focused on the following:

A. Contract and remuneration of the Executive Chairman

The Remuneration Committee approved in the meeting held on 12 March 2018 the motion regarding the remuneration of the Executive Chairman for the discharge of executive duties to be subsequently submitted to the Board of Directors, which approved it in the meeting held on 13 March 2018.

B. 2017 Annual Report on Remuneration of Directors

The Remuneration Committee resolved in the meeting held on 12 March 2018 to table the Annual Report on Remuneration of Directors for FY17 to the Board of Directors for approval. Such report was submitted to CNMV as a relevant fact and is available on CNMV's website: (www.cnmv.es).

Additionally, pursuant to section 541LSC, the Annual Report on Remuneration of Directors for FY17 was approved by the Annual General Meeting held on 17 July 2018, having been put to the advisory say-on-pay vote.

In 2018, the Remuneration Committee has been advised by Willis Towers Watson, an independent consultant, regarding the preparation of the Annual Report on Remuneration of Directors for FY2018.

C. Remuneration Policy

Pursuant to the provisions of section 529 novodecies (2) LSC, and consistent articles of the Articles of Association, the Board of Directors' Regulations and the Remuneration Committee's Regulations, the Board of Directors approved in the meeting held on 12 June 2018 to table the Remuneration Policy for Directors for FY19, FY20 and FY21, to the advisory say-on-pay vote by the Annual General Meeting, following a reasoned report on such Policy issued by the Remuneration Committee.

The Remuneration Policy for Directors was subsequently approved by the Annual General Meeting held on 17 July 2018.

The Remuneration Policy and the reasoned report issued by the Remuneration Committee have been made available to the shareholders on the corporate website since the date the notice calling the Annual General Meeting was published.

D. Remuneration of Senior Executives

The Remuneration Committee gave a favourable report to the remuneration of Senior Executives in the meeting held on 12 March 2018 and submitted it to the Board of Directors, which approved it on 13 March 2018.

Additionally, in the meetings held on 12 March, 11 June and 11 December 2018, the Committee gave a favourable report to the motions regarding the economic terms and conditions of the Senior Executive contracts entered into with Mr Antonio Flórez de la Fuente, Mr Carlos Crespo González, Ms Paula Mouzo Lestón and Ms Lorena Mosquera Martin.

E. Plan for Employees participating in the increase of economic benefits of the Inditex Group

The defunct Nomination and Remuneration Committee gave a favourable report to the extraordinary plan for employees participating in the increase of economic benefits of the Inditex Group in the meeting held on 16 March 2015. Such plan is addressed to certain employees of the Group worldwide and seeks to boost and reward, on an exceptional basis, their contribution to the improvement of results and their permanence with the Inditex Group within the Plan's term. The Plan was approved by the Board of Directors in the meeting held on 17 March 2015. Subsequently, on 14 March 2017, the Board of Directors approved on an exceptional basis, following a report of the Remuneration Committee, the extension of the duration of such Plan for financial years 2017 and 2018.

On 12 March 2018, the Remuneration Committee gave a favourable report to the result of the first period of the extended term of the Plan for FY17 and to the global incentive. Likewise, it gave a favourable report to the payment of an extraordinary incentive that seeks to cement throughout 2018 the collective commitment, efforts and contribution of the beneficiaries of such Plan to the achievement of the objectives set by the Group, in particular, improving the results for such year - 2018 - , and ensuring talent retention within the Company. The above-referred global and extraordinary incentives were approved by the Board of Directors in the meeting held on 13 March 2018.

4.7. Annual report on the proceedings and activities of the Remuneration Committee

The Remuneration Committee issues on an annual basis a report on its activities during the year. Such report is available to shareholders on the Company's website (www.inditex.com) since the date when the notice calling the Annual General Meeting is posted.

4.8. Executive Committee

Composition

Name	Office	Category of director
Mr Pablo Isla Álvarez de Tejera	Chairman	Executive
Mr José Arnau Sierra	Deputy Chairman	Non-executive proprietary
Mr Amancio Ortega Gaona	Ordinary member	Non-executive independent
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent
Ms Pilar López Álvarez	Ordinary member	Non-executive independent
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Non-executive independent

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Executive Committee.

All categories of directors sitting on the Board of Directors are represented on the Executive Committee.

The Chairman of the Board of Directors acts as Chairman of the Executive Committee and the Secretary of the Board, who may be assisted by the Deputy Secretary, performs the duties of secretary. The office of Deputy Chairman of the Executive Committee is held by the Deputy Chairman of the Board of Directors.

Duties and proceedings

The Executive Committee holds in delegation all the powers of the Board, except for those that cannot be delegated by statute or according to the Company's Articles of Association and those that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board of Directors.

The permanent delegation of powers by the Board of Directors to the Executive Committee shall require two-thirds of the members of the Board to vote for, and may include, at the Board's discretion, all or a part of the powers of the Board itself.

The Executive Committee did not hold any meetings in 2018.

4.9. Other governing bodies

Internal governing bodies:

In addition, two other Internal Committees exist, which regularly report to the Audit and Control Committee, to wit: the Compliance Supervisory Board and the Committee of Ethics. Each of them is addressed in an independent section.

External committees: the Social Advisory Board

Regulations

In December 2002, the Board of Directors authorized the creation of the Social Advisory Board and approved its Regulations, which determine the principles of action, the basic rules governing its organisation and proceedings and the rules of conduct of its members. Such Regulations were amended in 2015 and 2017.

Composition

The following members sit on Inditex's Social Advisory Board: Mr Ezequiel Reficco; Ms Cecilia Plañiol Lacalle; Ms Paula Farias Huanqui; Mr Francisco Javier Sardina López and Mr Víctor Viñuales Edo.

Powers

Reporting to the Board of Directors, the Social Advisory Board is Inditex's advisory body in the field of Sustainability.

Activities

In 2018, the Social Advisory Board held three meetings. The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Social Advisory Board in 2018 stands at 100%.

The main lines of action of the Social Advisory Board have focused on the following: (i) in the meeting held on 22 February 2018, it gave a favourable report to the non-financial information and information on diversity of the Inditex Group for FY2017; (ii) in the meeting held on 14 June 2018, it gave a favourable report to the social and environmental sections of the 2017 Annual Report; and, (iii) in the meeting held on 10 December 2018, it gave a favourable report to the main lines of the new 2019-2022 Strategic Sustainability Plan.

5. Remuneration

5.1. Remuneration of Directors

In 2018, the aggregate remuneration of the Board of Directors amounted to €11,419k.

Included in such remuneration is the amount corresponding to: (i) the incentive in shares and in cash accrued by the Executive Chairman under the first cycle (2016-2019) of the 2016-2020 Long-term Incentive Plan addressed to members of management and other employees of the Inditex Group; and, (ii) the remuneration accrued in 2018 by Mr Carlos Espinosa de los Monteros and Ms Pilar López Álvarez, on a pro-rata basis for the period during which they held their respective offices as member of the Board of Directors and members of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee.

5.2. Annual Report on Remuneration of Directors

The Board of Directors approved on 12 March 2019 the Annual Report on Remuneration of Directors for FY2018 prepared by the Remuneration Committee, pursuant to the provisions of section 541 of the Companies Act; Order EEC/461/2013 of 20 March, whereby the contents and structure of the annual corporate governance report, the annual remuneration report and other information instruments of listed public companies, savings banks and other entities which issue securities admitted to trading in official securities markets, are determined; and in CNMV's Circular 2/2018 amending Circular 4/2013 of 12 June, that establishes the template of the Annual Report on Remuneration of Directors of listed companies. This report is available on www.inditex.com.

The remuneration policy for directors addressed in the 2014 Annual Report on Remuneration of Directors expired on 31 January 2019. Such policy was approved by the Annual General Meeting on 14 July 2015 for the following three financial years, i.e., 2016, 2017 and 2018.

In light of the foregoing, the Board of Directors approved on 12 June 2018, on the proposal of the Remuneration Committee, to submit the new Remuneration Policy for Directors for financial years 2019, 2020 and 2021 to an advisory say-on-pay vote, by the Annual General Meeting held on 17 July 2018, as a separate item on the agenda. The Remuneration Policy was approved with 99.38% of votes for.

102-18, 102-19, 102-29, 102-33

6. Senior Executives

As at 31 January 2019, Inditex's Senior Executives, excluding the Executive Chairman are:

Name (person or company)	Office
Mr Antonio Abril Abadín	General Counsel and Secretary of the Board
Ms Lorena Alba Castro	Chief Logistics Officer
Mr Carlos Crespo González	Chief Operating Officer
Mr José Pablo del Bado Rivas	Director of PULL & BEAR
Mr Jesús Echevarría Hernández	Chief Communication Officer
Mr Ignacio Fernández Fernández	Chief Financial Officer
Mr Antonio Flórez de la Fuente	Director of BERSHKA
Mr Begoña López-Cano Ibarreche	Chief Human Resources Officer
Mr Abel López Cernada	Import, Export and Transport Director
Mr Marcos López García	Capital Markets Director
Mr Juan José López Romero	General Services and Infrastructures Director
Mr Gabriel Moneo Marina	Chief IT Officer
Mr Javier Monteoliva Díaz	Legal Director
Ms María Lorena Mosquera Martín	Director of ZARA HOME
Ms Paula Mouzo Lestón	Chief Audit Officer
Mr Jorge Pérez Marcote	Director of MASSIMO DUTTI
Mr Óscar Pérez Marcote	Director of ZARA
Mr Felix Poza Peña	Chief Sustainability Officer
Mr Ramón Reñón Túñez	Deputy General Manager [Director General Adjunto al Presidente y Consejero Delegado]
Mr José Luis Rodríguez Moreno	Director of UTERQÜE
Ms Carmen Sevillano Chaves	Director of OYSHO
Mr Jordi Triquell Valls	Director of STRADIVARIUS

6.1. Remuneration of Senior Executives

In 2018, the aggregate remuneration accrued by Senior Executives above amounted to €44.936k.

Included therein is the amount corresponding to: (i) an incentive in shares and in cash accrued by senior executives under the first cycle (2016-2019) of the 2016-2020 Long-term Incentive Plan addressed to members of management and other employees of the Inditex Group; and (ii) the remuneration accrued in 2018 by Ms Paula Mouzo Lestón, Ms Eva Cárdenas Botas and Ms María Lorena Martín Mosquera, on a pro-rata basis for the period during which they performed Senior Management duties.

6.2. Severance or golden parachute clauses

This type of clause is included in the employment agreements entered into with 23 officers, including the Executive Chairman. The main description of these clauses is included in the Annual Corporate Governance Report, available on www.inditex.com.

7. Related–party transactions and conflict of interest situations

7.1. Related–party transactions

The power to approve any transaction between the Company and a director or a significant shareholder is exclusively reserved to the Board of Directors. Prior to such approval, it is incumbent on the Audit and Control Committee to report on such transactions which entail or might entail any conflict of interest situation, related-party transactions or transactions which entail the use of corporate assets.

Under no circumstance shall the Board of Directors approve the transaction if previously a report has not been issued by the Audit and Control Committee evaluating the transaction from the standpoint of market conditions.

As regards transactions with significant shareholders, the Audit and Control Committee shall examine them also from the standpoint of an equal treatment between all shareholders.

In the case of transactions within the ordinary course of Company business and being of a customary or recurrent nature, a general authorization of the line of transactions and their conditions of execution will suffice.

The Company shall report on the transactions it has conducted with directors, significant shareholders and related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, with the scope provided in statute for each case. Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by the Company or any companies within the Inditex Group with directors and with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out in normal market conditions.

No Board authorization is required for those related-party transactions that meet at the same time the following terms:

i. they are conducted under contracts with standard terms and conditions which apply en masse to many customers;

ii. they are conducted at prices or rates generally established by the suppliers of the good or service in question; and.

iii. their amount is not in excess of 1% of the Company's annual revenues.

The detail of the transactions carried out by the Inditex Group with related parties, whether natural or legal, and of significant transactions carried out by Inditex with other entities belonging to the same Group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the Company as regards its object and conditions, is provided in section D.2 of the Annual Corporate Governance Report.

7.2. Mechanisms to prevent conflict of interest situations

The definition of "conflicts of interest" situations is provided in the Board of Directors' Regulations, which also lay down the rules governing such situations. The following situations which may entail a conflict of interest are addressed therein: the rendering of professional services in competing companies, the use of corporate assets and/or the use of non-public company information for private purposes, taking advantage of business opportunities of the Company or making undue influence of office. On the other hand, the specific questions regarding which Directors must provide information to the Company are covered in the heading "Duties of information of the director" of the Board of Directors' Regulations.

Section 34 of such set of rules also provides the principles which shall govern the proceedings of all the persons affected by a conflict of interests (prevention, information, abstention and transparency).

Additionally, the Board of Directors' Regulations set forth that the rules of conduct provided therein for the Directors shall apply, to the extent that they are compatible with their specific nature, to the Company's senior executives; namely, and with the due nuances: the duty of confidentiality; the conflicts of interest, in connection with the duty of informing the Company; the use of corporate assets for private purposes; the confidentiality of non-public information; the business opportunities and prohibition to make undue influence of the office.

Likewise, with regard to significant shareholders, the Board of Directors' Regulations provide the rules which apply to "Transactions with directors and significant shareholders".

Among the duties it is entrusted with, it is incumbent on the Audit and Control Committee to report on the transactions which entail or might entail any conflict of interest, related-party transactions or which entail the use of corporate assets, and generally, on those topics covered under Chapter IX of the Board of Directors' Regulations. In light of the report of the Audit and Control Committee, approval of the transaction, where appropriate, falls on the Board of Directors.

Additionally, section 4.8 of the Code of Conduct and Responsible Practices addresses the situations in which the employees must disclose to the Committee of Ethics the existence of a conflict between their personal interests and those of the Company.

8. Transparency, independence and good governance

8.1. Financial information

The individual and Group consolidated annual accounts of the Company that are presented in order to be stated by the Board of Directors are previously certified by the Executive Chairman and the Chief Financial Officer.

The Audit and Control Committee, mostly made up of non-executive independent directors, meets with the statutory auditors in order to review the Company's annual accounts as well as certain periodic financial information that the Board of Directors must provide to the markets and their supervisory boards, overseeing compliance with legal requirements and correct application of generally accepted accounting principles in the statement of such annual accounts. In such meetings, any disagreement or difference of opinion existing between the Company's management and the external auditors is put forward, so that the Board of Directors can take the appropriate steps to ensure that the auditors' report is issued without qualifications. In line with best practices in the field of corporate governance, members of the Board of Directors meet with the statutory auditors without any officer of the Company being present.

Furthermore, before stating the annual, half-yearly or quarterly financial statements, the management of the Company also meets with the Audit and Control Committee and is subjected by the latter to suitable questions as to, inter alia, the application of accounting principles or the estimates made upon preparing the financial statements. Such topics are subject to discussion with the external auditors.

The independent auditors' report on Financial Statements for financial year 2018 has been issued without qualifications.

8.2. Auditors' independence

Mechanisms set to preserve the independence of the external auditors are:

- The relationships of the Board of Directors with the statutory auditors of the Company shall be channeled through the Audit and Control Committee.
- The Audit and Control Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the Company of an audit firm incurring in any incompatibility in accordance with the legislation on auditing as well as an audit firm where the fees that it expects to pay them, for all services in all areas, are in excess of the limits provided in the laws on auditing.
- The Audit and Control Committee, mostly made up of independent directors, proposes to the Board of Directors the appointment and re-election of the statutory auditors, to be submitted to the Annual General Meeting, as well as the terms of their contracts, the scope of their professional mandate and, where appropriate, the termination or non—renewal of their appointment.
- The Audit and Control Committee shall regularly receive from the statutory auditor information on the audit plan and the results of its implementation; it shall follow-up on the recommendations proposed by the auditor and it may request its collaboration should it deem it appropriate.
- Among the functions of the aforementioned Committee is that of liaising with statutory auditors in order to receive information on those matters that could jeopardise their independence and on any other matter related to the carrying out of the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards.
- The Committee shall ask the auditor for a statement on its independence with regard to the Company, or its direct or indirect affiliates, as well as for detailed and separate information on any additional services of any type provided by auditors or any related-party thereto, and the relevant fees, pursuant to the provisions of the law on auditing. Likewise, the Audit and Control Committee shall oversee the application of the internal procedures to ensure quality and protect the independence, implemented by the auditor. The Committee shall oversee and authorize, where appropriate, the hiring of the auditor for the provision of non-audit services.
- The Audit and Control Committee shall issue a report every year, prior to the issue of the auditors' report, expressing an opinion on the independence of external auditors of the Company, and including a reasoned valuation of the provision of each and every additional service other than those covered in the audit agreement.
- The Audit and Control Committee oversees the terms and the enforcement of the agreements entered into with the external auditors of the Company to carry out assignments or tasks other than those covered in the audit agreement.
- The external auditors consult periodically with the Audit and Control Committee, in order to review the annual accounts of the Company that the Board of Directors must provide to the markets and their supervisory boards. On the other hand, the Board of Directors shall meet with the statutory auditors, at least once a year, to be apprised of the work done and of the evolution of the status of accounting and risks of the Company.
- The Company reports in its consolidated annual report and in the Annual Corporate Governance Report on the fees paid to its external auditors for each item other than the auditing of the financial statements.

On the other hand, the Procedure to Contract an Auditor for the Provision of Additional Non-audit Services, approved by the Audit and Control Committee on 18 July 2016, regulates the process that shall be followed so that such Committee may be apprised of and, where appropriate, authorize, the agreements executed by the Company and the entities within its Group with external auditors for the provision of non-audit services, as a mechanism to ensure the due independence of the latter. Additionally, such Procedure lists a number of services that under no circumstances may be provided by external auditor. For the purposes of reinforcing the duty to oversee and establish the independence of Inditex's statutory auditor, the engagement by Inditex's parent company of non-audit services from such auditor shall be subject to the prior authorization of Inditex's Audit and Control Committee.

The Audit and Control Committee approved on 12 March 2018 the report on the independence of the external auditors for FY2017, which also addressed the provision of certain additional non-audit services.

Likewise, on 11 June 2018, the Audit and Control Committee tabled to the Board of Directors the motion on the re-election of the external auditors, to be submitted to the Annual General Meeting.

As regards the mechanisms established to ensure the independence of financial analysts, the Company releases information to the market following the principles included in the Internal Regulations of Conduct regarding Transactions in Securities (IRC), especially relating to the obligation that the information must be accurate, clear, quantified and complete, avoiding subjective assessments that lead or might lead to confusion or deceit. The Company relies on the Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors, which is available on its website.

8.3. External audit fees

	Company	Group	Total
Amount of non-audit work (€k)	40	43	83
Amount of non-audit work / total amount charged by the audit firm (in %)	11.5%	0.6%	1.2%

9. Internal Regulations of Conduct regarding transactions in Securities (IRC) and Compliance Supervisory Board

The original wording of the IRC was approved by the Board of Directors in July 2000. It contains, among other things, the rules governing the confidentiality of relevant information, transactions involving securities of Inditex by the persons included in its scope, the treasury stock policy and the communication of relevant facts.

The new IRC was approved by the Board of Directors on 19 July 2016, for the purposes of updating its contents within the European regulatory framework against market abuse, comprising the Market Abuse Regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council, of 16 April 2014) and Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse, which seeks to reinforce market integrity and establish mechanisms for a streamlined implementation and supervision within the different Member States of the European Union.

Pursuant to the IRC, the proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be relevant information, and namely to financial information, shall comply with the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality.

Compliance with the IRC is mandatory for all the persons included in its scope of application. In this regard, noncompliance with the IRC may give rise to the relevant disciplinary sanctions, as the case may be.

The Compliance Supervisory Board (hereinafter, the "CSB") which reports directly to the Audit and Control Committee of the Board of Directors, is mainly responsible for developing procedures and implementing regulations to enforce the IRC. Such Supervisory Board is composed of:

- The Executive Chairman
- The General Counsel and Secretary of the Board
- The Chief Financial Officer
- The Capital Markets Director, and
- The Chief Human Resources Officer.

GCO-OCCO is responsible for monitoring compliance with the IRC by directors, officers, employees and any other person to whom the IRC applies. The GCO-OCCO keeps a General Documentary Register of all Affected Persons, and relies on a number of tools to automatically cross-reference information regarding transactions in securities of the Company.

C) Corporate internal ethical culture

Inditex has implemented a corporate ethical culture, which is at the core of its Compliance Model. Such Model not only seeks to establish a regulatory compliance system, ultimately intended to limit or even prevent any manner of liability for the Company, but it also aims at reflecting Inditex's firm commitment to good governance and social and environmental sustainability, and conveying its corporate ethical culture to all its stakeholders, thus promoting respect for fundamental Human and Labour Rights across its supply chain.

This is evidenced by the fact that the conduct policies of the Company and its organizational documents are considered high-level regulations and the main drivers of the Company's Compliance Model. Inditex's main conduct policies are:

- The Code of Conduct and Responsible Practices

The main goal of the Code of Conduct and Responsible Practices consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal growth and career development of its employees is based. For such purposes, the principles and values which shall govern the relationship between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined in the Code.

The Code of Conduct and Responsible Practices of the Inditex Group is based upon a number of general principles, inter alia, that according to which the operations of the Inditex Group shall be developed under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of the Group shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

Additionally, the Code includes a number of conduct commitments and commitments towards responsible practices, including: (i) compliance with applicable laws and regulations, internal regulations, conventions to which Inditex has acceded; (ii) enforcement of human and labour rights, and of the regulations and best practices in the area of employment, health and safety at work; (iii) the obligation to act in accordance with the following principles: respect, dignity and justice, taking into account the different cultural sensitivity of employees and/or customers, their diversity, multiculturalism, not allowing any form of violence, harassment or abuse, or discrimination;(iv) compliance with the product health and safety standards which ensure that Inditex's goods do not entail any health and/or security hazard; (v) the creation of fair, ethical and respectful relations with suppliers and public authorities, in line with the international provisions on anti-corruption and anti-bribery; (vi) the obligation to prevent and monitor any conflict of interest situations; (vii) the duty to use Inditex's assets and services in an effective manner, to protect the information of the Company, and to enforce the regulations on personal data protection; (viii) the obligation to protect industrial and intellectual property, both of the Group and of third parties; (ix) the duty to clearly and accurately record any transaction of significant financial weight in the appropriate accounting records, and; (x) the conduct of Inditex's business promoting social and environmental sustainability, as a way to build value for all the stakeholders.

- **The Code of Conduct for Manufacturers and Suppliers**

As provided in section A), the Code of Conduct for Manufacturers and Suppliers defines the minimum standards of ethical and responsible behaviour which must be met across the entire supply chain, in line with the corporate culture of the Inditex Group, firmly rooted in respect for Human Rights.

Compliance with the Code of Conduct for Manufacturers and Suppliers is mandatory for all manufacturers and suppliers involved in purchasing, manufacturing and finishing processes of the goods that the Group sells, and it is based on the general principles which define Inditex's ethical behaviour, as described above. Compliance with all the standards set out in the Code of Conduct for Manufacturers and Suppliers is a pre-requisite for any supplier or manufacturer to become part of Inditex's supply chain.

The Committee of Ethics and the Whistle Blowing Channel

A collegial body, the Committee of Ethics is composed of four (4) members:

- The General Counsel and Chief Compliance Officer, who chairs it.

- The Chief Audit Officer.

- The Chief Sustainability Officer.

- The Chief Human Resources Officer.

The Committee of Ethics reports to the Board of Directors through the Audit and Control Committee and has the following duties:

- Overseeing compliance with Inditex conduct policies and any other applicable mandatory and/or internal regulations.

- Overseeing compliance with and the effectiveness of the Model of Criminal Risk Prevention.

- Addressing any doubts which may arise regarding the enforcement of the Code of Conduct.

- Proposing to the Board of Directors, following a report of the Audit and Control Committee, any explanation and/or any implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.

- Overseeing the Whistle Blowing Channel and compliance with the Whistle Blowing Channel Procedure.

A Whistle Blowing Channel is available to all employees of Inditex, manufacturers, suppliers or third parties with any direct relationship and a lawful business or professional interest, regardless of their tier or geographical or functional location, so that they may report any irregular or unlawful conduct related to noncompliance with any internal regulations of the Group covering conduct policies and regulatory compliance they may be aware of, by other employees, manufacturers or third parties engaged in a direct employment, business or professional relationship, by means of a report made in good faith. The Committee of Ethics may also act of its own motion. Additionally, any queries regarding the construction or enforcement of the internal conduct policies, may also be raised through the Whistle Blowing Channel.

In the performance of its duties related to management and supervision of the Whistle Blowing Channel, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background received and of the proceedings carried out, unless the disclosure of information is required by law or judicial order.

- The thorough review of any information or document that triggered its action.

- The commencement of appropriate proceedings that adjust to the circumstances, where it shall always act with independence and full respect of the right of the affected person to be heard as well as of the presumption of innocence principle.

- The indemnity of any reporting party who has submitted or brought complaints in good faith to the Committee.

Upon receipt of any report, the Committee of Ethics shall verify first whether it falls under its remit. If such were the case, the Committee of Ethics shall refer such report to the relevant department or area so that this latter would launch the relevant investigation. Otherwise, the Committee shall order the closing of proceedings.

In light of the conclusions drawn further to the relevant investigation, and having heard first the interested party, the Committee of Ethics shall take one or more of the following measures, having considered and weighted them where appropriate, with the relevant department or departments:

- The remedy of the breach;

- The relevant sanctions or actions; and/or;

- The closing of proceedings, where no breach whatsoever has occurred.

Decisions of the Committee of Ethics are binding for the Company and its employees.

The Committee of Ethics submits a report at least twice a year to the Audit and Control Committee, reviewing its proceedings, the enforcement of the Code of Conduct and Responsible Practices and of the Code of Conduct for Manufacturers and Suppliers, and the results of the supervision of the Model of Criminal Risk Prevention.

Additionally, the Audit and Control Committee reports to the Board of Directors, on an annual basis as well as upon its request, on the enforcement of the Code of Conduct and Responsible Practices and of the additional documents which comprise the Group's corporate compliance model from time to time in force.

In 2018, the Committee of Ethics has seen 302 cases, 278 of them further to notice or report and the remaining 24 were launched ex-officio.

Proceedings of the Whistle Blowing Channel are addressed in the Whistle Blowing Channel Procedure.

SUSTAINABILITY IN FIGURES

Sustainability Balance Sheet

1. Summary of indicators

	2018	2017
OUR PEOPLE		
Total number of employees	174,386	171,839
Employees by sex (percentage)		
Men	25%	25%
Women	75%	75%
Employees by activity (percentage)		
Stores	87%	87%
Logistics	5%	5%
Manufacture	1%	1%
Central Services	7%	7%
Number of Nationalities	154	97
Average length of service to the Company		
Less than 5 years	70%	70%
Between 5 and 10 years	12%	15%
Over 10 years	18%	15%
Type of contract		
Permanent	73%	73%
Temporary	27%	27%
Type of workday		
Full-time	51%	50%
Part-time	49%	50%
SOCIALLY RESPONSIBLE SUPPLY CHAIN		
Number of product suppliers with purchase [(1)]	1,866	1,824
Number of A suppliers	661	661
Number of B suppliers	1,045	962
Number of C suppliers	80	101
Number of CAP suppliers	47	71
Number of PR suppliers	33	29
Number of rejected suppliers	50	64
Number of active suppliers	1,816	1,760
Number of factories declared by suppliers	7,235	7,210
Number of audits	12,064	11,247
Number of *pre-assessment* audits	2,177	2,252
Number of social audits	5,359	4,215
Number of special audits	1,982	2,159
Number of traceability audits	2,546	2,621
Number of external audits	8,568	7,118
Number of internal audits	3,496	4,129

	2018	2017
EXCELLENCE OF OUR PRODUCTS		
Garments placed on the market [(2)]	1,597,260,495	1,550,152,707
Join Life garments put on sale (in millions)	136	73.6
Number of chemical products regulated by *The List, by Inditex* [(3)]	25,943	19,780
Number of audits in the *Ready to Manufacture* Programme	2,008	1,735
Inspections of the *Picking* Programme	63,420	59,687
Number of analyses on garments in the *Picking* Programme [(4)]	794,744	756,265
CIRCULARITY AND EFFICIENT USE OF RESOURCES		
Number of stores participating in the *Closing the Loop* Programme	1,382	598
Tonnes of garments collected through *Closing the Loop*	14,824	12,229
Global relative energy consumption (MJ/m²)	1,068.26	1,096.21
% of the Group's energy needs covered with renewable energy	44.91%	40.73%
CO_2 emissions per square metre (Kg CO_2 per m^2) [(5)]	76.56	78.54
Products recovered to be sent for recycling (t) [(6)]	19,247	18,421
CONTRIBUTION TO COMMUNITY WELFARE		
Corporate Community Investment (CCI) (euros)	46,218,895	48,129,552
Number of direct beneficiaries	2,425,639	1,584,446
Number of community organisations supported	413	409
Number of CCI projects implemented	622	594
Number of garments donated to social causes	3,225,462	3,673,993
Number of hours spent by employees on CCI activities during working hours	118,077	73,457
Number of Social Board meetings	3	3
TRANSPARENCY AND GOOD GOVERNANCE		
Dow Jones Sustainability Index	68/100	78/100
FTSE4Good	4.3/5	4.8/5
SUSTAINABILITY TEAM		
Total number of people in the Sustainability Team	4,925	4,901
Internal Team	151	145
External Team	4,774	4,756

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

(2) Includes all product units placed on the market through all stores, whether owned or franchised.

(3) Data of 2017 corresponds to III edition of the programme that started in 2015 and ended in March 2017. Data of 2018 corresponds to an estimation for the IV edition.

(4) Excludes analysis and trials of Tempe articles.

(5) Includes scope 1 and 2 emissions.

(6) Includes waste generated in the head office, brand head offices, all Inditex plants and logistics centres.

1.1. Mentions received by the Inditex Group in 2018

Entity	Mention	Score / Position
INDITEX		
SUSTAINABILITY AWARDS AND CERTIFICATIONS		
Dow Jones Sustainability Indexes	Dow Jones Sustainability Index	68/100
	Classification on the Retailing Category	1
ROBECOSAM Sustainability Award Gold Class 2018	Sustainability Yearbook	Gold
FTSE4Good	Financial Times Sustainability For Good (FTSE4Good)	4.3/5
CDP	CLIMATE CHANGE	A-
	FOREST	B
	WATER	B
Baptist World Aid Australia	Ethical Fashion Report	A-
KnowTheChain	Transparency Snapshot: A Pilot Benchmark Report	5 (70/100)
AWARDS AND PRIZES OF CORPORATE REPUTATION		
Corporate Knights	Global 100 Most Sustainable Corporations	54
Forbes	The Most Innovative Companies	54
	Global 2000	289
	Apparel Rank The world's 25 Biggest Apparel Companies	2
FORTUNE	Make the World Great Again	4
merco	Merco Companies	1
	Merco Responsibility and Corporate Governance	3
McKinsey & Company	World's Most Valuable Fashion Company	1
Reputation Institute	RepTrak Spain	47
Deloitte.	Global Powers of Retailing	35
ADVICE Strategic Consultants	Companies with the best reputation in Spain	1
FutureBrand Inditex Top 100	Future Brand (McCann Worldgroup)	13
Gartner	The Gartner Supply Chain Top 25	2
ACKNOWLEDGEMENTS AND AWARDS FOR TALENT MANAGEMENT		
merco	Merco Talent	1
	Merco University Talent	3
universum	Most Attractive Employers Spain	3
Adecco	Best Company to Work in Textile Distribution	x

Entity	Mention	Score / Position
AWARDS AND PRIZES TO OUR BRANDS		
ZARA		
Interbrand	Best Global Brands	25
	Best Spanish Brands	1
	Best valued Spanish fashion brand at an international level	1
Forbes	The World's Most Valuable Brands	46
WPP (Millward Brown)	BrandZTop75. Most Valuable Global Retail Brands	10
	BrandZ Top 100. Most Valuable Global Brands	42
	BrandZ Top 30. Most Valuable Spanish Brands	1
Brand Finance	Global 500 The World's Most Valuable Brands	81
	The World's 50 Biggest Apparel Companies	3
	Top 100 Brand Spain	1
Massimo Dutti		
WPP (Millward Brown)	BrandZ Top 30. Most Valuable Spanish Brands	9
Brand Finance	The World's 50 Biggest Apparel Companies	46
PULL&BEAR		
WPP (Millward Brown)	BrandZ Top 30. Most Valuable Spanish Brands	11
Bershka		
WPP (Millward Brown)	BrandZ Top 30. Most Valuable Spanish Brands	12
Brand Finance	The World's 50 Biggest Apparel Companies	31
Stradivarius		
WPP (Millward Brown)	BrandZ Top 30. Most Valuable Spanish Brands	15

2. Indicators of socially responsible supply chain

2.1. Clusters of suppliers – Traceability

	2018	2017
SPAIN		
Number of suppliers with purchase in the year	186	198
Number of sewing factories associated with suppliers with purchase	172	149
Number of factories involved in other processes associated with suppliers with purchase (*)	231	298
Workforce of manufacturers working for Inditex in Spain	8,804	10,553
PORTUGAL		
Number of suppliers with purchase in the year	165	161
Number of sewing factories associated with suppliers with purchase	875	819
Number of factories involved in other processes associated with suppliers with purchase (*)	410	525
Workforce of manufacturers working for Inditex in Portugal	51,811	49,694
MOROCCO		
Number of suppliers with purchase in the year	125	130
Number of sewing factories associated with suppliers with purchase	294	237
Number of factories involved in other processes associated with suppliers with purchase (*)	31	73
Workforce of manufacturers working for Inditex in Morocco	85,296	77,946
TURKEY		
Number of suppliers with purchase in the year	189	177
Number of sewing factories associated with suppliers with purchase	949	704
Number of factories involved in other processes associated with suppliers with purchase (*)	619	755
Workforce of manufacturers working for Inditex in Turkey	251,277	213,711
INDIA		
Number of suppliers with purchase in the year	121	131
Number of sewing factories associated with suppliers with purchase	203	231
Number of factories involved in other processes associated with suppliers with purchase (*)	164	151
Workforce of manufacturers working for Inditex in India	275,377	217,608
BANGLADESH		
Number of suppliers with purchase in the year	120	114
Number of sewing factories associated with suppliers with purchase	225	166
Number of factories involved in other processes associated with suppliers with purchase (*)	81	130
Workers of manufacturers working for Inditex in Bangladesh	536,934	541,029

	2018	2017
VIETNAM		
Number of suppliers with purchase in the year	5	5
Number of sewing factories associated with suppliers with purchase	136	128
Number of factories involved in other processes associated with suppliers with purchase (*)	13	17
Workers of manufacturers working for Inditex in Vietnam	137,548	151,395
CAMBODIA		
Number of suppliers with purchase in the year	2	2
Number of sewing factories associated with suppliers with purchase	133	92
Number of factories involved in other processes associated with suppliers with purchase (*)	11	35
Workers of manufacturers working for Inditex in Cambodia	143,026	126,529
CHINA		
Number of suppliers with purchase in the year	449	425
Number of sewing factories associated with suppliers with purchase	1,472	1,396
Number of factories involved in other processes associated with suppliers with purchase (*)	431	470
Workers of manufacturers working for Inditex in China	410,268	406,733
PAKISTAN		
Number of suppliers with purchase in the year	57	45
Number of sewing factories associated with suppliers with purchase	96	72
Number of factories involved in other processes associated with suppliers with purchase (*)	21	35
Workers of manufacturers that work for Inditex in Pakistan	231,779	161,950
ARGENTINA (**)		
Number of suppliers with purchase in the year	26	37
Number of sewing factories associated with suppliers with purchase	30	36
Number of factories involved in other processes associated with suppliers with purchase (*)	23	31
Workers of manufacturers working for Inditex in Argentina	3,630	4,355
BRAZIL (**)		
Number of suppliers with purchase in the year	4	12
Number of sewing factories associated with suppliers with purchase	5	25
Number of factories involved in other processes associated with suppliers with purchase (*)	2	19
Workers of manufacturers working for Inditex in Brazil	2,313	11,328

(*) Includes raw materials, cutting, dying and washing, printing and finishing. The main process has been considered for those factories that perform more than one process. Due to the updating of Inditex's traceability tool, the denomination of the processes in the internal systems has changed. Therefore, the information on processes is not comparable with that of previous years.

(**) All suppliers and active factories of the region are included for these data to be representative.

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2.2. Workers at the Centre. 2018 review

PROGRAMMES	SDGs	Countries	Lines of action	Number of factories and suppliers	Number of workers benefitted	Other KPIs
Worker participation	8, 16, 17	Turkey, Bulgaria, Romania, India, Bangladesh, Cambodia, Vietnam, Indonesia, and Myanmar	Training and awareness	86	114,094	5 members of the Sustainability team 5 local affiliates of IndustriALL
			Multilevel stakeholder relations	121	172,510	n.a.
			Transparency and collaboration on the ground	41	74,903	n.a.
Living wages	8, 5, 10, 17	Spain, Portugal, Turkey, Cambodia, India, China, Bangladesh, Pakistan, Romania, Bulgaria and Argentina	Promotion of collective bargaining	86	114,094	5 members of the Sustainability team 5 local affiliates of IndustriALL
			Responsible purchasing practices	n.a	n.a	142 buyers trained 107 awareness meetings with buyers
			Improved working methods and systems	25	18,013	n.a.
			Collaboration with stakeholders	n.a	n.a	2 countries as main focus of ACT: Cambodia and Turkey
			Support campaigns	n.a	n.a	Support campaign in Bangladesh
Responsible purchasing practices	4, 8, 12, 13, 17	Spain, Turkey, India, Bangladesh, China, Cambodia and Argentina	Participation of Inditex's internal teams	n.a	n.a	142 buyers trained 107 awareness meetings with buyers More than 105,000 employees with access to sustainability training.
			Engagement with suppliers	154	n.a	11 suppliers collaborated in ACT meetings
			Collaboration with the industry	n.a	n.a	Commitments to promote responsible purchasing practices
Women empowerment	3, 5, 8, 17	Morocco, Turkey, India and Bangladesh	Health	13	9,414	n.a
			Protection	5	6,800	266 agents sensitized 6,407 schoolchildren trained 12,727 parents sensitized
			Empowerment	8	8,332	n.a
Occupational health and safety	3, 8, 17	Portugal, Morocco, India, Bangladesh and Pakistan	Identification and planning	39	94,097	n.a
			Operation and support	64	12,395	Management of 60 communications
			Verification of positive impacts	207	421,632	691 verification visits
			Sustainability of improvements	49	54,096	n.a
Protection of migrants	8, 10, 17	Turkey, China and Brazil	Prevention and detection	n.a	n.a	1,193 social audits in Turkey and 1,350 in China
			Training and awareness raising	41	6,263	n.a
			Remediation	n.a	n.a	140 individual remediation plans
			Integration	9	1,605	n.a
Training and awareness	4, 8, 12, 17	Spain, Portugal, Morocco, Turkey, India, Bangladesh, Vietnam, Cambodia, China, Pakistan, Argentina and Brazil	Sustainability teams	n.a	n.a	47 members of the internal Sustainability team trained
			External auditors	n.a	n.a	557 external auditors trained
			Suppliers	1,107	n.a	710 individual meetings with suppliers
			Purchasing teams and other areas	n.a	n.a	142 buyers trained 107 awareness meetings with buyers More than 105,000 employees with access to sustainability training.

2.3. 2014–2018 Strategic Plan

Classification and volume of production of suppliers with purchase in 2018 (*)

	2018		2017		2018	2017
	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	661	35%	661	36%	37%	37%
B	1045	56%	962	53%	59%	58%
C	80	4%	101	5%	2%	2%
CAP	47	3%	71	4%	1%	2%
PR	33	2%	29	2%	1%	1%
Total general	**1,866**	**100%**	**1,824**	**100%**	**100%**	**100%**

Classification and production volume of suppliers with purchase in 2018 per region (*)

	2018		2017		2018	2017
Africa	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	67	46%	66	44%	52%	53%
B	59	40%	59	39%	37%	35%
C	13	9%	8	5%	9%	5%
CAP	5	3%	15	10%	2%	6%
PR	1	2%	3	2%	0%	1%
Total general	**145**	**100%**	**151**	**100%**	**100%**	**100%**
America	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	13	59%	28	58%	30%	36%
B	8	36%	18	38%	70%	63%
C	1	5%	2	4%	0%	1%
CAP	0	0%	0	0%	0%	0%
PR	0	0%	0	0%	0%	0%
Total general	**22**	**100%**	**65**	**100%**	**100%**	**100%**
Asia	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	273	26%	269	27%	30%	30%
B	695	67%	616	63%	66%	66%
C	42	4%	62	6%	3%	2%
CAP	16	2%	31	3%	1%	2%
PR	14	1%	2	1%	0%	0%
Total general	**1,040**	**100%**	**980**	**100%**	**100%**	**100%**
Europe (non-EU)	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	76	38%	62	34%	51%	47%
B	89	45%	85	47%	41%	44%
C	14	7%	15	8%	3%	4%
CAP	18	9%	15	8%	4%	4%
PR	3	1%	5	3%	1%	1%
Total general	**200**	**100%**	**179**	**100%**	**100%**	**100%**
European Union	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	232	51%	236	51%	41%	43%
B	194	42%	184	40%	58%	56%
C	10	2%	14	3%	0%	0%
CAP	8	2%	10	2%	0%	0%
PR	15	3%	19	4%	1%	1%
Total general	**459**	**100%**	**463**	**100%**	**100%**	**100%**

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

Evolution of the classification of suppliers in the past three years (*)

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

Total audits per region 2018

Geographical area	Pre-Assessment	Social	Special	Traceability	Total
Africa	96	380	130	554	1,160
America	15	55	132	561	763
Asia	1,429	2,473	1,398	481	5,781
Europe (non-EU)	378	1,241	201	733	2,553
European Union	259	1,210	121	217	1,807
Total general	**2,177**	**5,359**	**1,982**	**2,546**	**12,064**

2018 External and internal audits

	Pre-Assessment	Social	Special	Traceability	Total
Internal	10	637	1,141	1,708	3,496
External	2,167	4,722	841	838	8,568
Total general	**2,177**	**5,359**	**1,982**	**2,546**	**12,064**

2018 Corrective Action Plan in factories with sensitive non–compliances with the Code of Conduct

Geographical area	Factories that started the improvement process	Factories that improved compliance	Factories in process of improvement	% of CAPs successfully completed
Africa	18	3	8	30%
America	2	1	0	50%
Asia	114	36	51	57%
Europe (non-EU)	194	34	99	36%
European Union	89	26	27	42%
Total general	**417**	**100**	**185**	**43%**

3. Indicators of the excellence of our products

3.1. Results of the *Picking* Programme

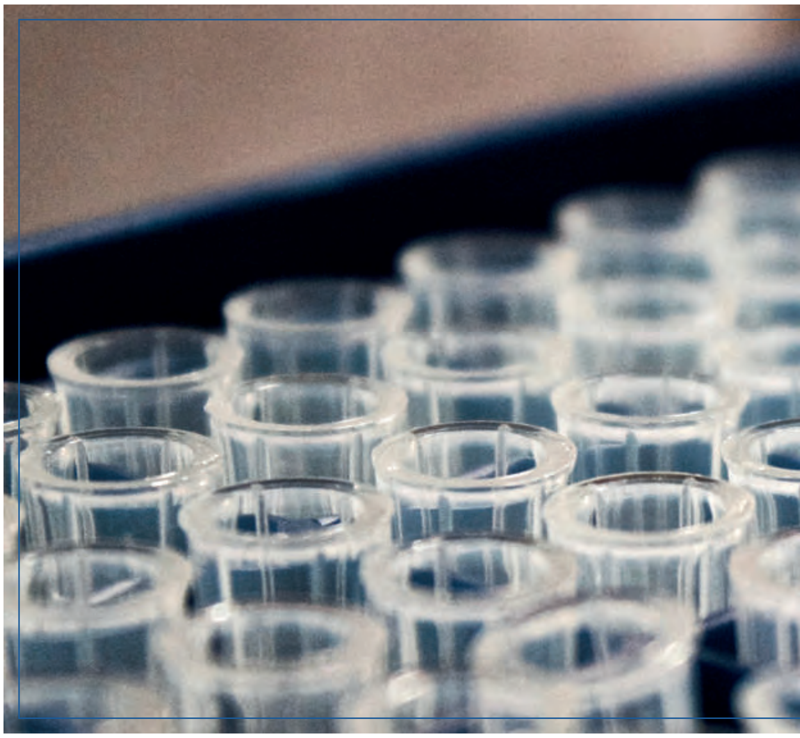
The *Picking* Programme allows us to validate that our products comply with the health and safety standards of Inditex, *Clear to Wear* (CtW) and *Safe to Wear* (StW). In 2018, the initial degree of compliance with our standards was 97.4%. For those initially non-complying cases (2.6%), we apply remediation protocols so that these products are properly fixed, the presence of restricted substances is eliminated, and parameters such as colour soundness are improved to achieve compliance.

Degree of initial compliance

	2018	2017	2016
CtW - Chemical substances	99.1%	99.1%	99.2%
CtW - Parameters	98.6%	98.9%	98.2%
CtW	97.7%	98.0%	97.5%
StW - Parameters	99.8%	99.8%	99.9%
StW - Design	99.8%	99.8%	99.7%
StW	99.6%	99.6%	99.6%
CtW + StW	**97.4%**	**97.6%**	**97.1%**

Degree of initial compliance per geographical area

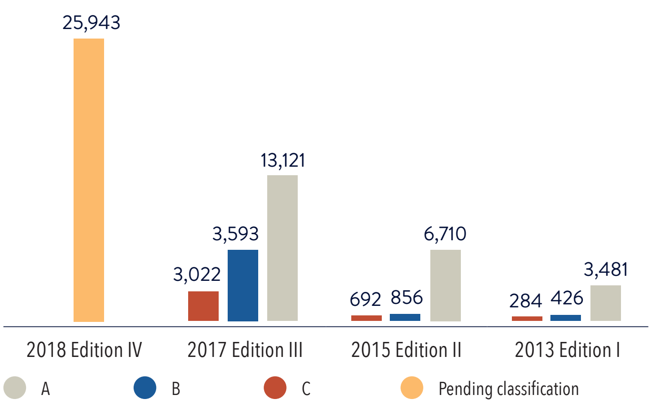
Africa	2018	2017	2016
CtW	97.7%	98.4%	98.0%
StW	99.4%	99.0%	99.2%
CtW + StW	**97.1%**	**97.4%**	**97.3%**
America	**2018**	**2017**	**2016**
CtW	96.1%	97.7%	98.7%
StW	100.0%	100.0%	100.0%
CtW + StW	**96.1%**	**97.7%**	**98.7%**
Asia	**2018**	**2017**	**2016**
CtW	97.5%	97.7%	97.1%
StW	99.8%	99.8%	99.8%
CtW + StW	**97.3%**	**97.6%**	**96.9%**
European Union	**2018**	**2017**	**2016**
CtW	98.3%	98.7%	98.2%
StW	99.5%	99.3%	99.3%
CtW + StW	**97.8%**	**98.1%**	**97.5%**
Non-European Community	**2018**	**2017**	**2016**
CtW	99.6%	98.7%	97.3%
StW	100.0%	100.0%	99.0%
CtW + StW	**99.6%**	**98.7%**	**96.2%**



3.2. *The list, by Inditex* Programme

The List, by Inditex contains a register of chemical products available on the market that are used in the manufacturing processes of textiles and leather. Throughout 2018, we have worked on the development of the IV edition of the programme, in which 57,267 analyses that were carried out will allow the classification of 25,943 chemical products.

Evolution of the substances regulated by *The List, by Inditex* by edition (*)



(*) Chemical products "A": Their use is permitted in the production of Inditex without additional analyses of the installations using them.

Chemical products "B": The use of these products in the supply chain of Inditex involves performing additional analyses during production, as set out in the *Ready to Manufacture* Code.

Chemical products "C": The use of these chemical products is prohibited in Inditex production.

3.3. *Ready to Manufacture* Programme

The *Ready to Manufacture* (RtM) Programme defines a number of rules and requirements applicable to all Inditex direct suppliers, both of textiles and leather, as well as their wet process facilities (dry cleaner's, laundries, tanneries and stamping).

To ensure compliance with the *Ready to Manufacture* Programme, a supervision and control programme is applied to the facilities involved in our production. In 2018, 2,008 audits were performed.

3.4. Health and safety claims

Inditex takes as its top priority the safeguarding of the health and safety of its customers. For this reason, it has demanding standards, constant training and awareness-raising plans and exhaustive prevention and control programmes, which enable it to achieve maximum levels of safety concerning the appearance of non-conformity issues. However, given the potential occurrence of incidents, the product health and safety teams are in continuous communication and coordination with customer service teams, country management teams and any other area of the Company that could be a potential channel for the communication of incidents and/or claims.

In particular, any notification or complaint made by a customer, control body, non-governmental organisation or any other entity that is involved in the health, safety and environmental sustainability of the product is addressed to the health and safety technical teams for evaluation and follow-up. As part of Inditex's commitment, in those cases where there are indications that a marketed product may be unsafe for consumers, the final withdrawal from the stores and the recovery of the units sold would be carried out, and consumers would be informed through the relevant channels.

No product health and safety withdrawals have been made during 2018.

Facilities audited in the *Ready to Manufacture* Programme by geographical area and process

	Dry cleaner's			Laundries			Stamping			Tanneries			Mix (*)		
	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016	2018	2017	2016
Africa	22	15	10	9	10	6	9	4	4	0	0	0	3	3	2
Asia	457	373	299	225	173	98	156	138	97	30	20	17	182	140	121
European Union	133	75	72	22	14	17	78	68	70	26	14	17	33	26	29
Total general	**612**	**463**	**381**	**256**	**197**	**121**	**243**	**210**	**171**	**56**	**34**	**34**	**218**	**169**	**152**

(*) Mix: these are wet process facilities where more than one manufacturing activity is performed.

4. Indicators of efficient resource use

The set of environmental indicators of Inditex and the results obtained during the fiscal year 2018 are given below. These quantitative indicators allow the advances obtained through the management of natural and energy resources during the fiscal year to be assessed.

4.1. Indicators scope

The environmental indicators system includes the data obtained between 01 February 2018 and 31 January 2019.

The data are shown in absolute and relative terms, with the latter being calculated based on the surface square metres of our facilities, for the purpose of representing the efficiency reached after the company activities and the continuous improvement derived from the management.

The scope of the indicators includes the facilities of the Inditex Group, specifically:

- The head offices and the head offices of all brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe and Tempe, all of them located in Spain.
- All Group factories, all of them located in Spain.
- All Group logistics centres.
- All of our own stores.

International offices are not included within the scope. Indicators where the scope is different are given together with the relevant data. In addition, the data corresponding to electricity consumption, natural gas consumption, energy purchases from renewable sources and Scope 1, 2 and 3 emissions have varied with respect to the data reported in the Statement on Non-Financial Information, due to the fact that some data were not available at the time the said Statement was prepared.

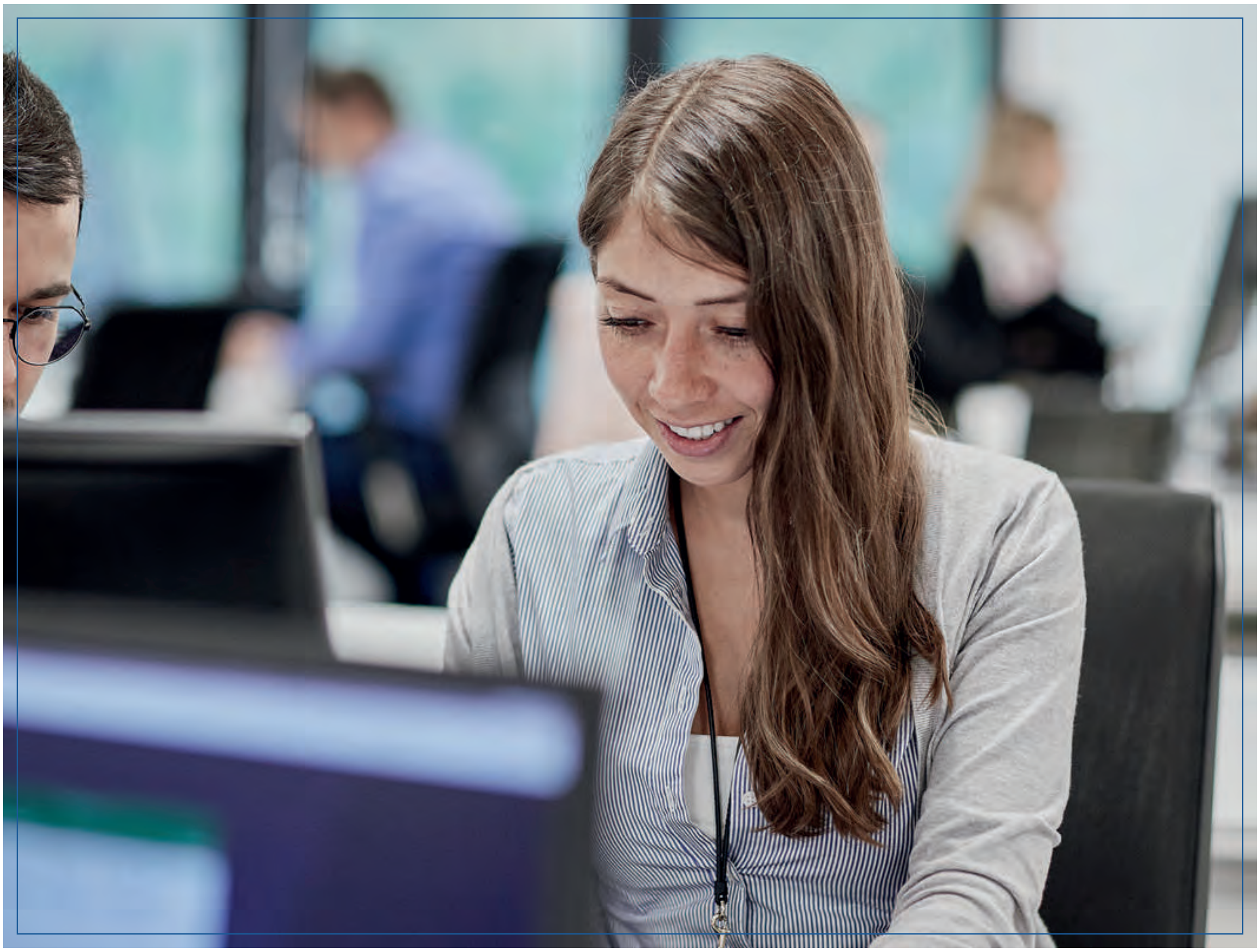
4.2. Factors employed in the calculation

For the greenhouse gas calculations, the indications of the Intergovernmental Panel on Climate Change, IPCC (*Guidelines for National Greenhouse Gas Inventories*, 2006) and the World Resources Institute GHG Protocol (2015) are followed. The emission factors used are as follows:

- Natural gas: 0.2021 Kg CO_2eq/kWh.
- Diesel: 2.6853 Kg CO_2eq/litre.
- Fuel oil: 2.9486 Kg CO_2eq/litre.
- Kerosene: 2.4995 Kg CO_2eq/litre.

The emission factors applied to natural gas, gas oil, fuel oil and kerosene come from the *GHG Protocol* tool for the calculation of emissions derived from stationary combustion, version 4.1 of the World Resources Institute (WRI), 2015. For the calculation of emissions for electricity consumption, the emission factor for the energy mix of each market where Inditex is present has been used. The database used corresponds to the *GHG Protocol* calculation tool of emissions derived from the electricity purchased, version 4.9 of the World Resources Institute (WRI), 2017.

- Conversion factors:
  - 1 tonne of diesel = 1.035 equivalent tonnes of oil (tep.).
  - 1 tonne of fuel oil = 0.96 equivalent tonnes of oil (tep.).
  - 1 tonne of kerosene = 1.065 equivalent tonnes of oil (tep.).
  - Diesel density = 0.832 kg/litre at 15° C (Joint Research Centre, 2007).
  - Fuel oil density = 0.79 kg/litre (World Resource Institute (2015). *GHG Protocol tool for stationary combustion.* V.4.1.)
  - Kerosene density = 0.94 kg/litre (World Resource Institute (2015). *GHG Protocol tool for stationary combustion.* V.4.1.)
  - 1 tep = 41.868 GJ.
  - 1 GJ = 277.778 kWh.



4.3. Calculation of relative indicators

The calculation of the relative indicators is performed according to the following formulae:

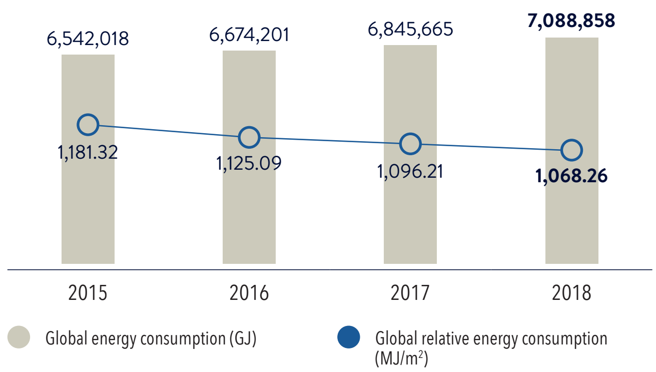
- Ratio per square metre (m^2) = (absolute value of the year/total number of area in m^2) x 1,000

4.4. Calculations of environmental indicators

4.4.1. Energy consumptions

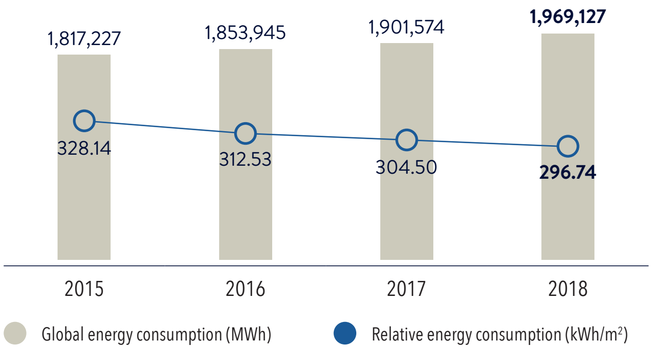
This indicator gathers all energy consumed in our own factories, offices, logistics centres and Group stores throughout the world. The energy used comes mainly from the supply network and, to a lesser extent, the consumption of natural gas and diesel.

Global energy consumption (GJ) (*)



(*) The values in the graph have been modified with respect to the 2017 Annual Report, due to the fact that the value of the GJ conversion factor has been updated. The energy consumption for 2017 has also been updated, due to the consumption of natural gas in January 2018, which was estimated in previous fiscal year.

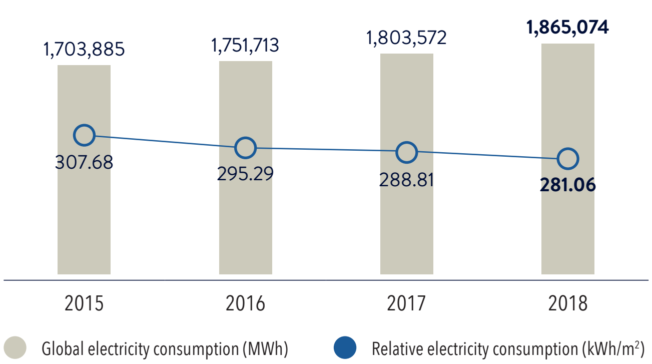
Global energy consumption (MWh) (*)



(*) The energy consumption for 2017 has also been updated, due to the consumption of natural gas in January 2018, which was estimated in previous fiscal year.

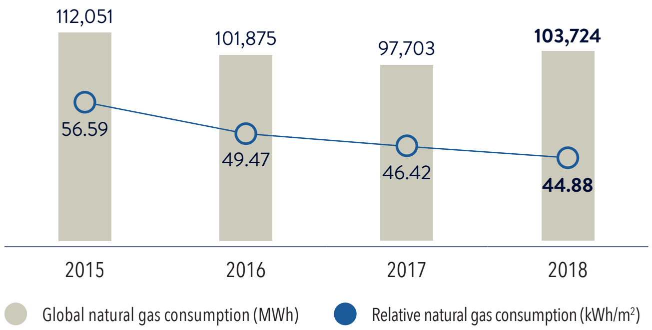
The energy consumed is expressed in Gigajoules (GJ) and Megawatts per hour (MWh). The graphs show that this consumption follows a slightly growing trend in absolute terms due to the Group expansion. In 2018, the global energy consumption of the Group's corporate headquarters, its own plants, logistics centres and stores around the world amounted to 1,969,127 MWh. In this sense, and despite the increase of more than 200,000 square metres of facilities dedicated to central services, design and logistics, our measures implemented to promote energy saving have enabled us to reduce our relative energy consumption per square metre by 2.55% when compared to 2017.

Global network electrical energy consumption (MWh)



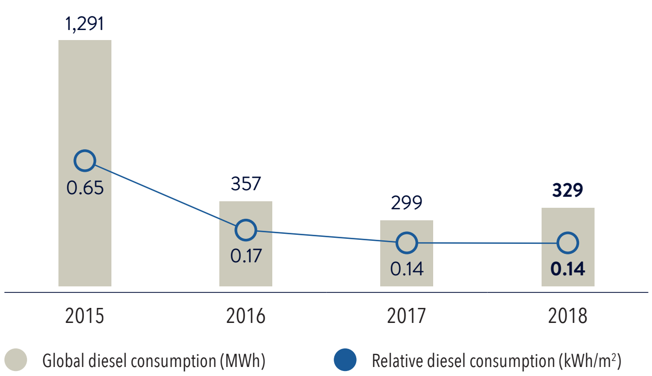
In the case of electricity consumption, we have achieved a reduction of 2.68% per square metre. In addition, it must be noted that the purchase of energy of certified renewable origin has continued to grow, reaching a total of 837,050 MWh that has been consumed in our facilities in Spain, Germany, Austria, Belgium, Brazil, France, Greece, Holland, Ireland, Luxembourg, Monaco, Poland, Portugal, the UK, Turkey, Switzerland and in our LEED stores in the US, India, China, Norway and South Korea.

Global natural gas consumption (MWh) (*)



(*) The energy consumption for 2017 has also been updated, due to the consumption of natural gas in January 2018, which was estimated in previous fiscal year.

Global diesel consumption (MWh)



In 2018 we moved sharply towards our ambitious goal for 2025, where we commit ourselves to make that 80% of our energy needs come from renewable sources.

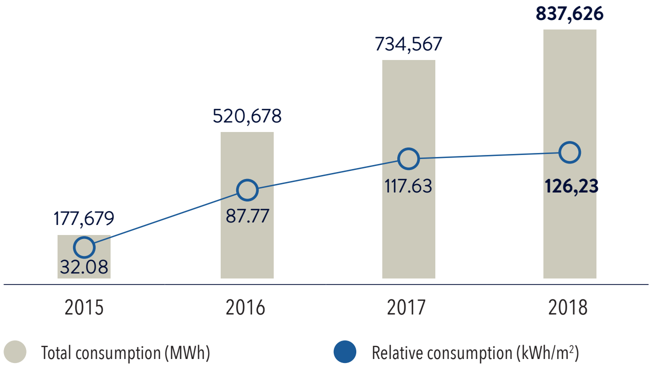
This is why we are working on energy transitioning, reducing our need for fossil fuels per square metre and increasing the purchase of certified renewable energy. During 2018, despite the increase in the area dedicated to central services, design and logistics, we reduced our relative consumption of natural gas per square metre by 3.33% when compared to 2017. As for diesel, the relative consumption per square metre has remained constant, thanks to the measures implemented in our facilities to promote energy saving.

In addition, we invest in our own renewable energy generation facilities when technically feasible, which leads us to have solar thermal, photovoltaic and wind energy, as well as facilities for the use of geothermal resources.

The combination of both actions has allowed 44.91% of the Group's energy needs in 2018 to be covered by clean energy; this has involved a total consumption of 837,626 MWh obtained sustainably.

At Inditex we also have cogeneration systems, which allow the simultaneous production of heat and energy from low-carbon fuel. In 2018, we generated a total of 17,317 MWh of electricity from these plants.

Electricity consumption coming from renewable sources (MWh) (*)

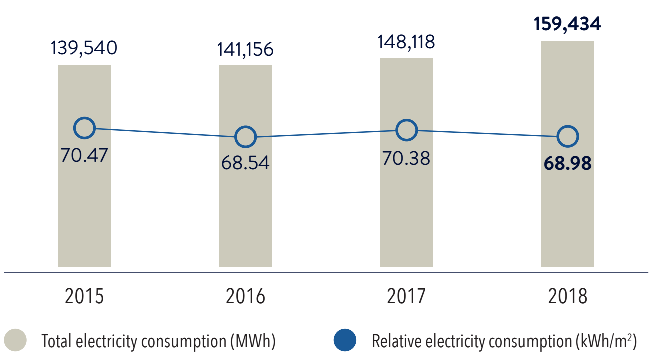


(*) In the case of Spain, Greece, Portugal and Switzerland the period of the data is the calendar year instead of the fiscal year (time period established in this report).

Own logistics centres, own offices and own plants

Our buildings are built according to eco-efficiency criteria. In addition, their daily management promotes the promotion of good practices among our employees. This, together with the implementation of the Efficiency Plan, makes it possible to control the consumption of resources and to apply measures to reduce it.

Electricity consumption at our own logistics centres, offices and factories (MWh)



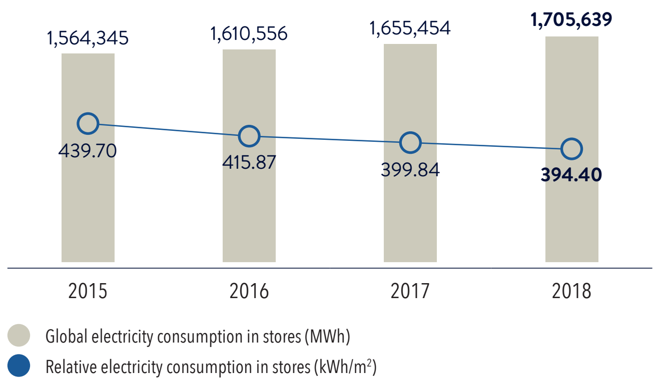
Thanks to these measures, as shown in the above graph, we have reached a 1.98% reduction in electricity consumption per square metre, compared to 2017. The measures implemented include mainly the renewal of old equipment, the replacement of fluorescent lamps by high-efficiency LED bulbs and lithium ion batteries. This reduces energy requirements.

Own stores

The application of the measures set out in the Eco-Efficient Store Manual in the new openings and renovations, has allowed us to reach a total of 5,494 eco-efficient stores in 2018, which means about 86% of the total of our own Group stores.

This year we continued connecting our stores to Inditex's centralised management platform, which allows efficiency to be improved in real time. At the end of 2018, we reached 3,191 stores all over the world. Thanks to all these sustainability and energy efficiency measures implemented, an 1.36% reduction has been achieved in electricity consumption per square metre, compared to the previous year, despite the increased number of store openings and the increased surface area of our facilities.

Estimated electricity consumption in own stores (MWh) (*)



(*) Electricity consumption has been calculated using real data from the central monitoring platform. To estimate mean consumption, data from 1,559 stores have been considered, and 100% of them were eco-efficient. The goal is that 100% of our own stores are eco-efficient by 2020.

4.4.2. Greenhouse gas emissions

The Greenhouse Gas (GHG) emissions of the Inditex Group are calculated and reported following the international guidelines of the Intergovernmental Panel on Climate Change, IPCC (*Guidelines for National Greenhouse Gas Inventories*, 2006) and the World Resources Institute (*GHG Protocol*, 2015). For the calculation of emissions for electricity consumption, the emission factor for the energy mix of each market where Inditex is present has been used. The database used corresponds to the *GHG Protocol tool for stationary combustion*. V. 4.1 (World Resources Institute (WRI), 2015) and the *GHG Protocol tool from purchased electricity*. V. 4.9 (World Resources Institute (WRI), 2017). The inventory of GHG emissions of the Inditex Group includes direct and indirect emissions from 01 February 2018 to 31 January 2019.

The data history is given below based on each scope considered by the *GHG Protocol*:

Scope 1 and 2 emissions

Scope 1: Direct emissions. These are the GHG associated with sources that are under the direct control of the Inditex Group. Includes:

- Emissions from the production of heat and electricity at our own facilities detailed at the start of the chapter. Emissions associated with occasional leaks of HFC and PFC gases from air-conditioning units are not included.
- Emissions from the use of own vehicles.

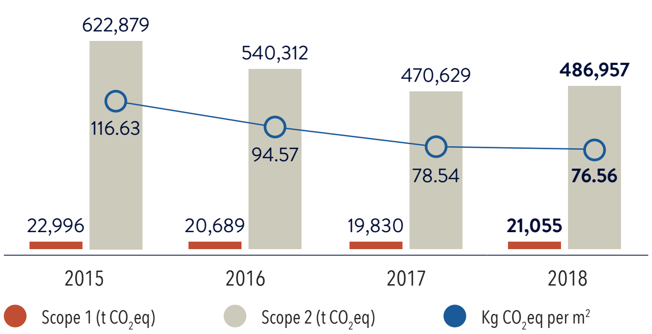
Scope 2: Indirect emissions. They are associated with the generation of electricity acquired by the Inditex Group. For their calculation, GHG emissions have been accounted for in association to all our own facilities, defined at the beginning of the chapter. Electricity acquired in international offices is excluded.

Types of emission	2015	2016	2017	2018
Scope 1 (t CO_2eq)	22,996	20,689	19,830	21,055
Scope 2 (1) (t CO_2eq)	622,879	540,312	470,629	486,957
Kg CO_2per square metre (m^2)(2)	116.63	94.57	78.54	76.56

(1) The Scope 2 data is calculated by the *market-based* method following the GHG Protocol guide for calculating Scope 2, World Resources Institute (WRI), 2015. Due to the emission factors used, the data provided is consistent with the data calculated by the *located-based* method.

(2) The efficiency ratio includes the emissions associated with the Group operations (scope 1 and 2).

GHG scope 1 and 2 emissions (*)



(*) The energy consumption for 2017 has also been updated, due to the consumption of natural gas in January 2018, which was estimated in previous fiscal year.

Despite the increase in the surface area of our facilities and thanks to the actions taken to promote energy efficiency, as well as the purchase of more than 837,050 MWh of certified renewable electricity, we have reduced GHG emissions in relative terms, reaching a reduction of 2.52% per square metre when compared to 2017.

Scope 3 emissions

Scope 3: Additional scope including indirect emissions associated with the production chain of goods and services, produced outside the organisation. Emissions associated with the transport of products from our suppliers to our logistics centres (*upstream*) and from these to the stores (*downstream*), both performed by external logistics operations (air, sea, land transport), as well as the emissions associated with electricity consumption in franchised stores.

For the purpose of improving our efficiency associated with distribution and logistics operations, we have continued to improve the efficiency of our fleet and included measures to optimise packing and packaging to thus reduce emissions associated with transport. In the case of indirect emissions from our franchised stores, we saw a slight increase in them, derived from the growth of the franchised commercial surface area.

During this year, the emissions associated with *downstream* transport and *upstream* transport are the equivalent to an energy consumption of 4,263,677 MWh and 3,067,283 MWh, respectively. The electricity consumption of the franchised stores was 238,176 MWh.

Types of emission	2015	2016	2017	2018
Scope 3 (t CO_2eq) - *Business* travel:	24,450	27,736	28,969	28,172
Scope 3 (t CO_2eq) - *Downstream* transport.	672,307	825,294	921,405	926,764
Scope 3 (t CO_2eq) - *Upstream* transport.	428,258	549,913	639,039	676,642
Scope 3 (t CO_2eq) - Franchised stores (*)	94,262	103,923	121,171	129,710

(*) Electricity consumption has been calculated using real data from the central monitoring platform. To estimate mean consumption, data from 1,559 stores have been considered, and 100% of them were eco-efficient.

The transport calculation is based on the weight of the product delivered and the number of kilometres by each mode of transport. The following emission factors are used, proposed by the *GHG Protocol tool for mobile combustion* V.2.6. (World Resources Institute (WRI), 2015).

The Business Travel calculation has been carried out according to the number of passengers and the number of kilometres travelled by each means of transport used. The emission factors used are those proposed by DEFRA (Department for Environment Food & Rural Affairs, v.1.0, 2018).

4.4.3. Inditex zero waste to landfill

Through the *Zero Waste* Programme, and continuing with our Strategic Environmental Plan, at Inditex we are working to integrate the circular economy strategy into our business model, as well as to ensure that by 2025 the waste from our activities does not end up in any landfills. For this, we have different tools, such as the Waste Minimisation Plan or the Manual for the Management of Waste from Stores, and the Corporative Procedure to Materials Management, which allow waste to be managed more efficiently in our centres. In addition, we promote actions for reduction at source and improvement of recycling through projects to train our employees.

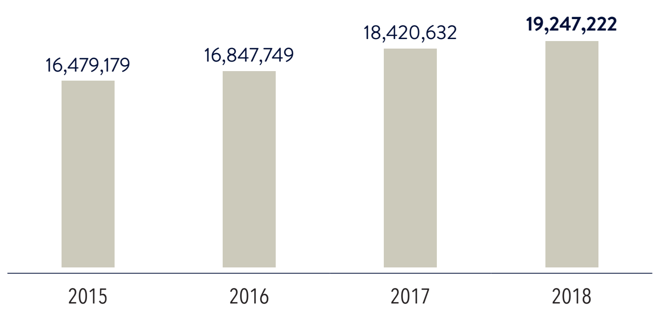
In this way, we continue working on the improvement of projects such as the *Closing the Loop* Programme, for the collection of used clothes; or the *Green to Pack* Programme, which continues to prioritise the use of recycled materials, extending their life and improving their subsequent recycling.

The waste generation data given below reference the waste generated in headquarters, in all Inditex plants and logistics centres. Waste generated in stores is not included.

Evolution of products recovered to be sent to recycling (kg)

At Inditex, the waste generated (mainly paper, cardboard, wood, plastics, metal and textile waste) is channelled through our own collection circuits and treated by legally authorised managers in order to encourage its recycling or recovery. In 2018, 88% of the waste we generated has been sent for reuse and recycling through the aforementioned circuits, thus avoiding the use of virgin raw materials.

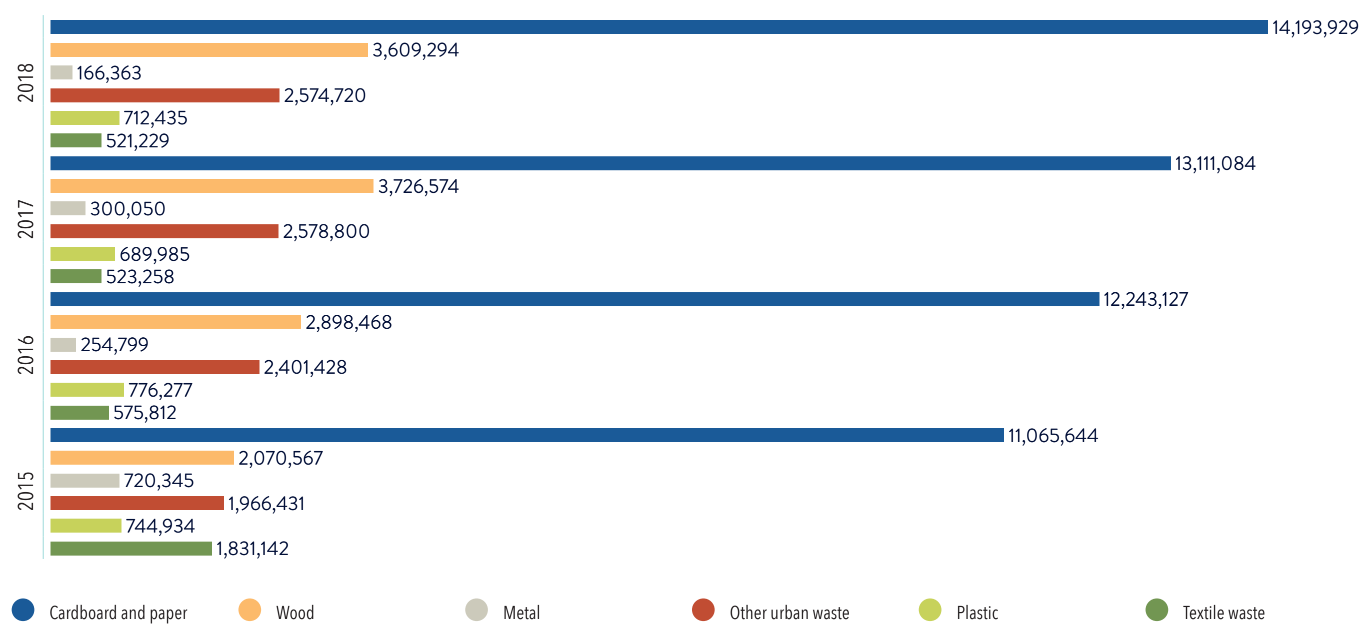
Products recovered to be sent to recycling (kg)



Annual generation of urban or similar waste

We classify our waste according to the European Waste List (EWL) and its transposition into national and regional regulation. The main waste is cardboard and paper, plastic, wood, metal and other textiles, which is managed by legally authorised managers who send it to recycling. The increased generation of this waste is due to the expansion of the Group's logistics capacity, in addition to the current facilities being maintained and the improvement in the separation at source process.

Absolute Data (kg) (*)



(*) The data for other urban waste has varied with respect to the Management Report due to the receipt of new waste treatment certificates.

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Evolution of the main hazardous waste

Thanks to the task of separation at source and subsequent delivery to a legally authorised manager, in 2018, we achieved about 83% of our hazardous waste recycled, valued and suitably processed for recovery. This prevents that our hazardous waste is sent to a landfill and reduces the need to obtain new raw materials. The generation of the main hazardous waste is given below.

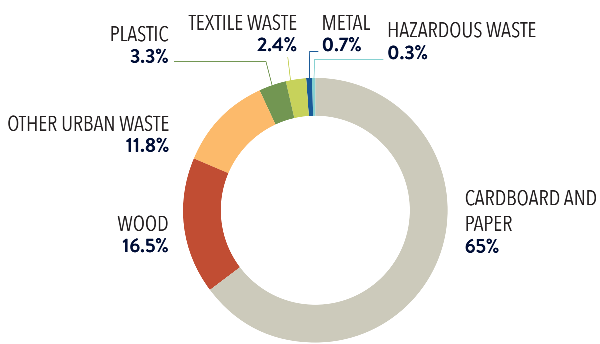
Type of waste (kg)	Final processing	2015	2016	2017	2018
Batteries	Recycling	9,532	7,945	6,580	9,193
Waste electronics	Recycling	10,094	9,776	10,149	25,091
Fluorescents	Gas extraction and recycling	5,387	26,000	6,207	3,446
Used mineral oil	Recycling	15,080	8,242	5,083	6,766
Contaminated absorbents	Energy recovery and controlled disposal	2,786	4,969	5,818	6,873
Contaminated plastic containers	Recycling	1,366	1,521	1,740	1,061

The significant increase in electronic waste during 2018 is mainly due to the replacement by the technological renovation of terminals at points of sale and office equipment.

Destination of waste by type and processing

In accordance with our Waste Minimisation Plan, and thanks to the effort and commitment of our employees, the waste generated by Inditex (mainly paper and cardboard, wood, plastics, metal and textile waste) is separated at source and collected and managed by legally authorised managers for its subsequent recycling and for other appropriate treatments to enable its recovery and environmentally sound management.

Percentage of waste generated in weight



Associated with our products, we place packing and packaging materials (cardboard and plastic bags, labels, protective elements, among others) on the market that must be adequately managed by authorised managers. Therefore, Inditex adheres to the Packing and Packaging

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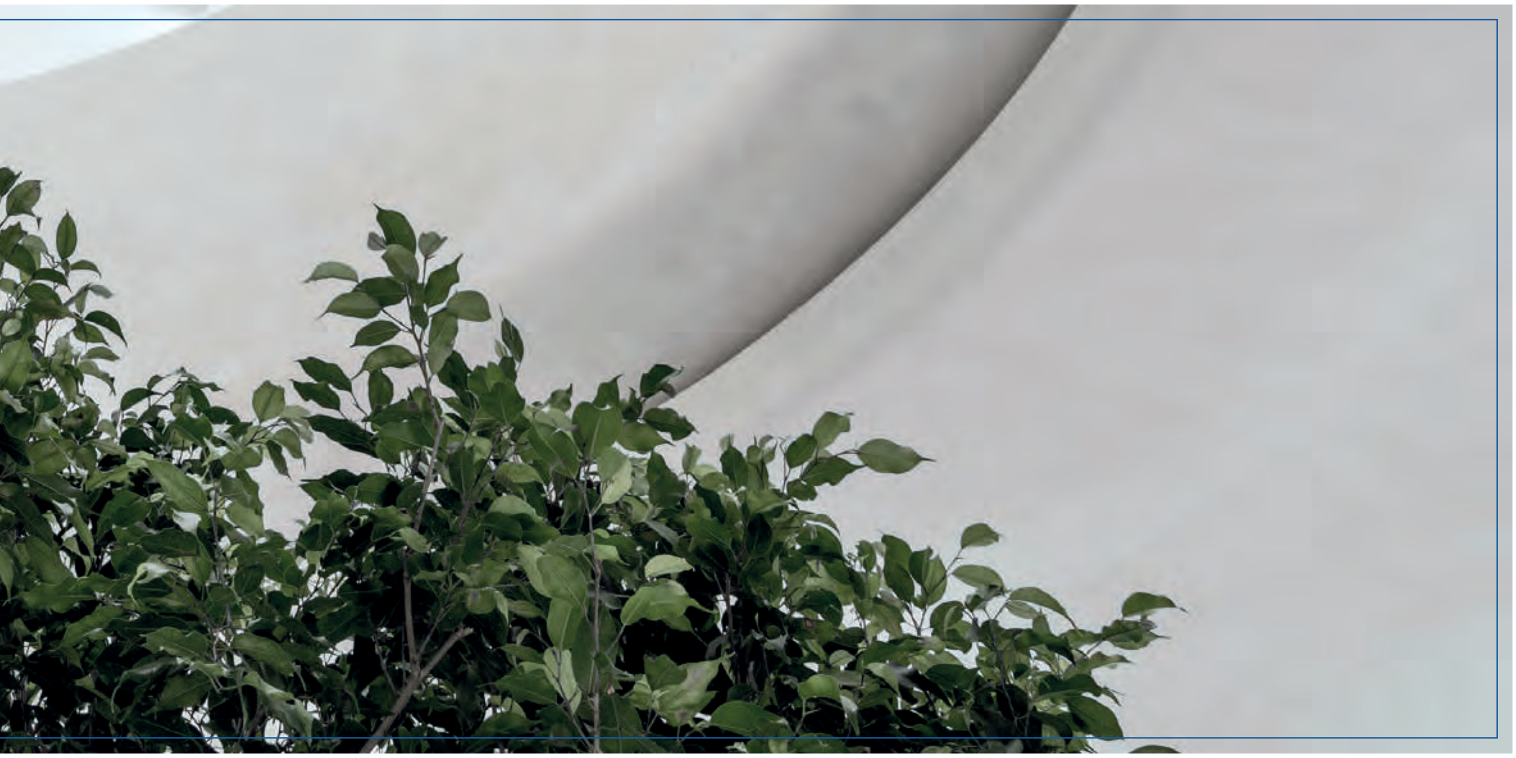


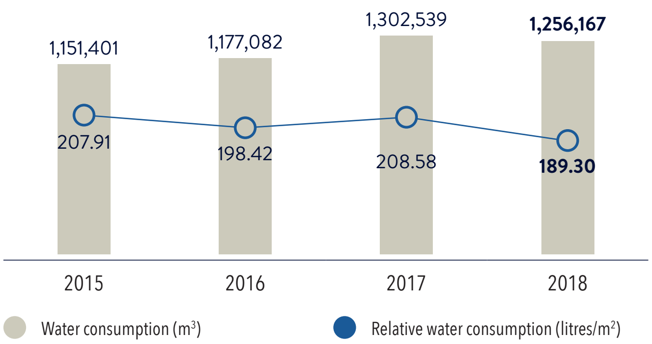
Management Integrated Systems available in the markets where it operates. This means that each Inditex brand pays the cost of collecting and managing the waste generated by the stores to a non-profit managing body (for example, in the case of Spain such managing body is Ecoembes) authorised by each country, to guarantee that this waste is adequately recycled.

As there is no specific collection and management system for textiles globally, it is not possible to assess the volume generated and its suitable management worldwide. Inditex contributes to the creation of a channel which allows the reuse and recycling of products marketed through our Closing the Loop Programme, for the collection of used clothes.

4.4.4. Water consumption in offices, Inditex plants, logistics centres and owned stores

In order to obtain the information about water consumption we carry out direct measurements and records of receipts from suppliers (public supply networks). During 2018, we consumed a total of 1,256,167 m^3 of water in our corporate offices, our own plants, logistics centres and our own stores. Thanks to the efficiency and water saving measures carried out at our facilities, we have reduced the relative water consumption per square metre by 9.24% when compared to 2017.

Water consumption (m^3)



The authorised public supply networks provide water to all centres and they are used both for consumption and for processes. The highest water consumption is domestic, mainly for cleaning and bathrooms, ensuring its discharge into municipal wastewater systems.

On the other hand, in the industry, water is mainly for the generation of steam and for closed-circle industrial refrigeration, where recirculation systems are used. Refrigeration systems are closed cycle as there are no production processes where water is consumed. This allows the estimate that the water discharged is equal to water consumed. Wastewater discharges from all facilities are into sewage networks. Inditex has no impact on protected habitats.

5. Indicators of contribution to community welfare

	2018	2017	2016	Variation 2016-2018
Corporate Community Investment (CCI) (in euros)	**46,218,895**	**48,129,552**	**40,042,744**	**15%**
Corporate Community Investment (CCI) / Net profit	**1.34%**	**1.43%**	**1.14%**	**18%**

Form of contribution (in euros)	2018	2018 (%)	2017	2017 (%)	2016	2016 (%)	Variation 2016-2018	
Cash	30,109,825	65%	31,563,507	66%	27,980,509	70%	8%	% of management costs included
Time	3,542,309	8%	2,204,859	5%	1,929,798	5%	84%	
In kind	11,935,563	26%	13,812,547	29%	9,584,482	24%	25%	
Management costs	631,198	1%	548,639	1%	547,955	1%	15%	
TOTAL	**46,218,895**	**100%**	**48,129,552**	**100%**	**40,042,744**	**100%**	**15%**	

Driver for contribution (in euros)	2018	2018 (%)	2017	2017 (%)	2016	2016 (%)	Variation 2016-2018	
Charitable gifts	1,801,149	4%	3,263,743	7%	3,395,686	9%	-47%	% of management costs excluded
Community investment	36,179,975	79%	37,020,064	78%	29,245,004	74%	24%	
Commercial initiatives in the community	7,606,572	17%	7,297,107	15%	6,854,099	17%	11%	
TOTAL	**45,587,697**	**100%**	**47,580,913**	**100%**	**39,494,788**	**100%**	**15%**	

Issue addressed (in euros)	2018	2018 (%)	2017	2017 (%)	2016	2016 (%)	Variation 2016-2018	
Education	7,468,318	16%	7,727,769	16%	6,396,302	16%	17%	% of management costs excluded
Health	3,861,618	8%	3,725,615	8%	1,964,536	5%	97%	
Economic development	1,610,820	4%	1,735,233	4%	1,246,446	3%	29%	
Environment	3,586,327	8%	2,653,158	6%	2,368,334	6%	51%	
Arts and Culture	870,924	2%	870,516	2%	1,069,238	3%	-19%	
Social welfare	19,098,184	42%	20,180,975	42%	15,768,106	40%	21%	
Emergency Relief	9,044,621	20%	10,687,647	22%	10,681,827	27%	-15%	
Others	46,883	0%	0	n/a	0	n/a		
TOTAL	**45,587,697**	**100%**	**47,580,913**	**100%**	**39,494,788**	**100%**	**15%**	

SGD (in euros)	2018	2018 (%)	2017	2017 (%)	2016	2016 (%)	Variation 2016-2018	
1. End of poverty	161,176	0.4%	1,459,180	3.1%	1,373,014	3.5%	-88%	% of management costs included
2. Zero hunger	163,364	0.4%	221,255	0.5%	498,408	1.3%	-67%	
3. Health and well-being	7,260,232	15.9%	6,778,230	14.2%	4,467,632	11.3%	63%	
4. Quality education	5,824,809	12.8%	6,228,674	13.1%	4,755,360	12.0%	22%	
5. Gender equality	1,687,518	3.7	1,744,451	3.7	1,086,758	2.8%	55%	
6. Clean water and sanitation	785,861	1.7%	812,227	1.7%	869,033	2.2%	-10%	
7. Affordable, clean energy	20,000	0.0%	135,237	0.3%	70,850	0.2%	-72%	
8. Decent work and economic growth	8,334,396	18.3%	9,857,883	20.7%	7,433,487	18.8%	12%	
9. Industry, innovation and infrastructure	446,410	1.0%	950,353	2.0%	1,069,291	2.7%	-58%	
10. Reducing inequality	9,294,145	20.4%	8,630,758	18.1%	6,784,429	17.2%	37%	
11. Sustainable cities and communities	1,206,475	2.6%	1,225,581	2.6%	1,608,358	4.1%	-25%	
12. Responsible production and consumption	7,745,279	17.0%	7,453,651	15.7%	6,673,675	16.9%	16%	
13. Climate action	89,427	0.2%	109,290	0.2%	65,514	0.2%	37%	
14. Underwater life	378,437	0.8%	215,708	0.5%	453,811	1.1%	-17%	
15. Life of terrestrial ecosystems	379,806	0.8%	153,172	0.3%	492,714	1.2%	-23%	
16. Peace, justice and strong institutions	608,050	1.3%	470,933	1.0%	590,613	1.5%	3%	
17. Partnerships to achieve goals	1,202,312	2.6%	1,134,331	2.4%	1,201,842	3.0%	0%	
TOTAL	**45,587,697**	**100.0%**	**47,580,913**	**100.0%**	**39,494,788**	**100.0%**	**15%**	

Location of activity (in euros)

	2018	2018%	2017	2017%	2016	2016%	Variation 2016-2018
Spain	20.297.453	45%	20.893.381	44%	18.230.407	46%	11%
Europe (excl. Spain)	5.643.921	12%	5.356.042	11%	5.364.428	14%	5%
Americas	10.208.058	22%	11.387.545	24%	10.459.233	26%	-2%
Asia & RoW	9.438.265	21%	9.943.946	21%	5.440.721	14%	73%
TOTAL	**45.587.697**	**100%**	**47.580.913**	**100%**	**39.494.789**	**100%**	**15%**

% of management costs excluded

Output indicators

	2,018	2017	2016	Variation 2016-2018
Number of hours spent by employees on CCI activities during working hours	118,077	73,457	64,327	84%
Number of CCI projects implemented	622	594	519	20%
Number of garments donated to social causes	3,225,462	3,673,993	2,083,980	55%
Number of direct beneficiaries	2,425,639	1,584,446	1,093,401	122%
Number of community organisations supported	413	409	367	13%
Number of children with access to education	48,794	30,461	46,406	5%
Number of people receiving professional training	32,514	27,311	38,096	-15%
Number of migrants, refugees and displaced people assisted	952,935	306,702	185,262	414%
Number of people receiving medical care	1,078,634	867,671	255,078	323%
Number of jobs created among beneficiaries of CCI projects	16,437	12,200	14,290	15%

Impact indicators

	2018	2017	2016	Variation 2016-2018
Number of direct beneficiaries for which impact has been measured	2,401,097	1,527,237	571,577	320%

	2018	2018%	2017	2017%	2016	2016%	Variation 2016-2018
Depth of impact (number of beneficiaries that):							
Made a connection as a result of the initiative	599,741	25%	89,846	6%	63,692	11%	842%
Made an improvement as a result of the initiative	1,450,128	60%	993,661	65%	415,059	73%	249%
Made a transformation as a result of the initiative	351,262	15%	443,730	29%	92,826	16%	278%
Type of impact (number of beneficiaries that):							
Experienced a positive change in their behaviour or attitude	324,788	14%	604,199	40%	227,878	40%	43%
Developed new skills or an increase in their personal effectiveness	59,921	2%	56,312	4%	77,561	14%	-23%
Experienced a direct positive impact on their quality of life	1,743,085	73%	1,377,413	90%	452,681	79%	285%

Social cash flow (in millions of euros)

	2018	2017
Net cash received for the sale of products and services	26,145	25,336
Flow received from financial investments	29	26
Cash received for sales of assets	159	381
Total value added flow	**26,333**	**25,743**
Distribution of value added flow		
Remuneration to employees for services	4,136	3,961
Tax on profits paid	1,070	1,029
Return of financial debt	73	-47
Dividends delivered to shareholders	2,335	2,127
Corporate Community Investment	46	48
Cash retained for future growth	510	759
Payments made outside the Group for the purchase of goods, raw materials and services	16,586	16,088
Payments made for investments in new productive assets	1,577	1,778
Total distribution of value added flow	**26,333**	**25,743**

Leverage (additonal resources from other sources) (in euros)

	2018	2017	Variation 2017-2018
Employees - *payroll giving*	24,501	290,065	-92%
Employees - other	44,012	38,191	15%
Customers	423,558	258,976	64%
Other external collaborators	737,200	0	n/a
Other sources	48,598,636	12,050,493	303%
Total leverage	49,827,907	12,637,725	294%

Innovation at Inditex: quantifying the R&D effort

R&D indicators

Research and development (R&D) is one of the cornerstones underpinning Inditex's business development over the years. Delivery of the Group's strategic goal of becoming a fully digital, fully integrated and fully sustainable company necessarily relies on research and applied know-how in a broad range of scientific, technological and social disciplines.

More information on pages 32 to 35 of this Annual Report

Its R&D effort is conducted in a collaborative environment which includes public authorities, world-leading research bodies, leading private researchers in areas of science and technology of relevance to the Group and leading social innovation organisations. Thanks to this collaborative approach, Inditex plays a key leadership role and generates positive effects - spillovers - for the research and development work of the partners it engages with.

Inditex is aware of the direct link between its R&D effort and the Group's ability to achieve sustainable growth in the long term and believes it is appropriate to provide its stakeholders with information regarding its R&D key performance indicators.

That reporting effort is getting underway in 2018 with two of the most important KPIs, those which best lend themselves to comparisons at the international level: (i) annual expenditure on R&D; and (ii) the number of people devoted to R&D activities.

Methodology

Inditex has engaged an independent team from EY Consulting with expertise in assessing R&D activities to analyse and review its R&D indicators. The following procedures were performed to this end: (i) interviews with the heads of several areas at the Company in order to evaluate and classify the activities carried out; (ii) analysis and review of the activities that qualify for classification as R&D activities under the benchmark framework described in the next section; (iii) review of the staff devoted to the performance of R&D activities; (iv) analysis and review of the expenditure associated with the R&D activities; (v) classification of the R&D activities as a function of the objectives pursued and in relation to the Company's strategic priorities, previously identified through a materiality analysis (pages 38 and 39 of this Annual Report); and (vi) identification of the main science, social and technology disciplines and subdisciplines in which the R&D activities are concentrated.

Benchmark framework

The benchmark framework used to review the R&D indicators is made up of the following methodological guides and interpretive criteria:

- The R&D concepts correspond to the definitions set down in **IAS 38 Intangible assets**.

- The analysis of the resources and expenses associated with the R&D effort was performed using the criteria stipulated in the ***Frascati Manual Guidelines - for Collecting and Reporting Data on Research and Experimental Development***, compiled by the OECD.

- As for the budget headings selected to calculate the indicator "Expenditure on R&D", the analysis took those that, in keeping with the criteria established in the above-mentioned benchmark framework, were used to perform R&D activities during the year, **irrespective of whether those amounts were recognised as expenses during the year** or capitalised on the Group companies' balance sheets for accounting purposes.

- The reported R&D projects are **different from those done on a multiannual basis**, referred to in paragraph 8.2 of the Consolidated Management Report (on page 371 of this Annual Report).

- The "Expenditure on R&D" indicator was calculated using the criteria contained in the methodological guide, the **EU Industrial R&D Investment Scoreboard**, compiled by the European Commission.

- Identification of the scientific disciplines and subdisciplines relied on the **UNESCO international standard nomenclature** for fields of science and technology.

Quantifying the R&D effort: results

RESULTS ACCORDING TO OUR PRIORITIES	
(amounts in euros; total figure in millions of euros)	**Investment earmarked to R&D**
OUR CUSTOMERS (page 48)	€ 114,620,597
OUR PEOPLE (page 58)	€ 6,069,731
INTEGRATED SUPPLY CHAIN MANAGEMENT (page 86)	€ 1,098,338
SOCIALLY RESPONSIBLE SUPPLY CHAIN (page 96)	€ 989,195
EXCELLENCE OF OUR PRODUCTS (page 146)	€ 91,004,672
CIRCULARITY AND EFFICIENT USE OF RESOURCES (page 168)	€ 7,513,365
CONTRIBUTION TO COMMUNITY WELFARE (page 192)	€ 5,661,997
TOTAL Investment earmarked to R&D	**227** million euros

TOTAL People devoted to R&D	**1,576** People

The complexity of the environment in which the Group carries out its business requires multi-disciplinary scientific and technological know-how and, by extension, a significant number of STEM professionals (people with backgrounds in science, technology, engineering and mathematics) in addition to Social Science experts from a broad range of fields, most notably, on account of their significance, are:

Unesco code	Scientific discipline
1203	Computer sciences
1207	Operations research
3326	Textile technology
3310	Industrial technology
1209	Statistics
3303	Chemical technology and engineering
3305	Construction technology
3308	Environmental technology and engineering
3312	Materials technology
2306	Organic chemistry
2301	Analytical chemistry
2391	Environmental chemistry
3214	Toxicology
5310	International economics
6302	Experimental sociology
6307	Social change and development

More specifically, it is worth highlighting the significant R&D investment effort made in the Group's Technology, Logistics and E-Commerce areas, which has paved the way for the execution of lines of advanced research in the following fields, among others: the internet of things (IoT), data analytics and machine learning.

The lines of research carried out by these areas are a core component of Inditex's R&D effort and are encompassed by the following emerging scientific subdisciplines:

Unesco code	Scientific sub-discipline
120302	Algorithmic languages
120304	Artificial Intelligence
120315	Heuristics
120325	Sensors system design
120326	Simulation
120702	Control systems
120904	Decision procedures and theory
120914	Techniques of statistical prediction
120915	Techniques of statistical inference

Sustainable Development Goals in Inditex's strategy

SUSTAINABLE DEVELOPMENT GOAL	Targets	PRIORITIES	Main indicator or related disclosure	Pages
1	1.2	Contribution to community welfare	GRI 203-2	202-217
2	2.1	Contribution to community welfare	GRI 203-2	202-217
	2.4	Contribution to community welfare	GRI 203-2	202-217
3	3.4	Our people	GRI 403-2	82
	3.8	Contribution to community welfare	GRI 203-2	202-217
	3.9	Socially responsible supply chain	Workers benefitting from health and safety programmes	123-125
	3.9	Circularity and efficient use of resources	GRI 305-1	285-286
	3.9	Excellence of our products	Chemical substances included in the Manufacturing Restircted Substances List (MRSL)	156
4	4.4 and 4.5	Our people	GRI 404-1	73
	4.4 and 4.5	Contribution to community welfare	GRI 203-2	202-217
5	5.1	Our people	GRI 405-1	62, 64, 78-79, 274
	5.1	Socially responsible supply chain	GRI 406-1	419
	5.1	Compliance, good corporate governance and ethical culture	GRI 405-1	248
	5.2	Socially responsible supply chain	GRI 414-2	134-136
	5.1	Contribution to community welfare	GRI 203-2	202-217
	5.5	Compliance, good corporate governance and ethical culture	GRI 102-22	245-248
6	6.3	Excellence of our products	GRI 306-1	289
	6.3	Circularity and efficient use of resources	GRI 303-3	289
	6.4	Circularity and efficient use of resources	GRI 303-1	289
	6.4	Contribution to community welfare	GRI 203-2	202-217
7	7.2	Circularity and efficient use of resources	GRI 302-1	283-285
	7.2	Contribution to community welfare	GRI 203-2	202-217
	7.3	Circularity and efficient use of resources	GRI 302-4	283-285
	7.3	Excellence of our products	GRI 302-5	283-285
8	8.5	Our people	GRI 102-8	60, 63, 79, 274
	8.5	Socially responsible supply chain	Workers involved in the Workers at the Centre programmes	277
	8.5	Contribution to community welfare	GRI 203-2	202-217
	8.5	Compliance, good corporate governance and ethical culture	Policies formalising Inditex's commitment to decent work	269-270
	8.6	Our people	GRI 401-1	419
	8.6	Contribution to community welfare	GRI 203-2	202-217
	8.7	Socially responsible supply chain	GRI 408-1	134-136
	8.7	Socially responsible supply chain	GRI 409-1	134-136
	8.8	Contribution to community welfare	GRI 203-2	202-217
	8.8	Our people	GRI 407-1	420
	8.8	Socially responsible supply chain	GRI 407-1	102-104, 134, 136

Indicators selected based on the guide: Business Reporting on the SDGs: An Analysis of Goals and Targets.
Indicators established by Inditex which correspond to disclosures present in the GRI standards.
Internal indicators established by Inditex.

SUSTAINABLE DEVELOPMENT GOAL	Targets	PRIORITIES	Main indicator or related disclosure	Pages
	9.2	Tax transparency	GRI 201-1	291
	9.4	Contribution to community welfare	GRI 203-1	200-201, 274, 290-291
	9.4	Excellence of our products	Number of facilities involved in the Ready to Manufacture Programme	162
	9.4	Circularity and efficient use of resources	Number of eco-efficient stores and reduction in consumption associated with them	182
	10.2	Contribution to community welfare	GRI 203-2	202-217
	10.3	Our people	GRI 405-2	79
	10.7	Socially responsible supply chain	Workers benefitting from protection of migrants programmes	126-128
	11.2	Contribution to community welfare	GRI 203-1	200-201, 274, 290-291
	12.2	Our people	Number of internal people dedicated to sustainability	274
	12.2	Integrated supply chain management	Identification of suppliers and manufacturers	90, 92
	12.2	Socially responsible supply chain	Identification of suppliers and manufacturers	133
	12.2	Socially responsible supply chain	Trained suppliers	131
	12.2	Excellence of our products	GRI 301-2	153
	12.2	Circularity and efficient use of resources	GRI 302-2	286
	12.2	Contribution to community welfare	GRI 203-2	202-217
	12.4	Excellence of our products	Chemical substances regulated in The List, by Inditex	161
	12.4	Circularity and efficient use of resources	GRI 306-1	289
	12.5	Excellence of our products	GRI 301-2	153
	12.5	Circularity and efficient use of resources	GRI 306-2	287-288
	12.8	Excellence of our products	GRI 417-1	150
	12.8	Our customers	Number of enquiries received through the different customer service channels	56, 57
	13.1	Circularity and efficient use of resources	GRI 305-5	176, 285-286
	13.1	Contribution to community welfare	GRI 203-2	202-217
	14.1	Excellence of our products	Actions within the framework of the committment to Zero Discharge of Hazardous Chemicals by 2020	157
	14.3	Circularity and efficient use of resources	GRI 305-1	285-286
	14.3	Contribution to community welfare	GRI 203-2	202-217
	15.1	Excellence of our products	GRI 304-2	153-154
	15.2	Circularity and efficient use of resources	GRI 305-2	285-286
	15.2	Contribution to community welfare	GRI 203-2	202-217
	16.3	Contribution to community welfare	GRI 203-2	202-217
	16.5	Compliance, good corporate governance and ethical culture	GRI 205-1	133, 269-270
	16.7	Compliance, good corporate governance and ethical culture	GRI 102-24	249-251, 259-261
	16.7	Creating value for the shareholders	Requests attended by the shareholder's office	230
	17.16	Socially responsible supply chain	Cooperation relationship with international entities	103, 137
	17.16	Excellence of our products	Cooperation relationship with international entities	166, 167
	17.16	Contribution to community welfare	GRI 203-2	202-217
	17.17	Socially responsible supply chain	Public-private partnerships	94, 137
	17.17	Compliance, good corporate governance and ethical culture	Meetings of the Social Advisory Board	164
	17.17	Contribution to community welfare	GRI 203-2	202-217

Balance of material topics

Material topic	GRI standards	Content	Boundary (*)	Organization's involvement (**)
OUR CUSTOMERS				
Customer relationship management	GRI 103: Management approach 2016	103-1 to 103-3		
Brand management	GRI 103: Management approach 2016	103-1 to 103-3		
Integrated customer experience	GRI 103: Management approach 2016	103-1 to 103-3		
Cyber-security and data protection	GRI 103: Management approach 2016 GRI 418: Customer Privacy 2016	103-1 to 103-3 418-1		
Technological innovation	GRI 103: Management approach 2016	103-1 to 103-3		
OUR PEOPLE				
Diversity and integration	GRI 103: Management approach 2016 GRI 405: Diversity and equal opportunitie 2016 GRI 406: Non-discrimination 2016	103-1 to 103-3 405-1 to 405-2 406-1		
Labour practices (own operations)	GRI 103: Management approach 2016 GRI 401: Employment 2016 GRI 402: Labor/management relations 2016 GRI 403: Occupational health and safety 2016 GRI 407: Freedom of association and collective bargaining 2016	103-1 to 103-3 401-1 to 401-3 402-1 403-1 to 403-4 407-1		
Attracting and retaining of talent	GRI 103: Management approach 2016 GRI 401: Employment 2016	103-1 to 103-3 401-1 to 401-3		
Development of human capital	GRI 103: Management approach 2016 GRI 404: Training and education 2016	103-1 to 103-3 404-1 to 404-3		
Women empowerment	GRI 103: Management approach 2016	103-1 to 103-3		
INTEGRATED SUPPLY CHAIN MANAGEMENT				
Transparency and traceability of the supply chain	GRI 103: Management approach 2016	103-1 to 103-3		
SOCIALLY RESPONSIBLE SUPPLY CHAIN				
Women Empowerment	GRI 103: Management approach 2016	103-1 to 103-3		
Responsible purchasing practices	GRI 103: Management approach 2016	103-1 to 103-3		
Promoting socially responsible production environments	GRI 103: Management approach 2016 GRI 412: Human rights assessment 2016 GRI 414: Supplier social assessment 2016	103-1 to 103-3 412-1 to 412-2 414-1 to 414-2		
Respecting human and labour rights in the supply chain	GRI 103: Management approach 2016 GRI 408: Child labour 2016 GRI 409: Forced or compulsory labour 2016 GRI 412: Human rights assessment 2016 GRI 414: Supplier social assessment 2016	103-1 to 103-3 408-1 409-1 412-1 to 412-2 414-1 to 414-2		

Within the organisation   Outside the organisation   Within and outside the organisation   Direct   Indirect

(*) Indicates where the impact takes place, within the organisation, outside of it or both.

(**) Indicates the involvement of the organisation concerning the impact.

Direct: The organisation is directly linked to the impact.

Indirect: The organisation is linked to the impact through its business relations.

102-44, 102-46, 102-47, 103-1

Material topic	GRI standards	Content	Boundary (*)	Organization's involvement (**)
EXCELLENCE OF OUR PRODUCTS				
Protection of biodiversity	GRI 103: Management approach 2016 GRI 304: Biodiversity 2016	103-1 to 103-3 304-1 to 304-4		
Sustainable products	GRI 103: Management approach 2016 GRI 301: Materials 2016	103-1 to 103-3 301-1 to 301-3		
Management of chemical substances and sustainable processes in manufacturing	GRI 103: Management approach 2016 GRI 306: Effluents and waste 2016 GRI 308: Supplier Environmental Assessment 2016	103-1 to 103-3 306-1 to 306-5 308-1 to 308-2		
Product quality, health and safety	GRI 103: Management approach 2016 GRI 416: Customer Health and Safety 2016	103-1 to 103-3 416-1 to 416-2		
Product information and labelling	GRI 103: Management approach 2016 GRI 417: Marketing and labelling 2016	103-1 to 103-3 417-1 to 417-3		
Animal welfare	GRI 103: Management approach 2016 GRI 304: Biodiversity 2016	103-1 to 103-3 304-1 to 304-4		
CIRCULARITY AND EFFICIENT USE OF OUR RESOURCES				
Circularity	GRI 103: Management approach 2016 GRI 301: Materials 2016 GRI 306: Effluents and waste 2016	103-1 to 103-3 301-1 to 301-3 306-1 to 306-5		
Energy and climate change	GRI 103: Management approach 2016 GRI 302: Energy 2016 GRI 305: Emissions 2016	103-1 to 103-3 302-1 to 302-5 305-1 to 305-7		
Use of water	GRI 103: Management approach 2016 GRI 303: Water 2016 GRI 306: Effluents and waste 2016	103-1 to 103-3 303-1 to 303-3 306-1, 306-3, 306-5		
Packaging	GRI 103: Management approach 2016 GRI 301: Materials 2016	103-1 to 103-3 301-1 to 301-3		
CONTRIBUTION TO COMMUNITY WELFARE				
Investment in the community	GRI 103: Management approach 2016 GRI 203: Indirect economic impacts 2016 GRI 413: Local communities 2016	103-1 to 103-3 203-1 to 203-2 413-1 to 413-2		
Relationship with stakeholders	GRI 103: Management approach 2016	103-1 to 103-3		
Socioeconomic impact on society	GRI 103: Management approach 2016 GRI 201: Economic Performance 2016 GRI 203: Indirect economic impacts 2016	103-1 to 103-3 201-1 to 201-4 203-1 to 203-2		
TAX TRANSPARENCY				
Transparency and tax contribution	GRI 103: Management approach 2016 GRI 203: Indirect economic impacts 2016	103-2 to 103-3 203-1		
CREATING VALUE FOR OUR SHAREHOLDERS				
Regulatory compliance and responsible practices	GRI 103: Management approach 2016 GRI 206: Anti - competitive behaviour 2016 GRI 307: Environmental Compliance 2016 GRI 419: Socioeconomic compliance 2016	103-1 to 103-3 206-1 307-1 419-1		
COMPLIANCE, GOOD CORPORATE GOVERNANCE AND ETHICAL CULTURE				
Corporate governance	GRI 103: Management approach 2016 GRI 415: Public Policy 2016	103-1 to 103-3 415-1		
Risk management and control systems	GRI 103: Management approach 2016	103-1 to 103-3		
Corruption and bribery	GRI 103: Management approach 2016 GRI 205: Anti-corruption 2016 GRI 415: Public Policy 2016 GRI 419: Socioeconomic compliance 2016	103-1 to 103-3 205-1 to 205-3 415-1 419-1		

ANNUAL ACCOUNTS


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Photo: Employee at Zara.com sets in Arteixo (A Coruña).

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Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Industria de Diseño Textil, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 January 2019, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2018").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 January 2019, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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<table>
<tr><th colspan="2">Measurement of inventories</th></tr>
<tr><th>Description</th><th>Procedures applied in the audit</th></tr>
<tr><td>As indicated in Note 12 to the accompanying consolidated financial statements, the value of the Group's inventories at 2018 year-end was EUR 2,716 million, representing 12.5% of the Group's total assets. These inventories relate mainly to finished goods and are distributed among the various points of sale, distribution centres and other warehouses managed by the Group. Given the nature of the business of Inditex, thousands of stock-keeping units (SKUs) are designed and put on sale over the course of the year; these SKUs rotate based on the season and customer demand, generating, therefore, a high volume of changes in inventories.

We considered this matter to be key in our audit, due to the importance of the judgements and assumptions applied by the Group to determine the cost and recoverable amount of each SKU and the complexity of the logistics activities carried on by the Group in order to manage its products, which gives rise to numerous SKU movements between various different locations.</td><td>In response to this key matter, our audit included, among others, the following procedures:

- An assessment of the consistency of the accounting policies and practices applied by the Group to measure its inventories at 31 January 2019 with the regulatory financial reporting framework applicable to it and with the accounting policies and practices applied in the previous year.
- An assessment of the design, implementation and operating effectiveness of the key controls in place in the inventory management and measurement process, with the involvement of our IT experts in performing the tests on automatic controls applied to the relevant software involved in the process.
- For a representative sample, verification that the finished goods inventories were correctly measured, calculating the measurement of those inventories on the basis of the cost of acquiring them from suppliers and considering the costs directly attributable to such goods.
- An assessment of the key estimates used by Group management to determine the net realisable value and the consistency thereof with Group policies and actual historical and other information, such as sales and returns after the reporting date.
- An assessment of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework.

The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the assessment of the key controls in place in the measurement process and to the disclosures included in the notes to the consolidated financial statements and the results of the performance of specific substantive tests were satisfactory.</td></tr>
</table>

- 2 -

Impairment of non-current assets (stores)	
Description	**Procedures applied in the audit**
As indicated in Note 13 to the accompanying consolidated financial statements, at 31 January 2019 the Group's property, plant and equipment amounted to EUR 8,339 million and related mainly to investments made in the stores operated by the Group and to the value of the investments in corporate non-current assets (logistics centres, offices, etc.). Under EU-IFRSs, the Group must perform an impairment test on its portfolio of stores when there are indications of potential impairment or reversals thereof. The definition of indications that the stores' non-current assets may have suffered impairment and the performance of an impairment test thereon were identified as key matters in our audit, since management's assessment of possible impairment is a complex process that includes a significant level of estimates, judgements and assumptions. The main assumptions used by the Group were as follows: - the income and expense growth rates by country and cash-generating unit; - the specific discount rates used in each country; and - the estimated terms of the leases of the stores operated under leases.	In response to this key matter, our audit included, among others, the following procedures: - An assessment of whether the methodology established by Group management to identify indications of impairment and the quantification thereof for each cash-generating unit are appropriate, checking their consistency with the applicable financial reporting framework. - An assessment of the design, implementation and operating effectiveness of the relevant controls implemented by the Group to ensure the accuracy of the estimation of impairment and the completeness of its recognition for accounting purposes. - The involvement in the audit team of valuation experts to evaluate the methodologies and assumptions used by the Group, in particular those permitting the calculation of the discount rates in the various geographical areas. - An analysis of the consistency and reasonableness of the assumptions used by Group management in the impairment tests, including, inter alia, a detailed review of the sensitivity tests in which management stresses those assumptions considered key. - A review of the achievement in 2018 of the most significant assumptions used by management in the previous year's impairment tests. - Based on a representative sample of cash-generating units, a review of the correctness and accuracy of the calculations performed to determine the recoverable amount of the aforementioned cash-generating units. - An assessment of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework. The results of the procedures performed in relation to the analysis of the methodology, criteria and assumptions applied by the Group, to the assessment of the key controls in place in the process for calculating and recognising the impairment of stores and the disclosures included in the notes to the consolidated financial statements and the results of the performance of specific substantive tests on the calculations made were satisfactory.

- 3 -

IT systems	
Description	**Procedures applied in the audit**
The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Group to a high dependency on its IT system and the correct functioning thereof. In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing. Due to their importance and the audit effort required, knowledge, evaluation and validation of the general financial reporting system controls, including controls relating to software maintenance and development, physical and logical security and system operations, were considered to constitute a key matter in our audit.	In response to this key matter, our work included, among others, the following procedures in which our audit team IT specialists were involved: - Identification of relevant IT elements and applications in the financial information preparation process. - Obtainment of the required understanding of the IT systems involved in the financial information preparation process and assessment of the level of internal control over the systems. Our understanding focused, among others, on the existence of an IT systems security policy and written procedures in relation to IT processes; on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT applications. - An assessment of the design, implementation and operating effectiveness of general IT controls relating to security, management of changes and operations and maintenance of the software we considered relevant. - An assessment of the design, implementation and operating effectiveness of the key automatic controls operating in certain especially significant business cycles, such as sales, inventories, accounting closing and consolidation. - A review of the cybersecurity risk management model for the main IT systems with an impact on financial information in the e-commerce environment. The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the accompanying consolidated financial statements.

Other Information: Consolidated Directors' Report

The *Other Information* comprises only the consolidated directors' report for 2018, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2018 and its content and presentation are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Control Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and control committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and control committee dated 12 March 2019.

Engagement Period

The Parent's Annual General Meeting held on 17 July 2018 appointed us as auditors for a period of one year from the year ended 31 January 2018.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the consolidated financial statements uninterruptedly since the year ended 31 January 2013.

DELOITTE, S.L.
Registered in ROAC under no. S0692

Germán de la Fuente
Registered in ROAC under no. 15.976

12 March 2019

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and control committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's audit and control committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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Annex I – Composition of the Inditex Group

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

1. Consolidated income statement

(Amounts in millions of euros)	(Notes)	2018	2017
Net sales	(3)	26,145	25,336
Cost of sales	(4)	(11,329)	(11,076)
GROSS PROFIT		**14,816**	**14,260**
		56.7%	56.3%
Operating expenses	(5)	(9,329)	(8,944)
Other losses and income, net	(6)	(30)	(38)
GROSS OPERATING PROFIT (EBITDA)		**5,457**	**5,277**
Amortisation and depreciation	(7)	(1,100)	(963)
NET OPERATING PROFIT (EBIT)		**4,357**	**4,314**
Financial results	(8)	17	(5)
Results of companies accounted for using the equity method	(16)	54	42
PROFIT BEFORE TAXES		**4,428**	**4,351**
Income tax	(23)	(980)	(979)
NET PROFIT		**3,448**	**3,372**
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**4**	**5**
NET PROFIT ATTRIBUTABLE TO THE PARENT		**3,444**	**3,368**
EARNINGS PER SHARE, euros	**(9)**	**1.106**	**1.082**

2. Consolidated statement of comprehensive income

(Amounts in millions of euros)	(Notes)	2018	2017
Net profit		**3,448**	**3,372**
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognised directly in equity:			
Translation differences related to financial statements of foreign operations		21	(395)
Cash flow hedges			
Profit	(25)	3	6
Loss	(25)	(11)	(31)
Tax effect		4	(2)
TOTAL		**17**	**(423)**
Transfers to profit or loss:			
Cash flow hedges			
Profit	(25)	(6)	(17)
Loss	(25)	31	-
Tax effect		(2)	4
TOTAL		**24**	**(13)**
Total comprehensive income for the year		**3,489**	**2,936**
Total comprehensive income attributable to:			
Equity holders of the Parent		3,485	2,931
Non-controlling interests		4	5
Total comprehensive income for the year		**3,489**	**2,936**

3. Consolidated balance sheet

(Amounts in millions of euros)	(Notes)	31/01/2019	31/01/2018
ASSETS			
NON-CURRENT ASSETS		11,064	10,084
Rights over leased assets	(14)	464	457
Other intangible assets	(14)	346	255
Goodwill	(15)	206	207
Property, plant and equipment	(13)	8,339	7,644
Investment property		20	21
Financial investments	(16)	267	237
Other non-current assets	(17)	564	520
Deferred tax assets	(23)	858	744
CURRENT ASSETS		10,620	10,147
Inventories	(12)	2,716	2,685
Trade and other receivables	(11)	820	778
Income tax receivable	(23)	108	110
Other current assets		162	160
Other financial assets	(25)	20	12
Current financial investments	(19)	1,929	1,472
Cash and cash equivalents	(19)	4,866	4,931
TOTAL ASSETS		**21,684**	**20,231**

EQUITY AND LIABILITIES			
EQUITY		14,682	13,522
Equity attributable to the Parent		14,653	13,497
Equity attributable to non-controlling interests		30	25
NON-CURRENT LIABILITIES		1,618	1,536
Provisions	(20)	229	259
Other non-current liabilities	(21)	1,072	1,005
Financial debt	(19)	5	4
Deferred tax liabilities	(23)	312	268
CURRENT LIABILITIES		5,383	5,173
Financial debt	(19)	84	12
Other financial liabilities	(25)	47	105
Income tax payable	(23)	153	151
Trade and other payables	(18)	5,099	4,906
TOTAL EQUITY AND LIABILITIES		**21,684**	**20,231**

4. Consolidated statement of cash flows

(Amounts in millions of euros)	(Notes)	2018	2017
Profit before taxes and non-controlling interest		**4,428**	**4,351**
Adjustments to profit			
Amortisation and depreciation	(7)	1,100	963
Foreign exchange translation differences		(33)	(75)
Provisions for impairment		20	91
Results from companies consolidated by equity method	(16)	(54)	(42)
Other		(14)	151
Income tax		(1,070)	(1,029)
Funds from operations		**4,378**	**4,411**
Variation in assets and liabilities			
Inventories		(70)	(293)
Receivables and other current assets		(142)	216
Current payables		(137)	(372)
Changes in working capital		**(349)**	**(449)**
Cash flows from operating activities		**4,029**	**3,961**
Payments relating to investments in intangible assets		(230)	(183)
Payments relating to investments in property, plant and equipment		(1,391)	(1,589)
Collections relating to divestments of property, plant and equipment		159	381
Payments relating to investments in companies		-	(30)
Collections relating investment in other financial investments		24	44
Payments relating investment in other financial investments		-	(24)
Payments relating investment in other assets	(17)	(23)	(25)
Collections relating investment in other assets	(17)	43	29
Changes in current financial investments		(457)	565
Cash flows from investing activities		**(1,875)**	**(833)**
Collections relating to non-current financial debt		4	3
Payments relating to non-current financial debt		(2)	(3)
Payments relating to acquisitions of treasury shares		-	(12)
Changes in current financial debt		73	(47)
Dividends		(2,335)	(2,127)
Cash flows used in financing activities		**(2,260)**	**(2,186)**
Net increase in cash and cash equivalents		(106)	943
Cash and cash equivalents at the beginning of the year	(19)	4,931	4,116
Effect of exchange rate fluctuations on cash and cash equivalents		41	(128)
Cash and cash equivalents at the end of the year	**(19)**	**4,866**	**4,931**

5. Consolidated statement of changes in equity

(Amounts in millions of euros)	Equity attributable to the Parent										
	Capital	Share premium	Retained earnings	Other reserves	Reserves of companies accounted for using the equity method	Treasury shares	Translation differences	Cash flows	Subtotal	Non-controlling interests	Total equity
Balance at 1 February 2017	94	20	12,675	76	161	(87)	(240)	15	12,713	38	12,752
Profit for the year	-	-	3,368	-	-	-	-	-	3,368	5	3,372
Distribute results	-	-	(48)	-	48	-	-	-	-	-	-
Distribute dividends	-	-	23	-	(23)	-	-	-	-	-	-
Transfers	-	-	(102)	-	-	-	102	-	-	-	-
Other movements	-	-	(19)	-	(2)	-	-	-	(21)	(2)	(23)
Other comprehensive income for the year	-	-	-	-	-	-	(395)	(41)	(436)	-	(436)
· Translation differences related to foreign operations	-	-	-	-	-	-	(395)	-	(395)	-	(395)
· Cash flow hedges	-	-	-	-	-	-	-	(41)	(41)	-	(41)
Operations with equity holders or owners	-	-	(2,151)	14	-	10	-	-	(2,128)	(15)	(2,143)
· Treasury shares	-	-	-	-	-	(12)	-	-	(12)	-	(12)
· Share-based Collections	-	-	-	32	-	-	-	-	32	-	32
· Share-based payments	-	-	(20)	(19)	-	22	-	-	(17)	-	(17)
· Acquisition of minority interest	-	-	(14)	-	-	-	-	-	(14)	(5)	(19)
· Dividends	-	-	(2,117)	-	-	-	-	-	(2,117)	(10)	(2,127)
Balance at 31 January 2018	**94**	**20**	**13,747**	**90**	**183**	**(77)**	**(533)**	**(26)**	**13,497**	**25**	**13,523**
Balance at 1 February 2018	94	20	13,747	90	183	(77)	(533)	(26)	13,497	25	13.523
Profit for the year	-	-	3,444	-	-	-	-	-	3,444	4	3,448
Distribute results	-	-	(42)	-	42	-	-	-	-	-	-
Distribute dividends	-	-	20	-	(20)	-	-	-	-	-	-
Transfers	-	-	(98)	-	-	-	98	-	-	-	-
Other movements	-	-	(27)	-	-	-	-	-	(26)	-	(26)
Argentina reexpresion	-	-	10	-	-	-	(5)	-	5	-	5
Other comprehensive income for the year	-	-	-	-	-	-	21	20	41	-	41
· Translation differences related to foreign operations	-	-	-	-	-	-	21	-	21	-	21
· Cash flow hedges	-	-	-	-	-	-	-	20	20	-	20
Operations with equity holders or owners	-	-	(2,335)	27	-	-	-	-	(2,308)	-	(2,308)
· Treasury shares	-	-	-	-	-	-	-	-	-	-	-
· Share-based Collections	-	-	-	27	-	-	-	-	27	-	27
· Share-based payments	-	-	-	-	-	-	-	-	-	-	-
· Acquisition of minority interest	-	-	-	-	-	-	-	-	-	-	-
· Dividends	-	-	(2,335)	-	-	-	-	-	(2,335)	-	(2,335)
Balance at 31 January 2019	**94**	**20**	**14,719**	**117**	**206**	**(77)**	**(420)**	**(6)**	**14,653**	**30**	**14,683**

6. Notes to the consolidated annual accounts of the Inditex Group as at 31 January 2019

The consolidated annual accounts of the Inditex Group, which Parent is Industria de Diseño Textil, S.A ("Inditex", "the Group", "the Group Inditex", "the Company" or "the Parent") for 2018 were prepared by the Board of Directors on 12 March 2019 and will be submitted for approval at the corresponding Annual General Meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2017 were approved by the shareholders at the Annual General Meeting held on 17 July 2018.

These annual accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations (IFRIC and SIC) adopted by the European Union (EU- IFRS) and with the other provisions of the applicable regulatory financial reporting framework.

Inditex's financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2018 will hereinafter be referred to as "2017", the twelve-month period ended 31 January 2019 as "2018", and so on.

The consolidated annual accounts are presented in euros, since the euro is the Group's functional currency.

Unless otherwise stated, the amounts shown in these consolidated annual accounts are expressed in millions of euros.

The separate annual accounts of the Parent (Inditex) for 2018 were prepared by the Board of Directors in a separate document to these consolidated annual accounts.

These consolidated annual accounts present fairly the equity and financial position of the Inditex Group at 31 January 2019, as well as the results of its operations, the changes in equity and the cash flows for the year then ended.

The consolidated annual accounts of the Inditex Group for 2018 were prepared on the basis of the accounting records of Inditex and of the other Group companies.

The Group uses certain performance measures additional to those defined in IFRS, since these measures include information that is essential to assess the evolution of the Group.

In the consolidated income statement, gross profit, EBITDA and EBIT are defined as follows:

- Gross profit: the difference between sales and the cost of sales. Note 3 and Note 4 contain detailed information on the items included in these line items in the consolidated income statement. The percentage gross profit is calculated as the gross profit in absolute terms as a percentage of net sales.

- Gross operating profit (EBITDA): earnings before interest, the result of companies accounted for using the equity method, taxes and depreciation and amortisation, calculated as the gross profit less operating expenses and other losses and income, net.

- Operating income (EBIT): earnings before interest, the result of companies accounted for using the equity method and taxes, calculated as EBITDA less depreciation and amortisation.

Other alternative measures of performance are as follows:

- Return on capital employed (ROCE): defined as EBIT divided by average capital employed in the year (average of equity attributable to the Parent plus net financial debt for the year). The average capital employed considered for the ROCE calculation by concept relates to the non- current assets, excluding the deferred tax assets, of the concept.

- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent divided by average shareholders' equity for the year.

- Working capital: defined as inventories plus receivables minus current payables in the Balance Sheet.

- Net financial position: defined as cash and equivalents and current financial investments less current and non-current financial debt, with explicit interest.

- Store operating profit: income generated by sales as well as all expenses directly attributable and necessary to generate said income.

- Quarterly results: calculated as the difference between the year-to-date profit (loss) statement at the reporting date less the statement of income of the previous quarterly cut- off.

In preparing the consolidated annual accounts as at 31 January 2019 estimates were made in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.
- The determination of inventory costs.
- The useful life of the property, plant and equipment, intangible assets and investment property.
- The fair value of certain assets, mainly financial instruments.
- The assumptions used in the actuarial calculation of pension and other obligations to employees.
- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.
- The term of leases.
- The amount of the future minimum non-cancellable operating lease payments.
- The recovery of deferred tax assets.

These estimates were made using the best information available at 31 January 2019 and 2018. However, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with IAS 8.

In preparing these consolidated annual accounts the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

The basis of consolidation and accounting policies applied are disclosed in Note 2.

6.1. Activity and description of the Group

Industria de Diseño Textil, S.A. with registered office in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the Parent of a global group of companies present in 5 continents, in both hemispheres, north and south.

Inditex is listed on all the four Spanish stock exchanges. Its activity consists on offering the latest fashion trends (clothing, footwear, accessories and household textile products) at attractive prices, in due time and with high quality and sustainability standards.

Inditex carries out its activity through various retail concepts such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each concept is carried out through a store and online integrated model, managed directly by companies over which Inditex exercises control through the ownership of all or the majority of the share capital and of the voting rights, with the exception of certain countries where, for various reasons, the activity is performed through franchises.

Certain franchise agreements entered into by the Group include purchase options which, if exercised, would essentially enable the Group to have access to the lease rights over the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed since the signing of the franchise agreement.

The Group holds joint ownership interests in the entities making up the Tempe Group. Based on an analysis of the contractual arrangements giving it joint control, the Group classified its ownership interest in the Tempe Group as a joint venture. The interest in the Tempe Group was accounted for using the equity method.

The Group does not have any other significant non-controlling interests.

In order to be able to offer the latest fashion trends at the right moment and with the required quality, Inditex has implemented a flexible and integrated business model, customer oriented and with a strong sustainable approach.This model is the basis for tackling the challenges of the business environment. The strong competitiveness existing in the sector, driven by new technologies and disruptive innovation defines an environment where consumers' profile is ever changing. Additionally, geopolitical, demographic, social and economic changes that trigger the country risk in procurement or distribution countries or the consumption decline in certain markets, as well as abrupt changes in climate cycles likely to affect demand patterns are, inter alia, factors which might have an impact on the effective achievement of the business objectives of the Group.

The expansion policy, the multi-brand format of the Group and the commitment to the full integration of all channels and the use of new technologies as an alternative of communication and sale for our customers, represents a way to diversify this risk, which downplays the global exposure to business environment risks.

The quickness of the product's useful lifecycle, from the design to the sale, would not be possible without the integration and flexibility that characterize all the phases of the value chain: design, production, logistics, stores, online and customers.

Design and buyers' teams are customer oriented. Stores and online teams are permanently in touch with the team of designers through the Product Management Department, and this allows perceiving the changes of taste of the customers.

The manufacturing and supply have been designed with a mixed model that allows to adapt the production to the market pull. During the 2018 fiscal year, 57% of the factories in which the Company has manufactured its items are in geographical proximity (countries such as Spain, Portugal, Morocco and Turkey) and the remaining 43% are long distance. In this way, Inditex maintains the ability to adapt the internal or supplier production to the change of trends in each commercial campaign.

The Group's logistics system allows continuous deliveries to stores and online throughout the season, from the logistic centres of each of the retail concepts. This system essentially operates through centralized logistics centres for each of the concepts, from which the stock is distributed to all the stores and online worldwide.

The people who populate our Company enable the sustained and sustainable development of this model, a diverse group of professionals of 154 different nationalities, characterized by their creative talent, their passion for fashion, teamwork, entrepreneurial spirit, permanent innovation and responsible efforts.

The goal of the Group is to offer fashionable products that meet with the most demanding sustainability, health and safety standards. All on the basis of respect and promoting human rights, transparency and ongoing dialogue with our stakeholders.

At 31 January 2019, the various Group concepts had stores in operation with the following geographical distribution:

	Number of stores		
	Company Managed	Franchises	Total
Spain	1,593	42	1,635
Rest of Europe	3,233	145	3,378
Americas	660	184	844
Rest of the World	926	707	1,633
Total	**6,412**	**1,078**	**7,490**

At 31 January 2018, the geographical distribution of stores was as follows:

	Number of stores		
	Company Managed	Franchises	Total
Spain	1,647	41	1,688
Rest of Europe	3,216	140	3,356
Americas	625	180	805
Rest of the World	932	694	1,626
Total	**6,420**	**1,055**	**7,475**

The majority of company-managed store premises are held under operating leases. Information on the main terms of the leases is provided in Note 24.

6.2. Selected accounting policies

6.2.1. Basis of consolidation

i) Subsidiaries

Subsidiaries are entities over which the Parent has control and, therefore, the power to govern their financial and operating policies (see Note 1). Subsidiaries are consolidated by aggregating the total amount of their assets, liabilities, income, expenses and cash flows, after making the adjustments and eliminations relating to intra-Group transactions. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the effective acquisition date. A detail of the subsidiaries is provided in Annex I.

For business combinations any excess of the consideration transferred plus the value assigned to non-controlling interests over the net amounts of the assets acquired and the liabilities assumed is recognised as goodwill.

Any deficiency of the amount of the consideration transferred plus the value assigned to non- controlling interests below the identifiable net assets acquired is recognised in profit or loss.

Acquisitions of equity interests in businesses subsequent to obtaining control and partial disposals that do not result in a loss of control are recognised as transactions with shareholders in equity.

The non-controlling interests shown in the consolidated statement of changes in equity relate to non-controlling interests in subsidiaries, and they are presented in consolidated equity separately from the equity attributable to shareholders of the Parent.

The profit or loss and each component of other comprehensive income are allocated to the equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their relative interests, even if this results in the non-controlling interests having a deficit balance. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

The share of non-controlling interests of the equity and profit or loss of the subsidiaries is presented under “Equity Attributable to Non-Controlling Interests” and “Net Profit Attributable to Non-Controlling Interests”, respectively.

ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual arrangement. As indicated in Note 1, on the basis of the analysis performed of the contractual arrangements, the Group classified these interests as joint ventures. Pursuant to IFRS 11, Joint Arrangements, these entities are accounted for using the equity method in the consolidated annual accounts.

iii) Harmonization of criteria

Each of the companies included in the scope of consolidation prepares its annual accounts and other accounting records in accordance with the corresponding accounting standards, based on the legislation in force in the country of origin. Where these recognition and measurement criteria differ from those adopted by the Inditex Group in preparing its consolidated annual accounts, they are adjusted in order to present the consolidated annual accounts using uniform accounting policies.

iv) Intra-Group eliminations

All intra-Group receivables, payables and transactions, and any intra-Group gains or losses not yet realised vis-à-vis third parties, are eliminated in the consolidation process.

v) Translation of annual accounts denominated in foreign currencies.

The annual accounts of companies with a functional currency other than the euro, except in the case of hyperinflationary countries, have been translated as follows:

- Assets and liabilities are translated to euros at the exchange rates applicable at the balance sheet date.
- Items composing the equity of these companies are translated to euros at the historical exchange rates (or, for retained earnings, at the average exchange rates for the year in which they were generated).
- Income and expenses are translated to euros at the exchange rates prevailing at the dates on which they were recognised, while average exchange rates are used in those cases in which the application of this simplifying criterion does not generate significant differences.

The differences arising from the application of these exchange rates are included in consolidated equity under “Translation Differences”.

However, exchange differences arising from trade balances payable and receivable and financing transactions between Group companies, with foreseeable settlement, are recognised in profit or loss for the year.

vi) Annual accounts in hyperinflationary economies

Since 1 August 2018 Argentina has been considered a hyperinflationary economy. Consequently, the Group's financial statements of Argentine subsidiaries (see Annex I) have been integrated into the consolidated financial statements by making the hyperinflation adjustments provided for in IAS 29 in order to reflect changes in the overall purchasing power of the Argentine currency, that is, the financial statements that were at historical values have been restated to current values, applying the corresponding general price index and converted to the Group's functional currency, considering the closing exchange rate between the euro and the Argentine peso.

General price indexes of general acceptance in Argentina have been used to restate the financial statements at current values. Specifically, the Wholesale Price Index for the balances prior to 2017 (IPM) and the Consumer Price Index (CPI) for the balances from 2017 onwards have been used.

In relation to the conversion to functional currency, a closing exchange rate of 42.82 Argentine pesos per euro was applied.

These adjustments have been made retrospectively since 1 February 2018 without restating the comparative information of previous periods.

Hyperinflation adjustment has resulted in an impact of -5.3 million euros in the Net Income attributed to the parent.

There are no other companies in the consolidation perimeter of the Group, with the exception of Argentina, which have been considered hyperinflationary economies.

vii) Companies with a reporting date that differs from that of the Group

Companies with a reporting date that differs from that of the consolidated annual accounts were consolidated using the annual accounts at their respective reporting dates (see Annex I). Temporary adjustments are made to reflect the effect of significant transactions occurring between the reporting date of these subsidiaries and that of the consolidated annual accounts.

viii) Changes in the scope of consolidation

Annex I details all the companies in the consolidation perimeter. During fiscal year 2018, there were no significant changes in the perimeter.

6.2.2. Accounting policies

Standards effective for application in reporting periods beginning on or after 1 January 2018

During fiscal year 2018, the following standards and/or interpretations became effective for application in the European Union in the years beginning on 1 January 2018:

IFRS 15 - Income from contracts with customers

IFRS 15 is the comprehensive standard for the recognition of income with customers and establishes an income recognition approach based on the transfer of control, for which it defines a 5-step model:

Step 1: identify the contract or contracts with customers

Step 2: Identify the obligations of such contracts

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the obligations in the contract

Step 5: Recognise income as the entity meets each of the obligations

The Group has applied the standard retroactively, without restating comparative information, as of 1 February 2018.

The Group's revenues come from almost all retail sales through its own stores and online stores and sales to franchises (Note 3). The obligations contracted in these activities correspond, fundamentally, to the delivery of certain goods to customers. These obligations are separate from each other, that is, there are no contracts where the performance obligations are related to each other. Therefore, the price assigned to each of the obligations matches its independent selling price. On the other hand, in practically all of the Group's income transactions, the obligations are met in a single moment (when the goods are delivered to the customer), so there are no obligations that are satisfied over time. For all of the above, the Group's pattern of recognition of income under the IFRS 15 does not differ significantly from the income pattern under the IAS 18, and the effect in the consolidated financial statements derived from the application of the IFRS 15 is not relevant.

On the other hand, the Group has not recognised assets or liabilities derived from contracts with customers for the application of IFRS 15.

IFRS 9 – Financial Instruments

IFRS 9 replaces IAS 39 as of 1 January 2018, with respect to which there are very significant differences concerning the classification and measurement of financial instruments, the impairment model of financial assets and in hedge accounting. In this sense, it has introduced changes in the following aspects:

- Classification and measurement of financial instruments: In relation to financial assets (see Note 19), the Group's Investment Policy defines that the general objective of the Group's business model in relation to financial assets is the preservation of the principal through the mitigation of the risk of loss of the invested capital derived from any type of risk. Therefore, the Group's business model aims to collect the contractual cash flows of financial assets that are exclusively the principal and interest. Consequently, with IFRS 9, the Group's financial assets within the scope of this standard are classified as valued at their amortized cost, with the exception of sureties, which are valued at their fair value. In relation to financial liabilities, the bases adopted with IAS 39 continue to be measured on the same basis.

  Therefore, the application of IFRS 9 has not had a significant impact on the measurement of financial assets and liabilities.

  The Group has not renegotiated its financial liabilities; therefore this aspect of IFRS 9 has no impact on the consolidated financial statements.

- Impairment: The measurement of impairment of financial assets at amortized cost with IFRS 9 is based on the expected loss. To this end, the Group has defined a model to periodically evaluate, first, whether there have been significant changes in the credit risk of the counterparties of the financial assets for, subsequently, provided that the credit risk is low or has not increased, determine the expected loss at 12 months.

At the date of preparation of these financial statements for the financial assets that are within the scope of this expected loss model, the Group Management considers that the credit risk is low at the date of the evaluation or it has not increased significantly since the date of initial recognition, therefore, credit losses expected at 12 months have been recognised.

As a result of applying this methodology, the impairment amount for estimated loss of financial assets measured at amortized cost is not significant or differs significantly from the amount that would have been recognised if the impairment loss model incurred established in IAS 39 had been applied.

- Hedge accounting: The application of the new requirements for hedge accounting has had no effect on the consolidated financial statements of 2018 as the Group has not defined new hedge relationships that were not possible under IAS 39, and hedge ratios defined under IAS 39 continue to meet the requirements for hedge accounting.

The Group applies IFRS 9 as of 1 February 2018 without restating the comparative figures.

Other approved amendments applied as of 1 January 2018

- Amendment to IFRS 2- Classification and valuation of share-based payments, which introduces limited modifications to the clarification of specific issues such as the effects of accrual conditions on payments based on shares to be settled in cash, the classification of share-based payments when it has liquidation clauses for the net and some aspects of the amendments of the share-based payment type.
- Amendment to IFRS 4 - Insurance contracts, which allows entities under the scope of IFRS 4, the option to apply IFRS 9 with certain exceptions or its temporary exemption.
- Amendment to IAS 40 - Real Estate Investment Reclassification, which clarifies that a reclassification of an investment from or to real estate investment is only permitted when there is evidence of a change in its use.
- Improvements to the IFRS Cycle 2014 - 2016 - Introduces minor amendments of a series of standards.
- IFRIC 22 - Transactions and advances in foreign currency - Establishes the date of transaction for the purpose of determining the exchange rate applicable in transactions with advances in foreign currency.

The application of the amendments and/or interpretations, with the exception of IFRS 15 and IFRS 9, have not had an impact on the consolidated annual accounts of the Group for the year 2018.

Standards issued and approved for application in the European Union as of 1 January 2019

IFRS 16, Leases

The IFRS 16 "Leases", replaces the IAS 17 as well as all related interpretations. The IFRS 16 will become effective for the Group as of 1 February 2019.

The IFRS 16 establishes the principles to recognise, measure, present and disclose leases. Under the IFRS 16, lessees must record all leases under a single model similar to the accounting of financial leases in the IAS 17. Lessees will recognise a liability for the net present value of the lease payments and an asset for the right-of-use of the underlying asset during the lease term. Likewise, the nature of the expenses related to said leases will change, since the IFRS 16 replaces the straight-line expenses of operating leases for expenses derived from the depreciation of the recognised asset and an interest expense associated with the liability.

The lessee may choose not to apply the general criteria of the IFRS 16 to short-term leases and leases whose underlying assets are considered to be of low value. The Group will only apply the exemption for leases whose underlying asset is considered to be of low value.

The application of the IFRS 16 requires significant judgements regarding certain key estimates, such as the determination of the lease term and the discount rate.

To determine the lease term, it must be assessed if the lessee has reasonable certainty that he will exercise the option to extend a lease, or that he will not exercise the option to terminate the lease. The Group will determine the lease term as the non-revocable period of the lease plus those unilateral options for extensions over which there is a reasonable certainty of execution, for which the following aspects are considered:

- The costs related to contract termination,
- The importance of the leased asset for the Group's operations,
- The conditions that need to be met so that options may or not be exercised,
- Historical experience and business plans approved by the Group's management.

The present value of the leased liability is determined using the interest rate implicit in the lease, and if this cannot be easily determined, the lessee will use its incremental borrowing rate. Given the difficulty to determine the implicit interest rate of each lease, the Group will use its incremental borrowing rate by country, term and currency.

The weighted average according to the rent of each contract by geographical area is the following:

Spain	0.87%
Rest of Europe	1.36%
Americas	4.30 %
Asia and Rest of the world	3.63%

On the other hand, the IFRS 16 allows its application through two different transition methods, a retrospective approach for each comparative period presented or, a retrospective approach with the cumulative effect of the initial application of the standard, recognised as an adjustment to reserves at the date of initial application. The Group has decided to adopt this second transition method, therefore, it will recognise the cumulative effect of the initial application as an adjustment against reserves as of 1 February 2019, and will not restate comparative information.

This transition method allows, in turn, to choose to valuate the asset retroactively as if the standard had applied since the beginning of the lease or for an amount equal to the liabilities adjusted for prepaid or accrued payments.

In addition, the Group will apply some of the simplifications associated with the transition method adopted. The most relevant are:

- the exclusion of the initial direct costs of the measurement of the right-of-use asset on the date of transition;
- the application of a single discount rate for each portfolio of similar leases, by country, term and currency;
- the determination of the lease term using information known at transition date;
- the non-revision of the value impairment on the date of the transition.

Most of the Group's stores are located in leased premises that have been rended under operating leases (Note 1). Both these commitments and other agreements entered into by the Group meet the definition of leases as per the IFRS 16 and require the recognition of an asset for right-of-use and the corresponding liability. From the analysis carried out to date, the Group estimates that on the 1 of February 2019, it will recognise a lease liability for an amount between 6,500 and 6,900 million euros and a right-of-use for an amount between 5,500 and 5,900 million euros, with an impact on equity for an amount between 550 and 750 million euros.

The Group carries out very active management of its lease agreements, which entails a high volume of additions, cancellations and contractual modifications. Therefore, the impact that IFRS 16 will have on the results of the Group for the financial year 2019 cannot be reliably determined. Under current estimates it will result in an increase in FY2019 net income of 2%- 4% over former IAS 17.

Note 24 discloses operating lease expenses for the year 2018 between minimum lease payments, which include fixed rent, common expenses and other expenses related with leases; and contingent rents. Common expenses, other expenses related with leases and contingent rents will not be part of the determination of the lease liability and the right-of-use and will maintain the same accounting criteria as under the IAS 17. Fixed rent payments will be replaced by the depreciation of the right-of-use and the interest recognised on the lease liability.

The current standard (IAS 17) does not require the recognition of an asset or liability for right- of-use for future payments for operating leases; however, it does require disclosure of lease commitments. The difference between this information on lease commitments (IAS 17) and the lease liability (IFRS 16) to be recognised, is based on the different periods considered, non-cancellable period versus the lease term determined according to the IFRS 16, since the commitments disclosed in Note 24 correspond to nominal amounts of the expected payments while the lease liability of the IFRS 16 is determined by applying a discount rate to scheduled payments. Thus, the minimum lease payments amounting to 4,954 million euros at 31st January 2019 will be reduced by 325 million euros for the effect of the financial discount and will be increased by an amount between 1,900 and 2,300 million euros mainly by incorporating the periods to be reasonably certain additional to the period of mandatory compliance.

The Group is in a very advanced stage of the implementation project of the new accounting criteria, however, the impacts as of the 1st of February 2019 could be slightly different due to the required estimates, the high number of contracts affected, and that the Group is in the process of testing new IT systems. The new accounting policies will not be final until the Group presents the first financial statements after the date of entry into force of the IFRS 16.

Other standards and amendments approved for use in the European Union

- CNIIF 23 - Uncertainty about tax treatments. This interpretation clarifies how to apply the registration and valuation criteria of IAS 12 when there is uncertainty about the acceptability by the tax authority of a specific tax treatment used by the entity. Mandatory in the years beginning on 1 January 2019.

- Amendments to IFRS 9 - Financial instruments. Characteristics of early repayment with negative offset. Mandatory in the years beginning on 1 January 2019.

- Amendment to IAS 28 - Long-term Investments in associates and joint ventures that clarifies that IFRS 9 should be applied to long-term interests in an associate or joint venture if the equity method is not applied. Mandatory in the years beginning on 1 January 2019.

The Group is analysing the impact of the new standards and amendments to existing ones, although they are not expected to have a significant effect on the consolidated annual accounts on the date when their application is mandatory in the European Union.

Standards issued but not yet approved for use in the European Union

At the date of preparation of these consolidated annual accounts, the following standards and/or amendments to the standards with potential impact for the Group had been issued by the IASB but were pending approval for their use in the European Union.

- IFRS 17 - Insurance contracts. Replaces IFRS 4, incorporating the principles of registration, valuation, presentation and disclosure of insurance contracts with the objective that the entity provides relevant and reliable information that allows the users of the information to determine the effect that the contracts have on the Financial statements. The date of first application is being reviewed by the IASB at the date of formulation of these accounts, although it is currently mandatory in the years beginning on 1 January 2021.

- Improvements to the IFRS 2015-2017 Cycle, which introduces minor amendments of a series of standards. Mandatory application as of 1 January 2019.

- Amendment to IAS 19 - Amendment, reduction or liquidation of a plan. In accordance with the proposed amendments, when a change occurs in a defined benefit plan (due to a modification, reduction or liquidation), the entity will use updated hypotheses to determine the cost of services and net interest for the period after the change of plan. Mandatory in the years beginning on 1 January 2019.

- Amendment to IFRS 3 - Business definition, which includes clarifications to the business definition. Mandatory in the years beginning on 1 January 2020.

- Amendment to IAS 1 and IAS 8 - Definition of materiality, to align the definition with that contained in the conceptual framework. Mandatory in the years beginning on 1 January 2020.

The Group is analysing the impact of the new standards and amendments to existing ones, although they are not expected to have a significant effect on the consolidated annual accounts on the date when their application is mandatory in the European Union.

a) Translation of foreign currency balances and transactions

Foreign currency transactions are translated to euros by applying the exchange rates prevailing at the date of the transaction (except in the case of hyperinflationary countries). Monetary assets and liabilities denominated in foreign currencies are translated to euros at the end of the reporting period using the closing rate. Exchange differences arising on translating these items at those exchange rates are recognised in the income statement for the year as financial result.

In presenting the consolidated statement of cash flows, cash flows arising from transactions in a foreign currency are translated to euros by applying the exchange rates at the date of the cash flow. The effect of exchange rate changes on cash and cash equivalents denominated in foreign currency is presented separately in the consolidated statement of cash flows under "Effect of Exchange Rate Changes on Cash and Cash Equivalents".

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost, including any additional costs incurred until the assets are ready for their intended use, less accumulated depreciation and any impairment losses or write-downs that have to be recognised (see Note 6.2.2.g).

Depreciation is taken on a straight-line basis over the estimated useful lives of the assets.

The estimated average useful lives are as follows:

Asset description	Useful life (years)
Buildings	25 to 50
Fixtures, furniture and machinery (*)	8 to 20
Other property, plant and equipment	4 to 13

(*) In the case of assets located in leased premises, the depreciation rate is adapted to the term of the lease if this is shorter than the useful lives of the assets.

The Group reviews useful lives of its property, plant and equipment at each financial year-end. Any change in the initially established estimates is accounted for as a change in an accounting estimate.

After initial recognition of an asset, only those costs that it is probable will give rise to future economic benefits and that can be measured reliably are capitalized.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss as they are incurred.

c) Rights over leased assets

These rights, known as leasehold assignment rights, access premiums or tenancy right waivers, relate to the amounts paid for lease rights over premises for access to commercial premises, in which the acquirer and the new lessee are subrogated to the rights and obligations of the transferor and former lessee under the previous lease.

Since these rights arose as a result of an acquisition for consideration, they were recognised as assets in the accompanying consolidated balance sheet.

These assets are recognised initially at acquisition cost and are subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. They are amortised on a straight-line basis over the term of the lease, except when, for legal reasons, the rights do not lose value, in which case they are determined to be intangible assets with indefinite useful lives and are therefore systematically tested for impairment.

In order to assess the possible existence of impairment of these assets, the Group uses the procedures described in Note 6.2.2.g, "Impairment of non-current assets".

d) Other intangible assets

- Intellectual property: intellectual property is charged for the amounts paid for the acquisition of title to or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Group. It is amortised on a straight-line basis over a maximum period of ten years.

- Computer software: software is stated at cost and is amortised on a straight-line basis over a five-year period.

- Industrial designs: these items are reflected at their production cost, which includes the cost of samples, staff costs and other directly or indirectly attributable costs, and are amortised on a straight-line basis over an estimated useful life of two years.

The Group reviews the residual values and useful lives of its intangible assets at each reporting date. Any change in the initially established estimates would be accounted for as a change in an accounting estimate.

e) Financial investments

Investments in companies over which the Group does not exercise significant influence are stated at cost net of any impairment losses that have to be recognised.

f) Investment property

Investment property consists of assets held to generate rental income or for capital appreciation or both, and is stated at cost of acquisition less accumulated depreciation and any impairment losses that have to be recognised (see Note 6.2.2.g). Depreciation is calculated on a straight-line basis over the useful lives of the corresponding assets.

g) Impairment of non-current assets

The Group periodically assesses whether there are any indications that its non-current assets, including goodwill and intangible assets with indefinite useful life, might have become impaired, in order to determine whether their recoverable amount is lower than their carrying amount (impairment loss). In the case of goodwill and intangible assets with indefinite useful lives the impairment tests are performed at least once a year or more frequently if there are indications of impairment.

<u>Impairment of non-current assets (property, plant and equipment and intangible assets) other than goodwill and intangible assets with an indefinite useful life</u>

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances, principally an analysis of commercial premises that have passed the initial period of consolidation determined by the Group for the generation of profits and which are incurring operating losses, as well as operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full. This methodology is applied to all the stores, except for those which, because of their importance, are considered to generate flows at a higher aggregation level (retail concept-country). The operating profit is defined as total sales revenue less all the directly attributable expenses required to generate that revenue.

For those cash-generating units (CGUs) that are scheduled to be closed, an impairment loss is recognised using the same methodology.

The recoverable amount of assets is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the expected future cash flows for the period in which these assets are expected to generate revenue, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset, and other factors that market participants would consider in pricing the future cash flows to be derived from the asset.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Based on the actual management of operations, the Group has defined each of the commercial premises in which it carries out its activities (stores) as basic cash-generating units, although these basic units can be aggregated at retail concept-country level, or even at the level of all the companies located in a given country or all the companies corresponding to a given concept (concept level). Group assets which are not clearly assignable under this structure (for example industrial or logistics assets) are treated separately in a manner consistent with this general policy but considering their specific nature. In this case, the aforementioned indicator of impairment is applied at a higher aggregation level (retail concept-country, country or concept) and if it is necessary to calculate the impairment, all the cash flows generated at that aggregation level must be capable of ensuring the recovery of all the assets associated therewith.

The Group uses the budgets and business plans, which generally cover a period of three years, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are based are estimated sales growth in comparable stores and the evolution of the operating expenses and gross profit of each of the cash-generating units, based on experience and knowledge of the trends in each of the markets in which the Group operates and on the macroeconomic indicators that reflect the current and foreseeable economic situation for each market.

The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases for the commercial premises or without any time limit in the case of company-managed premises (perpetual income). Where the growth rates exceed the industry or country rates, the latter reflect Group's best estimates regarding the business performance, based on its understanding of each market.

The discount rate applied is usually a pre-tax measure based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets (or similar instruments, if no 10-year bonds have been issued), adjusted by a risk premium to reflect the increase in the risk of the investment per country and the systematic risk of the Group.

The average discount rate, resulting from those applied by the Group in the various markets, used for the purpose of calculating the present value of the estimated cash flows was as follows:

	2018 Average	2017 Average
Spain	5.31%	5.45%
Rest of Europe	6.40%	6.23%
Americas	10.20%	8.49%
Asia and rest of the world	6.76%	6.98%

The results obtained from the 2018 impairment test performed on non-current assets (property, plant and equipment and intangible assets) are shown in the tables of changes included in Note 13 and Note 14 to the consolidated annual accounts relating to property, plant and equipment and rights over leased assets and other intangible assets.

The related charge for the period amounting to EUR 53 million (see Notes 7, 13 and 14) is due primarily to the impairment corresponding to the closures scheduled for 2019.

Impairment losses reversed in the period amounting to EUR 54 million (see Notes 7, 13 and 14) correspond to those CGUs for which impairment had been recognised in prior years and for which, due to their earnings performance, the calculation for the year shows that the estimated flows make it possible to recover the value of the assets associated with the CGUs and, consequently, the impairment losses recognised in prior years are fully or partially reversed.

Also, the Group analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.
- 5% reduction in future cash flows.

These sensitivity analyses, performed separately for each of the aforementioned assumptions, disclosed the potential existence of additional asset impairment amounting to EUR 1 million and EUR 2 million, respectively (EUR 2 million and EUR 2 million, respectively, in 2017).

Impairment of goodwill

Goodwill acquired through a business combination is allocated to the group of basic cash- generating units aggregated at concept-country level, for the purpose of performing the related impairment tests. This aggregation is made on the basis of:

- The degree of independence of the cash flows in each case.
- How the Group monitors the economic performance of its operations, and the model with which its operations are conducted.
- The degree to which the CGUs are subject to the same macroeconomic circumstances.
- The level with which the goodwill would be naturally associated on the basis of the business model.

In any case, this aggregation is never larger than an operating segment, as defined in IFRS 8.

Each year, or more often if there are indications of impairment, an impairment test is performed, using the methodology described in the preceding point, unless, if the CGU in question is an acquired company, the cash flow analysis is performed considering a period of five years, after which perpetual income is projected using a perpetuity growth rate of 2% with respect to the growth of the preceding period. The impairment tests for 2018 and 2017 did not give rise to the recognition of any impairment loss on goodwill.

Also, the Group analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.
- Use of a perpetuity growth rate of 0%.
- 5% reduction in future cash flows.

These sensitivity analyses performed for each of the above hypotheses independently, would not imply any additional impairment in 2018 (they would imply an additional impairment of 7, 4 and 0 million euros, respectively, in 2017).

Impairment of intangible assets with an indefinite useful life

Intangible assets with an indefinite useful life are assigned to each of the commercial premises where the Group carries on its business activity (stores) and are included in the calculation of the impairment of non-current assets, as explained above.

Reversals of impairment losses

Reversals of impairment losses on non-current assets are recognised with a credit to “Depreciation and Amortisation Charge” in the consolidated income statement, up to the limit of the carrying amount that the asset would have had, net of depreciation or amortisation, had the impairment loss never been recognised, solely in those cases in which, once the internal and external factors have been assessed, it can be concluded that the indications of impairment that led to the recognition of the impairment losses have ceased to exist or have been partially reduced.

The reversal of an impairment loss for a cash-generating unit is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets and taking into account the limit for the reversal referred to in the preceding paragraph.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

h) Trade and other receivables

Receivables are initially recognised at fair value and subsequently at their amortized cost in accordance with the effective interest rate method, less the provision for losses through impairment.

A provision for impairment losses of trade receivables is established when the requirements set out in section m) Financial instruments are complied with. The amount of the provision is recognised in the income statement.

i) Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value.

The cost of inventories comprises all costs of purchase and costs of conversion, as well as design, logistics and transport costs and any directly allocable costs incurred in bringing the inventories to their present location and condition.

The costs of conversion comprise the costs directly related to the units of production and a systematically calculated portion of indirect, variable and fixed costs incurred during the conversion process.

Cost is calculated on a FIFO basis and includes the cost of materials consumed, labour and manufacturing expenses.

The cost of inventories is adjusted through “Cost of Sales” in the consolidated income statement when cost exceeds net realisable value. Net realisable value is understood to be:

- Raw materials and other supplies: replacement cost. However, raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be disposed of at or above production cost.
- Finished goods for sale: estimated selling price in the normal course of business.

- Goods in progress: the estimated selling price for the corresponding finished goods, less estimated costs of completion.

j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, on initial investment. Investments which mature in less than three months from the acquisition date are also included.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the consolidated balance sheet as financial liabilities relating to bank borrowings.

k) Employee benefits

Obligations to Group personnel to be settled in the long term are estimated based on the dates on which they vest through the application, where appropriate, of actuarial assumptions. The Group has created a provision to cover the actuarial liability of the estimated portion vested at 31 January 2019.

The staff costs incurred in the year are determined based on the best estimate of the degree to which the conditions giving entitlement to payment have been met and the period that has elapsed since the commencement of the vesting period for each of the obligations.

The staff costs incurred in relation to the beneficiaries of the plans referred to in Note 26 to the consolidated annual accounts are recognised with a credit to liability and equity accounts in the period in which the costs are incurred.

l) Provisions and contingent liabilities

Provisions are recognised in the balance sheet when:

- the Group has a present obligation (legal or constructive) as result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are quantified on the basis of the best information available at the date of preparation of the annual accounts and are reviewed at the end of each reporting period.

If it is no longer probable that an outflow of resources will no longer be required to settle the obligation, the provision is reversed. The provision is reversed against the consolidated income statement item where the corresponding expense was recognised.

There are no risks that might give rise to significant future contingencies affecting the Group that have not already been taken into account in these consolidated annual accounts.

On the other hand, contingent liabilities are possible obligations that arise as a result of past events, whose future materialization is conditioned by whether or not one or more future events beyond the control of the Group occur. Unlike provisions, contingent liabilities are not recognised in the consolidated balance sheet, but are disclosed in the accompanying Notes to the annual accounts, unless the possibility of an outflow in settlement is considered to be remote.

The Group guarantees the debts of certain companies in the Netherlands, pursuant to the provisions of Article 403.1, Book 2, Part 9 of the Civil Code of the Netherlands.

m) Financial instruments

Financial assets

The Group's financial assets are maintained within a business model that aims to collect the contractual cash flows of financial assets, which are exclusively the principal and interest. For this reason, all of the Group's financial assets are valued after the initial recording at amortized cost, with the exception of bonds and derivative financial instruments, which are valued at their fair value.

Financial assets recognised at amortized cost: The amortized cost is determined using the effective interest rate method, which is the discount rate that equals the value of all future expected cash flows of a financial asset during its remaining life, excluding losses for impairment, to the value of said financial asset at the time of initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is initially recognised, less the repaid principal amounts, plus interest recognised by the effective interest rate method, less any impairment loss. The interest income derived from the application of the effective interest rate method is recognised as a financial result in the profit and loss account. However, given that most of the Group's financial assets valued at amortized cost correspond to accounts receivable from customers and temporary financial investments, with maturities in the short term, the impact on the consolidated profit and loss account for the year 2018 of the effective interest rate method is not relevant.

Financial assets measured at fair value: Derivative financial instruments, which are maintained within the exchange rate risk hedging policy, are valued at their fair value. On the other hand, securities (which for the most part correspond to the guarantees of compliance with lease contracts for premises) are valued at their fair value, which does not differ significantly from the value of the consideration given.

Impairment of financial assets

The Group recognises a provision for impairment for financial assets recognised at amortized cost. This provision is updated at each closing date to reflect changes in the credit risk of each financial instrument since its initial recognition.

The Group's policy is to recognise the credit losses expected at 12 months, provided that:

- The credit risk is low at the time of initial recognition of the financial asset.
- The credit risk has not increased significantly since recognition date.

Otherwise, the Group would recognise the expected loss during the life of the financial asset. In such case, interest is calculated on the gross value of the financial asset. Additionally, if after the significant increase in credit risk, objective evidence of impairment of the financial asset is shown, interest is calculated considering the value of the financial asset, net of the recognised impairment. On the other hand, it is considered that a financial asset is unpaid when its expiration date has not been reimbursed.

For the assessment of the credit risk of financial instruments other than accounts receivable of commercial origin (see Note 25), the Group has defined its own methodology based on the determination of credit risk indexes for each counterparty based on the use of market information on the credit quality of the counterparties (information such as the ratings assigned by credit agencies) and that allows the assessment of the credit risk of the counterparty at the time of the initial recognition of the financial assets and determine whether, on each closing date, there has been a significant increase in the credit risk on said financial assets or if the counterparty has incurred default. This information is subject to periodic review by the Group's Management, which determines when there has been a significant increase in the credit risk of the counterparties. Likewise, this methodology includes the determination of indices for each counterparty to determine the expected loss at 12 months or during the life of the asset based on the exposure to credit risk of each counterparty. The amount of estimated impairment loss is not significant, since almost all financial assets have a low credit risk.

In turn, for accounts receivable of commercial origin (see Note 11), the Group has a methodology analogous to the one described above (Note 25), although in this case the measurement of credit risk of the counterparties is based on factors that affect the ability of debtors to meet payment obligations, such as factors of the economic environment where they operate or the history of defaults of the counterparty with the Group.

Likewise, a commercial debtor is considered to have incurred non-payment when it has not met its obligations at maturity, in which case a provision is established based on seniority for the past due balances held with said debtor.

Derecognition of financial assets

Financial assets are derecognised from the consolidated balance sheet when the contractual rights to receive cash flows from the asset expire or when substantially all the risks and benefits associated with their property are transferred to another entity.

n) Derivatives and hedging operations

Financial instruments acquired by the Group to hedge forecast transactions in foreign currencies are initially recognised at fair value.

Foreign currency hedges relating to forecast transactions are treated as cash flow hedges, and therefore any gains or losses derived from measuring the hedging instrument at fair value which correspond to the effective portion of the hedge are recognised in equity. The ineffective portion is charged to finance costs or credited to finance income, as appropriate.

Amounts recognised in equity are taken to income when the forecast transaction takes place with a charge or credit to the statement of profit or loss account in which it was recognised. Also, gains or losses recognised in equity are reclassified to finance income or costs when the forecast transaction is no longer expected to occur. The fair value of the hedges is recognised, depending on whether it is positive or negative, under "Other Financial Assets" or "Other Financial Liabilities" in the accompanying consolidated balance sheet.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as hedging instruments and the hedging relationship is documented. Also, the Group verifies, both at inception and periodically over the term of the hedge, using "effectiveness tests", that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument. Also, the ineffective portion of the hedging instrument is recognised immediately in the consolidated income statement.

The fair value of the hedging instruments was calculated using valuation techniques based on the spot exchange rate and yield curves, according to the fair value hierarchy shown below:

Level 1

Fair value is calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Fair value is calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Unobservable inputs for the asset or liability.

The measurement methodology, based on the aforementioned hierarchy, is as follows:

Level 2 instruments

The Group assigns the assets and liabilities associated with its OTC derivative positions to this level and measures them using observable market inputs.

The Group does not have financial instruments included in the Level 1 or 3.

Accordingly, the fair value of the hedging instruments arranged by the Group is calculated as follows:

Foreign currency forwards

Fair value measurement:

Foreign currency forwards are basically measured by comparing the contract strike price (agreed delivery price) with the market forward rate for the maturity of the contract. Once the estimated future settlement of the contract has been obtained based on the aforementioned comparison (in euros), the settlement is discounted using the risk free zero coupon yield curve (or the interbank yield curve). This risk free valuation is subsequently adjusted to include each party's credit risk, both the risk corresponding to the counterparty (Credit Value Adjustment ("CVA") or counterparty default risk) and own risk (Debit Value Adjustment ("DVA") or own default risk).

The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs. The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

Cross-currency swaps

Fair value measurement:

- Cross currency swaps are basically measured by discounting the future cash flows of each leg of the derivative (swap) with the corresponding risk free yield curve (in the applicable currency). Subsequently, the present value of the leg that is not denominated in euros is translated to euros (using the current spot exchange rate) and the risk free value is calculated as the difference between the present value of the receiving leg and the present value of the paying leg. The discount curves are adjusted for the cross currency (basis) swap corresponding to the currency pair.
- The risk free portion is then adjusted to include the credit risk adjustment: both the CVA (Credit Value Adjustment - counterparty default risk) and the DVA (Debit Value Adjustment - own default risk).
- The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs.
- The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

o) Revenue recognition

Sales of goods are recognised when obligations of commitment to customers are fulfilled, which, in general, occur at the moment in which the merchandise is delivered to the customer and, simultaneously, the customer receives the consideration. Revenue is recognised by the value of the consideration received. Sales returns, actual and anticipated, are considered part of the total price of each sale transaction. The amount of the provision for expected refunds at the closing of the 2018 fiscal year is not relevant in the accompanying consolidated income statement.

Sales of goods to franchises are recognised following the same criteria mentioned above. On the other hand, income from royalties received from franchisees is recognised as the franchisee makes use of the rights obtained through the franchise agreement.

Rental income is recognised on a straight-line basis, over the term of the leases.

In the accompanying consolidated balance sheet no assets have been recorded by contract.

There are no significant contracts with financing components.

p) Leases

Leases are classified as finance leases when they transfer substantially all the risks and rewards inherent to ownership of the leased asset. All other leases are classified as operating leases.

Assets acquired through a finance lease are recognised as non-current assets at the lower of the present value of the future lease payments and the fair value of the leased asset, while the corresponding debt with the lessor is recognised as a liability. Lease payments are apportioned between the reduction of the outstanding liability and the finance charge, which is recorded as a finance cost for the year.

In the case of operating leases, non-contingent or fixed rent payments are recognised as an expense on a straight-line basis over the term of the lease. Contingent rent is recognised as an expense in the period in which payment is probable, as are fixed rent increases linked to the consumer price index.

Incentives received from shopping centre developers or owners of commercial premises (mainly contributions to construction work and grace periods) are recognised as non-current liabilities under "Other Non-Current Liabilities – Lease Incentives" and, in respect of the portion expected to be taken to income in the following year, as current liabilities under "Trade and Other Payables". They are credited to profit or loss, as a reduction of the rental expense under "Operating Expenses", on a straight-line basis over the term of the respective lease contracts.

q) Finance income and costs

Interest income and interest expenses are recognised on an accrual basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

r) Income tax

The income tax expense for the year comprises current tax and deferred tax. Current and deferred tax is recognised as income or as an expense and included in net profit or loss for the period, except to the extent that the tax arises from a transaction which is charged or credited, in the same or a different period, directly to equity, or from a business combination.

Current tax is the tax expected to be paid or recovered in the year, using tax rates in force at the consolidated balance sheet date, in respect of the current period, and any adjustment to tax payable or recoverable in respect of prior periods.

Deferred tax is calculated using the balance sheet liability method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities are the amounts of income taxes payable in the future in respect of taxable temporary differences, while deferred tax assets are the amounts of income taxes recoverable in the future due to the existence of deductible temporary differences, tax loss carryforwards or tax credit carryforwards.

The Group recognises deferred tax assets and liabilities for temporary differences, except where they relate to the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affected neither gross accounting profit nor taxable profit (tax loss), or in the case of deferred tax liabilities, where the temporary differences relate to the initial recognition of goodwill. Deferred tax liabilities are also recognised for temporary differences associated with investments in subsidiaries, except to the extent that the Parent is able to control the timing of their reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that are in force at the balance sheet date, and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the corresponding unused tax losses or tax credits can be utilised. Deferred tax assets, whether recognised or not, are reviewed at each balance sheet date.

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognised in the consolidated balance sheet under non- current assets and liabilities, irrespective of the expected date of realisation or settlement.

s) Current and non-current assets and liabilities

The Group classifies assets and liabilities as current and non-current items in the consolidated balance sheet. Assets and liabilities are classified as current when they are expected to be realized or settled within twelve months of the balance sheet date, and are otherwise classified as non-current.

Assets and liabilities are not offset, unless required or permitted by a standard or interpretation.

t) Treasury shares

Treasury shares acquired by the Group are presented separately at cost as a reduction of equity in the consolidated balance sheet, and no gains or losses are recorded as a result of transactions carried out with treasury shares.

Costs incurred in treasury share transactions are recorded as a reduction of equity, after consideration of any tax effect.

6.3. Net Sales

Sales in the consolidated income statement include amounts received from the sale of goods and income from rentals, royalties and other services rendered in the ordinary course of the Group's business, net of VAT and other sales taxes.

The detail of this line item in 2018 and 2017 is as follows:

	2018	2017
Net sales in company-managed stores and online	24,025	23,128
Net sales to franchises	1,887	1,990
Other sales and services rendered	233	218
Total	**26,145**	**25,336**

The Group's Management considers that there are no differentiated income categories with respect to the way in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors. This consideration is consistent with the breakdown of revenues by operating segments (Note 10).

In FY2018, online sales grew 27% to EUR 3.2 billion, 12% of net sales. Online sales account for 14% of net sales in markets with online sales.

6.4. Cost of sales

The detail of this line item in 2018 and 2017 is as follows:

	2018	2017
Raw materials and consumables	11,360	11,212
Change in inventories	(52)	(219)
Change in provisions	21	83
Total	**11,329**	**11,076**

Raw materials and consumables include mainly amounts relating to the acquisition from or production by third parties of products held for sale or conversion, and other direct expenses related to the acquisition of goods (see Note 6.2.2.i).

6.5. Operating expenses

The detail of "Operating expenses" and of the changes therein is as follows:

	2018	2017
Personnel expenses	4,136	3,961
Operating leases (Note 24)	2,392	2,358
Other operating expenses	2,801	2,625
Total	**9,329**	**8,944**

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2019 is as follows:

	Gender		
Categories	W	M	Total
Manufacturing and logistics	4,713	5,903	10,616
Central services	7,165	4,486	11,651
Stores	119,507	32,612	152,119
Total	**131,385**	**43,001**	**174,386**

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2018 is as follows:

	Gender		
Categories	W	M	Total
Manufacturing and logistics	4,645	5,908	10,553
Central services	7,315	4,427	11,743
Stores	117,395	32,148	149,543
Total	**129,355**	**42,483**	**171,839**

Lease expenses relate mainly to the rental, through operating leases, of the commercial premises in which the Group carries on its business activities. This line item also includes lease incentives, which are recognised in profit or loss. Note 24 provides more detailed information on the main terms of these leases, together with the related future minimum payment obligations.

The detail of "Other Operating Expenses" is as follows:

Other operating expenses	2018	2017
Indirect Selling Expenses	1,408	1,266
Administrative Expenses	578	492
Maintenance, Repairs and Utilities	463	443
Other	352	423
Total	**2,801**	**2,625**

"Indirect Selling Expenses" includes mainly expenses relating to store operations, commissions on credit, debit card payments and logistics. "Administrative Expenses" includes all kinds of professional services, "Maintenance, Repairs and Utilities" includes maintenance and utilities expenses and "Other" includes mainly travel, communications and other operating expenses.

6.6. Other losses and income, net

This heading includes extraordinary staff costs incurred in the year and the changes in the prices of the debts recognised as a result of the existence of cross call and put options between the Group and the owners of some of the shares of certain of the subsidiaries, since these cross options are considered to be a deferred acquisition of the shares constituting the underlying. The estimated option strike price is recognised as a liability and changes are recognised in profit or loss.

Following there is a description of the main cross put and call options on those investments:

a) Subsidiary domiciled in Mexico

The Group holds a call option on 5% of the share capital of Zara México, S.A. de C.V. owned by a non- controlling shareholder. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

b) Subsidiary domiciled in South Korea

The Group holds a call option on 20% of the share capital of Zara Retail Korea, Ltd. This ownership interest is held by Lotte Shopping Co., Ltd., which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

c) Subsidiary domiciled in South Africa

The Group holds a call option on 10% of the share capital of ITX Fashion Retail South Africa (Proprietary), LTD. This ownership interest is held by Peter Vundla Retail (Propietary), LTD, which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

d) Subsidiary domiciled in Australia

As of 31 January 2018, the Group was the holder of an option over 10% of the capital of Group Zara Australia, PTY. LTD. On 30 April 2018, put and call option was exercised, becoming the owner of 100% of said share capital. The exercise price corresponds to the participation of the partner in the equity of the investee at the time of acquisition.

6.7. Amortisation and depreciation

The detail of "Amortisation and depreciation Charge" is as follows:

	2018	2017
Amortisation and depreciation charge (Note 13 and 14)	1,206	1,108
Variation in impairment losses (Note 13 and 14)	(1)	114
Profit/(loss) on assets	(109)	(257)
Other	4	(2)
Total	**1,100**	**963**

6.8. Financial results

The detail of "Financial Results" in the consolidated income statement for 2018 and 2017 is as follows:

	2018	2017
Finance income	29	26
Foreign exchange gains	64	29
Total income	**92**	**55**
Finance costs	(15)	(10)
Foreign exchange losses	(61)	(49)
Total expenses	**(76)**	**(59)**
Total	**17**	**(5)**

Finance income and costs comprise mainly the interest accrued on the Group's financial assets and liabilities during the year (see Note 19). Net foreign exchange differences are due principally to fluctuations in the currencies with which the Group operates (see Note 25) between the time when income, expenses and asset acquisitions or disposals are recognised and when the corresponding assets or liabilities are realized or settled or translated in accordance with the applicable accounting principles.

6.9. Earnings per share

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group (see Note 22), which totalled 3,113,701,857 in 2018 and 3,113,218,213 in 2017.

Diluted earnings per share are calculated based on the profit for the year attributable to the holders of equity instruments of the Company and the weighted average of the ordinary shares outstanding for the dilutive effects of the potential ordinary shares.

As of 31 January 2019, taking into consideration treasury shares that are subject to the long-term incentive plans (Note 22), the calculation of diluted earnings per share would result in an amount of EUR 1.105 per share (1.081 as of 31 January 2018).

6.10. Segment reporting

The principal activity of the Inditex Group comprises the retail and on-line distribution of clothing, footwear, accessories and household textile products through various commercial concepts targeted at different sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units are influenced mainly by the particular commercial concept to which the units belong. The internal structure of the Inditex Group, the business decision-making process and the system for communicating information to the Board of Directors and Group management are organised by commercial concept and geographical area.

The key business indicators, understood to be those which form part of the segment information reported periodically to the Board of Directors and management of the Group and which are used in the decision-making process, are sales and operating profit by segment.

The segment liabilities, financial results and taxes are not disclosed as they do not form part of the key business indicators defined above or of the segment information reported periodically to the Board of Directors and management of the Group.

The Inditex Group segment information is as follows:

2018

	Zara / Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	18,127	2,240	5,886	(109)	26,145
Segment EBIT	3,122	326	909	(1)	4,357
Amortisation and depreciation	710	111	279	1	1,100
Segment total assets	17,345	1,057	3,282		21,684
ROCE	28%	50%	43%		31%
Number of stores	2,862	1,107	3,521		7,490

2017

	Zara / Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	17,551	2,228	5,661	(104)	25,336
Segment EBIT	3,126	354	848	(14)	4,314
Amortisation and depreciation	504	110	334	15	963
Segment total assets	16,023	993	3,215		20,231
ROCE	30%	57%	41%		33%
Number of stores	2,841	1,098	3,536		7,475

Inditex will integrate the reporting of Zara Home into Zara due to the increasing synergies between these concepts. The goal is to leverage the operational and brand management of the combined store and online platform. We plan to progressively incorporate Zara Home products onto the Zara website from next Autumn/Winter across a number of markets.

For presentation purposes, the commercial concepts other than Zara, Zara Home and Bershka were grouped into a single reporting segment due to the similarities in the nature of the products sold and their management and monitoring model.

For the purpose of reconciliation with the consolidated annual accounts, sales to third parties relate to "Net Sales" in the consolidated income statement and the depreciation and amortisation charge corresponds to "Amortisation and depreciation" in the consolidated income statement.

The segment's profit from operations refers to its Operating Result (EBIT), as defined in the initial note to these consolidated annual accounts. Income and expenses which might be considered to be corporate in nature or as belonging to all segments were allocated to each of the segments based on distribution criteria considered reasonable by Group management. Transactions between the various segments are carried out on an arm's length basis.

Total segment assets relate to "Total Assets" in the consolidated balance sheet.

The ROCE is calculated as defined in the initial Note to these consolidated annual accounts.

Zara was the first concept created by the Inditex Group and its positioning is based on a fashion offering featuring a wide range of products. Zara Home sells fashionable household products.

Bershka targets the younger consumers and its aim is to offer the latest fashion at affordable prices.

Geographical reporting

In the presentation of information by geographical segment, revenue is based on the geographical location of customers and segment non-current assets are based on the geographical location of assets. Segment non-current assets do not include deferred tax assets neither financial instruments.

	Net Sales		Non-current assets	
	2018	2017	31/01/2019	31/01/2018
Spain	4,557	4,424	3,486	3,056
Rest of Europe	12,388	11,954	3,725	3,458
Americas	4,033	3,877	1,567	1,421
Asia and rest of the world	5,167	5,081	864	884
Total	**26,145**	**25,336**	**9,642**	**8,820**

6.11. Trade and other receivables

The detail of this line item at 31 January 2019 and 2018 is as follows:

	31/01/2019	31/01/2018
Trade receivables	229	202
Receivables due to sales to franchises	229	231
Public entities	218	198
Other current receivables	144	147
Total	**820**	**778**

Trade receivables are mainly customer debit/credit card payments pending collection.

Part of the Group's activity is carried on through franchised stores (see Note 1). Sales to franchisees are made under agreed collection terms, which are partially guaranteed as described in Note 25.

Balances receivable from public authorities comprise VAT and other taxes and duties incurred by Group companies in the countries in which they operate.

Other current receivables include items such as rental incentives due from shopping centre developers (see Note 24) and outstanding balances from sundry operations.

6.12. Inventories

The detail of this line item at 31 January 2019 and 2018 is as follows:

	31/01/2019	31/01/2018
Raw materials and consumables	111	101
Goods in process	35	28
Finished goods for sale	2,570	2,556
Total	**2,716**	**2,685**

The Group takes out insurance policies to cover the possible risks of material damage to its inventories.

6.13. Property, plant and equipment

The detail of the items composing "Property, Plant and Equipment" in the accompanying consolidated balance sheet and of the changes therein is as follows:

	Land and buildings	Fixtures, furniture and machinery	Other property,plant and equipment	Work in progress	Total
Cost					
Balance at 01/02/2017	2,161	9,792	599	321	12,872
Acquisitions	45	1,390	109	279	1,822
Disposals	(62)	(593)	(26)	-	(681)
Transfers	16	174	13	(204)	-
Foreign exchange translation differences	(80)	(337)	(18)	(9)	(444)
Balance at 31/01/2018	2,080	10,425	677	387	13,568
Balance at 01/02/2018	2,080	10,425	677	387	13,568
Acquisitions	26	1,114	274	319	1,733
Hyperinflation adjustments	5	19	2	-	26
Disposals (Note 7)	(43)	(606)	(164)	(1)	(814)
Transfers	24	231	16	(271)	-
Foreign exchange translation differences	43	40	(2)	2	82
Balance at 31/01/2019	**2,134**	**11,222**	**802**	**436**	**14,595**
Depreciation					
Balance at 01/02/2017	343	4,880	278	-	5,501
Depreciation charge for the year	36	844	86	-	966
Disposals	(19)	(490)	(21)	-	(530)
Transfers	1	(1)	-	-	-
Foreign exchange translation differences	(7)	(131)	(10)	-	(148)
Balance at 31/01/2018	354	5,101	334	-	5,789
Balance at 01/02/2018	354	5,101	334	-	5,789
Depreciation charge for the year (Note 7)	35	812	201	-	1,048
Hyperinflation adjustments	1	15	2	-	18
Disposals (Note 7)	(17)	(530)	(157)	-	(705)
Transfers	41	(41)	-	-	-
Foreign exchange translation differences	4	15	-	-	18
Balance at 31/01/2019	**418**	**5,371**	**379**	**-**	**6,168**
Impairment losses (Note 6.2.2-g)					
Balance at 01/02/2017	2	84	2	-	88
Charge for the year	-	104	6	-	110
Amounts charged to profit or loss	-	(10)	-	-	(11)
Disposals	-	(41)	(1)	-	(42)
Transfers	(1)	(5)	-	-	(6)
Foreign exchange translation differences	-	(3)	-	-	(3)
Balance at 31/01/2018	1	129	6	-	136
Balance at 01/02/2018	1	129	6	-	136
Charge for the year (Note 7)	-	48	2	-	51
Amounts charged to profit or loss (Note 7)	-	(51)	(1)	-	(52)
Disposals (Note 7)	-	(44)	(4)	-	(48)
Balance at 31/01/2019	**1**	**83**	**3**	**-**	**87**
Carrying amount					
Balance at 31/01/2018	1,725	5,196	336	387	7,644
Balance at 31/01/2019	**1,715**	**5,768**	**419**	**436**	**8,339**

"Fixtures, Furniture and Machinery" includes mainly assets related to stores.

"Other Items of Property, Plant and Equipment" includes, inter alia, information technology equipment and motor vehicles.

Disposals comprise mainly assets related to the commercial premises at which the Group carries out its commercial activities.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of EUR 1,930 million and EUR 2,117 million at 31 January 2019 and 31 January 2018, respectively.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 6.2.2.g).

Through its corporate risk management policy, the Group identifies, assesses and controls damage and liability-related risks to which the Group companies are exposed. It does this by compiling and measuring the main risks of damage, loss of profits and liability affecting the Group and implements prevention and protection policies aimed at reducing, to the extent possible, the frequency and intensity of these risks.

Likewise, standard measurement criteria are established at corporate level which enables the different risks to which the Group is exposed to be quantified, measured and insured.

Lastly, the Group takes out insurance policies through corporate insurance programmes to protect its assets from the various risks, and establishes suitable limits, excesses and conditions in view of the nature of the assets and the financial dimension of the Group.

6.14. Rights over leased assets and other intangible assets

"Rights over Leased Assets" include amounts paid in respect of leasehold assignment, access premiums or tenancy right waivers and indemnities in order to lease commercial premises.

The payments for these rights are attributable to the leased assets and the related cost is allocated to profit or loss in accordance with the terms and conditions of the leases over the lease term.

At 31 January 2019, "Rights over leased assets" included items with an indefinite useful life amounting to EUR 125 million (EUR 132 million at 31 January 2018). The useful life of these assets is reviewed at year-end and no events or circumstances altering this indefinite useful life assessment were identified. The Group does not have any other intangible assets with an indefinite useful life.

"Other Intangible Assets" includes basically amounts paid for the registration and use of Group brand names, industrial designs of items of clothing, footwear, accessories and household goods created during the year, and the cost of software applications.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 6.2.2.g).

The detail of "Other Intangible Assets" in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	Rights over leased assets	Patents and similar intangibles	Software	Other intangible assets	Total
Cost					
Balance at 01/02/2017	1,024	30	175	167	1,396
Acquisitions	25	3	67	84	179
Disposals	(51)	-	(1)	(68)	(120)
Foreign exchange translation differences	(17)	-	-	-	(18)
Balance at 31/01/2018	981	33	240	183	1,437
Balance at 01/02/2018	981	33	240	183	1,437
Acquisitions	64	2	111	101	278
Hyperinflation adjustments	1	-	-	-	1
Disposals (Note 7)	(99)	(3)	(2)	(76)	(180)
Transfers	(17)	-	-	-	(17)
Foreign exchange translation differences	9	-	-	-	9
Balance at 31/01/2019	**938**	**32**	**349**	**208**	**1,528**
Amortisation					
Balance at 01/02/2017	508	20	71	70	669
Amortisation charge for the year	38	2	26	76	142
Disposals	(38)	-	(1)	(64)	(103)
Foreign exchange translation differences	(6)	-	-	-	(6)
Balance at 31/01/2018	502	22	96	82	703
Balance at 01/02/2018	502	22	96	82	703
Amortisation charge for the year (Note 7)	36	2	40	80	158
Hyperinflation adjustments	1	-	-	-	1
Disposals (Note 7)	(79)	(3)	(1)	(75)	(159)
Foreign exchange translation differences	2	-	-	-	2
Balance at 31/01/2019	**462**	**21**	**135**	**87**	**705**
Impairment losses (note 6.2.2.g)					
Balance at 01/02/2017	12	-	-	-	12
Impairment charge for the year	15	-	-	-	15
Amounts charge to profit or loss	(1)	-	-	-	(1)
Disposals	(2)	-	-	-	(2)
Transfers	(1)	-	-	-	(1)
Balance at 31/01/2018	22	-	-	-	23
Balance at 01/02/2018	22	-	-	-	23
Impairment charge for the year (Note 7)	2	-	-	-	2
Amounts charge to profit or loss (Note 7)	(2)	-	-	-	(2)
Disposals (Note 7)	(10)	-	-	-	(10)
Balance at 31/01/2019	**12**	**-**	**-**	**-**	**12**
Carrying amount					
Balance at 31/01/2018	457	11	144	101	712
Balance at 31/01/2019	**464**	**11**	**214**	**121**	**810**

The Group capitalized EUR 111 million in 2018 (EUR 67 million in 2017) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized EUR 101 million (EUR 84 million in 2017) in respect of the development of industrial designs and other intangibles associated with the Group's activity that meet the requirements for capitalization under IAS 38.

6.15. Goodwill

The detail of this line item in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	2018	2017
Opening balance	207	196
Acquisitions	-	11
Foreign exchange translation differences	(1)	-
Closing balance	**206**	**207**

Investee	2018	2017
Stradivarius España, S.A.	53	53
Italco Moda Italiana, LDA.	51	51
Zara Polska, S.p. Zo.o.	34	35
Massimo Dutti Benelux, N.V.	20	20
BCN Diseños, S.A. de C.V.	10	10
Zara Eslovenia	9	9
Zao Zara CIS	9	10
Others	18	19
Closing balance	**206**	**207**

The goodwill arising from the acquisition or termination of franchise contracts corresponds to the amount of the intangible assets that did not meet the requirements established in IFRS 3 for separate recognition. These requirements related essentially to the capacity of the assets to generate future cash flows.

The recovery of the goodwill is adequately guaranteed through the profitability of the acquired companies, whose future cash flows support the carrying amount of goodwill at year-end (see Note 6.2.2.g).

Also, sensitivity analyses were performed based on reasonably possible changes in the main variables used in asset measurement, and the recoverable amount is higher than the related carrying amount (see Note 6.2.2.g).

6.16. Financial investments

The detail of this line item in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	Loans and other credit facilities	Investments accounted for using the equity method	Others	Total
Balance at 01/02/2017	31	198	2	231
Acquisitions	24	42	-	67
Disposals	(22)	(21)	-	(43)
Transfers	(11)	-	-	(11)
Foreign exchange traslation differences	(1)	(5)	-	(7)
Balance at 31/01/2018	21	214	2	237
Balance at 01/02/2018	21	214	2	237
Acquisitions	-	54	-	54
Disposals	(4)	(20)	-	(24)
Foreign exchange translation differences	(2)	2	-	-
Balance at 31/01/2019	**15**	**249**	**2**	**267**

The carrying amount of the ownership interest in the Tempe Group in the accompanying consolidated balance sheet does not differ significantly from the value of the Group's share of the net assets of the Tempe Group (see Note 27).

There are no significant restrictions of any kind on the Tempe Group's ability to transfer funds to the Group in the form of cash dividends or the repayment of loans or advances granted by the Group.

6.17. Other non–current assets

The detail of this line item in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	Guarantees	Other	Total
Balance at 01/02/2017	483	71	554
Acquisitions	20	5	25
Disposals	(28)	(1)	(29)
Profit/(Loss) for the year	-	(4)	(4)
Transfers	-	(7)	(7)
Foreign exchange translation differences	(17)	(1)	(19)
Balance at 31/01/2018	457	62	520
Balance at 01/02/2018	457	62	520
Acquisitions	9	14	23
Disposals	(40)	(2)	(43)
Profit/(Loss) for the year	-	44	44
Transfers	(1)	13	12
Foreign exchange translation differences	7	1	8
Balance at 31/01/2019	**432**	**132**	**564**

The guarantees and deposits relate mainly to security deposits paid to owners of leased commercial premises to ensure compliance with the conditions stipulated in the leases (see Note 24), and to amounts paid to secure compliance with contracts in force.

6.18. Trade and other payables

The detail of this line item in the consolidated balance sheets at 31 January 2019 and 2018 is as follows:

	31/01/2019	31/01/2018
Trade payables	3,744	3,577
Personnel	426	354
Public entities	465	469
Other current payables	463	505
Total	**5,099**	**4,906**

The following table shows the information on the average period of payment to suppliers required by Law 15/2010, of 5 July:

	2018	2017
	Days	
Average period of payment to suppliers	35.51	35.84
Ratio of transactions settled	35.45	35.84
Ratio of transactions not yet settled	36.38	35.78
	Amount	
Total payments made	3,267	3,245
Total payments outstanding	218	222

This information relates to suppliers and creditors of Group companies domiciled in Spain.

6.19. Net financial position

The detail of the Group's net financial position is as follows:

	31/01/2019	31/01/2018
Cash in hand and at banks	1,511	1,925
Short-term deposits	3,244	2,938
Fixed-income securities	110	68
Total cash and cash equivalents	**4,866**	**4,931**
Current financial investments	1,929	1,472
Current financial debt	(84)	(12)
Non-current financial debt	(5)	(4)
Net financial position	**6,705**	**6,387**

"Cash on Hand and at Banks" includes cash on hand and in demand deposits at banks. "Short-Term Deposit" and "Fixed-Income Securities" include term deposits and units in money market investment funds that use unitholders' contributions to acquire fixed-income securities with maturities of less than three months that have a high credit rating, are highly liquid and convertible to known amounts of cash, and are subject to an insignificant risk of changes in value. All the balances under this line item are unrestricted as to their use and there are no guarantees or pledges attached to them.

"Current Financial Investments" on the asset side of the consolidated balance sheet relates mainly to investments in money market investment funds and fixed-income securities, with maturities ranging from three to twelve months, all of which have high credit ratings and are highly liquid.

The detail of the Group's bank borrowings and obligations under finance leases is as follows:

	31/01/2019		
	Current	Non-current	Total
Loans	82	-	82
Finance leases	2	5	8
Total	**84**	**5**	**90**

	31/01/2018		
	Current	Non-current	Total
Loans	11	1	12
Finance leases	1	3	4
Total	**12**	**4**	**16**

At 31 January 2019, the Group had a limit of EUR 6,248 million on its drawable financing facilities (EUR 5,377 million at 31 January 2018). These include Supply Chain Finance Support Programmes, credit and overdraft facilities.

Interest on all the financial debt is negotiated by the Group on the respective financial markets and usually consists of a monetary market index plus a spread in line with the solvency of the Parent or the subsidiary that has arranged the debt.

Financial debt is denominated in the following currencies:

	31/01/2019	31/01/2018
Euro	9	4
Turkish lira	2	7
British pound	75	-
Indian rupee	3	5
	90	**16**

The maturity schedule of the Group's bank borrowings at 31 January 2019 and 2018 was as follows:

	31/01/2019	31/01/2018
Less than one year	85	12
Between one and five years	5	4
	90	**16**

6.20. Provisions

The detail of this line item in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	Pensions and similar obligations with personnel	Liability	Other provisions	Total
Balance at 01/02/2017	55	112	75	242
Provisions recorded during the year	40	8	9	56
Disposals	(3)	(26)	(2)	(31)
Transfers	2	-	-	2
Foreign exchange translation differences	(2)	(1)	(7)	(10)
Balance at 31/01/2018	92	93	74	259
Balance at 01/02/2018	92	93	74	259
Provisions recorded during the year	23	7	3	33
Disposals	(2)	(19)	(3)	(24)
Transfers	(44)	5	(4)	(43)
Foreign exchange translation differences	-	-	5	5
Balance at 31/01/2019	**69**	**85**	**74**	**229**

Provision for pensions and similar obligations to personnel

Certain Group companies have undertaken to settle specific obligations to personnel. The Group has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2019. The estimated average period of disbursement of the provisioned amounts is around 3 years.

Provision for liabilities

The amounts shown here correspond to present obligations due to legal claims or constructive obligations arising from past events which will probably result in an outflow of resources and can be reliably estimated. At the date of preparation of these consolidated annual accounts there were no legal proceedings the final outcome of which could significantly affect the Group's equity position.

In estimating the amounts provisioned at year-end, the Group used the following hypotheses and assumptions:

- Maximum amount of the contingency
- Foreseeable evolution and factors on which the contingency depends

The estimated average payment period for the amounts provisioned depends largely on the local legislation of each of the markets in which the Group operates. An analysis is performed each year of the portion that will foreseeably have to be paid the following year and the related amount is transferred to current payables.

The Directors of Inditex consider that the provisions recorded in the consolidated balance sheet adequately cover the risks relating to litigation, arbitration and other contingencies and do not expect any liabilities additional to those recognised to arise therefrom.

6.21. Other non–current liabilities

The detail of this line item in the consolidated balance sheet and of the changes therein in 2018 and 2017 is as follows:

	Lease incentives	Other	Total
Balance at 01/02/2017	836	84	920
Acquisitions	217	1	218
Changes through profit or loss	18	16	34
Disposals	(2)	-	(2)
Transfers	(99)	(12)	(112)
Foreign exchange translation differences	(53)	-	(53)
Balance at 31/01/2018	917	89	1,005
Balance at 01/02/2018	917	89	1,005
Acquisitions	136	-	136
Changes through profit or loss	25	14	39
Disposals	-	-	-
Transfers	(99)	(14)	(112)
Foreign exchange translation differences	4	-	4
Balance at 31/01/2019	**983**	**89**	**1,072**

6.22. Capital and reserves

Share capital

At 31 January 2019 and 2018, the Parent's share capital amounted to EUR 94 million, and was divided into 3,116,652,000 fully subscribed and paid shares of EUR 0.03 par value each. All the shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2019 and 2018 amounted to EUR 20 million, while retained earnings amounted to EUR 12,130 million and EUR 3,918 million, respectively. The Parent's legal reserve, amounting to EUR 19 million, was recognised in compliance with Article 274 of the Spanish Companies Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that sufficient other reserves are not available for this purpose, the reserve must be replenished with future profits. At 31 January 2019 and 2018, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2019 include restricted reserves amounting to EUR 529 million (EUR 467 million at 31 January 2018) whose distribution is limited due to domestic legal requirements (basically bylaw reserves).

INDITEX shares are listed on the four Spanish stock exchanges. The shares are represented by book entries. Notwithstanding the above, pursuant to Article 497 of the Spanish Companies Act, in 2018 Inditex has hired Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) its services related to the provision of the daily share ownership notification. As per the Parent's shareholder register, as well as the information provided by the shareholder Rosp Corunna Participaciones Empresariales, S.L. to Inditex, and also per the public information registered at the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly owned, at 31 January 2019 and 2018, 59.364% and 59.362% respectively of the Parent's share capital (see Note 29). At 31 January 2019 and 2018, Pontegadea Inversiones, S.L. held 50.010% of the shares of INDITEX.

Dividends

The dividends paid by the Parent in 2018 and 2017 amounted to EUR 2,335 million and EUR 2,117 million, respectively. These amounts correspond to payments of EUR 0.75 per share in 2018 and EUR 0.68 per share in 2017.

The distribution of profit proposed by the Board of Directors is shown in Note 28.

Treasury shares

The Annual General Shareholders´ Meeting held on 19 July 2016 approved the 2016-2020 Long- Term Incentive Plan ("the 2016-2020 Plan") (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan.

At 31 January 2019, the Parent owned a total of 2,950,143 treasury shares, representing 0.095% of the share capital.

6.23. Income taxes

Companies included in the Consolidated Financial Statements pay the Corporate Income Tax individually, except for certain countries (like Spain, Portugal or Netherlands) where they pay taxes under the consolidated tax group regime.

In the case of Spain, the consolidated tax group includes Industria de Diseño Textil, S.A., as the Parent company, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated tax groups. The subsidiaries composing the aforementioned Spanish tax group are as follows:

Bershka BSK España, S.A.	Invercarpro, S.A.	Samlor, S.A.
Bershka Diseño, S.L.	Kiddy's Class España, S.A.	Stear, S.A.
Bershka Logística, S.A.	Lefties España, S.A.	Stradivarius Diseño, S.L.
Born, S.A.	Lefties Logística, S.A.	Stradivarius España, S.A.
Choolet, S.A.	Massimo Dutti Diseño, S.L.	Stradivarius Logística, S.A.
Comditel, S.A.	Massimo Dutti Logística, S.A.	Tordera Logística, S.L.
Confecciones Fíos, S.A.	Massimo Dutti, S.A.	Trisko, S.A.
Confecciones Goa, S.A.	Nikole, S.A.	Uterque Diseño, S.L.
Denllo, S.A.	Nikole Diseño, S.L.	Uterqüe España, S.A.
Fashion Logistics Forwarders, S.A.	Oysho Diseño, S.L.	Uterqüe Logística, S.A.
Fashion Retail, S.A.	Oysho España, S.A.	Uterqüe, S.A.
Fibracolor, S.A.	Oysho Logística, S.A.	Zara Diseño, S.L.
Glencare, S.A.	Plataforma Cabanillas, S.A.	Zara España, S.A.
Goa-Invest, S.A.	Plataforma Europa, S.A.	Zara Home Diseño, S.L.
Grupo Massimo Dutti, S.A.	Plataforma Logística León, S.A.	Zara Home España, S.A.
Hampton, S.A.	Plataforma Logística Meco, S.A.	Zara Home Logística, S.A.
Indipunt, S.L.	Pull & Bear Diseño, S.L.	Zara Logística, S.A.
Inditex, S.A.	Pull & Bear España, S.A.	Zara, S.A.
Inditex Logística, S.A.	Pull & Bear Logística, S.A.	Zintura, S.A.

The balance of the "Current Taxation of Current Taxes" heading in the consolidated balance sheet corresponds to the provision for Income Tax relating to the profit for the year 2018, net of withholdings and prepayments made in the period. The heading "Creditors" includes the liability corresponding to other applicable taxes.

The balance of "Current Asset Taxes" in the consolidated balance sheet corresponds, mainly, to amounts to be recovered from tax authorities for such concept. The balance of the "Accounts Receivable" heading in the accompanying consolidated balance sheet mainly includes the amount by which the input VAT exceeded output VAT for the period.

The income tax expense includes both the part concerning expense for current tax and the corresponding expense for deferred tax. The current tax is the amount to be paid for the income tax related to the fiscal gain of the period and for other fiscal charges derived from compliance with the regulations that regulate the income tax. The deferred tax reflects the amounts of tax on the profits to be paid or recovered in future periods and arises from the recognition of deferred tax assets and liabilities.

The income tax expense comprises the following:

	2018	2017
Current taxes	1,045	984
Deferred taxes	(65)	(5)

The reconciliation of the income tax expense that would result from applying the standard tax rate in force in Spain to the profit before tax and the income tax expense recognised in the consolidated income statement for 2018 and 2017 is as follows:

	2018	2017
Consolidated accounting profit for the year before taxes	4,428	4,351
Tax expense at tax rate in force in the country of the Parent	1,107	1,088
Net permanent differences	(140)	(145)
Effect of application of different tax rates	(74)	(45)
Adjustments to prior years' taxes	6	23
Tax withholdings and other adjustments	85	78
Adjustments to deferrred tax assets and liabilities	2	10
Tax withholdings and tax benefits	(7)	(30)
Income tax expense	**980**	**979**

The permanent differences correspond, mainly, to expenses not tax deductible and to tax revenues for the contribution of rights to use certain assets to a subsidiary.

The companies that make up the consolidated Group have benefitted from the tax benefits provided for in the tax regulations in force in each country amounting to 7 million euros (30 million euros as of 31 January 2018). These deductions and bonuses derive, fundamentally, from investments, the correction of double taxation and, to a lesser extent, bonuses.

Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The consolidated balance sheet closed as of 31 January 2019 includes the assets and liabilities for deferred taxes existing at that date.

The detail of "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying consolidated balance sheet is as follows:

Deferred tax assets arising from:	2018	2017
Provisions	134	116
Non-current assets	142	144
Lease incentives	57	53
Valuation adjustments	50	56
Tax losses	73	79
Intra-Group transactions	239	179
Other	163	115
Total	**858**	**744**

Deferred tax liabilities arising from:	2018	2017
Intra-Group transactions	140	126
Non-current assets	75	60
Valuation adjustments	15	22
Other	82	59
Total	**312**	**268**

These balances were determined using the tax rates that, based on enacted tax laws, will be in force in the period when they are expected to reverse, and in some cases these tax rates may differ from the tax rates in force in the present year.

The expense for deferred income tax was adjusted for the difference between the balances calculated at the tax rate in force at the end of the present year and those calculated at the new tax rates at which they will reverse.

The changes in deferred tax assets and liabilities in 2018 and 2017 were as follows:

Deferred tax assets arising from:	2018	2017
Opening balance	744	722
Charge/Credit to profit or loss	117	33
Charge/Credit to equity	(5)	(11)
Transfers	2	-
Closing balance	**858**	**744**

Deferred tax liabilities arising from:	2018	2017
Opening balance	268	257
Charge/Credit to profit or loss	52	13
Charge/Credit to equity	(10)	(2)
Transfers	2	-
Closing balance	**312**	**268**

As of 31 January 2019, the Group has tax losses subject to compensation with future benefits amounting to EUR 398 million (EUR 372 million at 31 January 2018). Within the breakdown of assets for deferred taxes previously indicated, those corresponding to tax losses pending to be offset are included, with a balance of EUR 73 million at 31 January 2019 (EUR 79 million at 31 January 2018). The Group, based on the methodology established to verify the existence of signs of impairment in its non-current assets (see Note 6.2.2.g), constructs the hypotheses to analyse the existence of sufficient fiscal gains in the future that allow offset such tax losses before they prescribe. Additionally, the reversal in the same entity of deferred tax liabilities related to the same tax authority that may give rise to taxable amounts in sufficient quantity to apply the unused tax losses against them is taken into account. Thus, the balance of deferred tax assets recorded in the balance sheet is the result of the aforementioned analysis of the total amount of tax losses that the Group has declared at year end that, for the most part, are not subject to a period of effective compensation.

In addition, some companies that make up the consolidated group have reserves that could be subject to taxation should they be distributed. These consolidated financial statements include the tax effect associated with such distribution insofar as it is likely to occur in the foreseeable future. Temporary differences, associated with investments in subsidiaries, associates and permanent establishments, which have not been registered for the exception provided for in IAS 12, amount to EUR 75 million.

On the other hand, in accordance with the tax legislation applicable to the parent company of the Group, the dividends proposed or declared to the shareholders of said company, before the financial statements have been formulated and that have not been recognised as liabilities, do not generate Consequences in the Income Tax of the parent company.

The years open to inspection in relation to the main taxes vary according to the tax legislation of each country in which the Group operates. At present, verification actions are being carried out on different Group companies, among which we highlight those domiciled in Spain, France and the United States. In any case, it is not expected that, as a consequence of the ongoing verification actions, as well as those that could be carried out in the future in relation to non-prescribed periods, liabilities will be revealed that significantly affect the equity situation or the Group's results.

Lastly, these consolidated annual accounts include the effect of the entry into force in Spain of Royal Decree-Law 3/2016, of 2 December, adopting tax measures aimed at consolidating public finances. These measures consisted of the amendment of the limits for offsetting tax losses and the introduction of the compulsory reversal of impairment losses on investments and the non-deductibility of losses arising on the transfer of investments in certain entities. The effect of these measures on the Group's equity position and results was not significant.

6.24. Operating leases

Most of the commercial premises at which the Group carries on its retail distribution activities are leased from third parties. These leases are classified as operating leases because they do not transfer the risks and rewards incidental to ownership of the underlying assets, since:

- ownership of the asset is not transferred to the lessee by the end of the lease term;
- the lessee does not have an option to purchase the leased asset;
- the leases have an initial term of between 10 and 15 years, which is shorter than the estimated useful life of assets of this nature (see Note 6.2.2.c);
- at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

Due, inter alia, to the presence of the Group in various countries, the resulting variety of legislation governing leases and the diverse nature and economic status of the owners, its leases are regulated by a broad range of clauses.

In many cases the leases simply establish a fixed lease payment, normally made on a monthly basis and, which may be adjusted in accordance with rent revision rules, including most notably, among others, revisions in line with inflation on the basis of price indices correcting the amounts paid for the effect of inflation and periodic rent revisions to bring the amounts paid into line with market prices. In other cases the amounts payable to the lessor are determined as a percentage of the sales obtained by the Group in the leased premises. These variable lease payments or contingent rent may be instrumented through advance rental payments, have guaranteed minimum amounts or certain specific calculation rules attached. Occasionally, escalating rental payments or rent-free grace periods are agreed, which means cash outflows can be reduced at the start of the lease, even if the expense is recognised on a straight-line basis (see Note 6.2.2.p).

Lease contracts also sometimes require the lessee to pay certain amounts to the lessor which, from an economic perspective, could be considered to be advance rental payments, or to pay amounts to the previous tenants so that they waive certain rights or transfer them to the Group (leasehold assignment rights or various types of indemnities). These amounts are recognised as non-current assets (see Note 14) and are generally amortized over the term of the lease.

On certain occasions, shopping centre developers or the owners of leased premises make contributions towards the establishment of the Group's business in their premises. These contributions are treated as lease incentives (see Note 21) and are recognised in the income statement on a straight-line basis over the lease term.

There is also a wide variety of different lease terms, although they generally have an initial term of between 10 and 15 years. Also, in most cases the lessee has the power to renew the lease and extend the related lease term.

Frequently, the law or the leases themselves protect the tenant's ability to terminate them. The majority of the contracts foresee the possibility of termination by the Group within a period of less than 3 years, and the contractual relationship can be terminated as of this date, provided that it is communicated with the previously established notice (e.g., three months). Clauses that allow for the termination of leases at any time during their term are also common, only requiring advance notice within the agreed term. Some leases combine the minimum term obligations with get-out clauses that may only be exercised at certain times during the term of the lease (e.g. every three or five years). In other less frequent cases, however, the Group is obliged to see out the full term of the lease.

The detail of the operating lease expense is as follows:

	2018	2017
Minimum payments (*)	1,927	1,913
Contingent rents	465	446
Total (Note 5)	**2,392**	**2,358**
Sublease income	7	4

(*) Minimum payments include fixed rental fees, common expenses and other expenses related to the lease.

The breakdown of the future minimum lease payments under non-cancellable operating leases is as follows:

Lease payments	2018	2017
Less than one year	1,457	1,453
One to five years	2,415	2,386
Over five years	1,082	1,092

6.25. Financial risk management policy and financial instruments

Financial risk management policy

The Group's activities are exposed to various financial risks: market risk (foreign currency risk and interest rate risk) and other risks (credit risk, liquidity risk and country risk). The Group's financial risk management focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the profitability of its business.

This note provides information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for managing risk, the methods used to measure these risks, any changes from the previous year and the financial instruments used to mitigate the risks.

Foreign currency risk

The Group operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar (the Euro is the Group's reference currency and the functional currency of the Parent) and, to a lesser extent, the Mexican peso, the Russian rouble, the Chinese yuan, the Japanese yen and the pound sterling. Foreign currency risk arises on future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed in line with the corporate risk management model guidelines, which establish the ongoing monitoring of exchange rate fluctuations and other measures designed to mitigate this risk, mainly through the optimization of the Group's operations in order to minimize the impact, using natural hedges, the benefits of diversification and the arrangement of financial hedges.

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers, mostly in US dollars. In accordance with prevailing foreign currency risk management policies, Group management arranges derivatives, mainly foreign currency forwards, to hedge fluctuations in cash flows relating to the EUR-

USD exchange rate. The Group also uses non-derivative financial instruments as hedges (e.g. deposits held in currencies other than the euro), and these instruments are recognised under "Current Financial Asset".

The Group's head companies supply their subsidiaries with finished goods for sale to the end customers. With a view to reducing the fluctuations in value of the expected foreign currency cash flows arising from these intra-Group transactions (denominated in currencies other than the euro), the Group uses financial derivatives such as zero-premium option combinations and, occasionally, foreign currency forwards.

Certain Group subsidiaries are granted internal financing denominated in currencies other than the euro. In accordance with prevailing foreign currency risk management policies, derivatives are arranged, mainly forwards and cross currency swaps, to hedge the changes in fair value related to exchange rates.

As described in Note 6.2.2.n, the Group applies hedge accounting to mitigate the volatility that would arise in the consolidated income statement as a result of the existence of significant foreign currency transactions. Hedge accounting has been used because the Group meets the requirements described in Note 6.2.2.n on accounting policies in order to be able to classify financial instruments as hedges for accounting purposes.

The Group applies the hedge accounting rules established in the applicable accounting standards. As a result, certain financial instruments were formally designated as hedging instruments and the Group verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In 2018, using hedge accounting, no significant amounts were recognised in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges.

Approximately 70% of the cash flows associated with hedges in US dollars are expected to occur in the six months subsequent to year-end, while the remaining 30% are expected to fall due between six months and one year. Also, the impact on the consolidated income statement will foreseeably occur in those periods. The derivatives hedging the cash flows from intra-Group transactions to supply finished goods for sale to end customers have short-term time horizons aligned with the expected cash flows.

The fair value of the hedging instruments was calculated as described in Note 6.2.2.n.

The Group uses the Cash-Flow-at-Risk (CFaR) methodology in order to estimate the potential impact of exchange rate changes on consolidated profit before tax and, if applicable, determine the relevant mitigation strategies. CFaR is methodology widely used in risk management. It is an evolution of the Value-at-Risk (VaR) method focused on the possible loss related to future cash flows. Given a portfolio, exposed to one or more risks, the CFaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The CFaR measures risk in aggregate terms, considering the potential diversification benefit resulting from the correlations between the components of the portfolio of exposures.

The underlying portfolio used in the CFaR calculation is composed of future flows denominated in currencies other than the euro up to a period of one year. It is estimated that this portfolio represents substantially all of the Group's exposure to foreign currency risk and that the possible adverse changes in exchange rates would affect the consolidated profit of the following year. The main parameters and assumptions used in the CFaR calculation relate to the horizon of the estimated flows, the scenario simulation technique and the selected confidence interval. The cash flows considered have a duration of up to one year, taking as a time horizon the maturity date of each cash flow. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous three years. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous three years. It may also be the case that the estimated flows, i.e. the portfolio used for the calculation, differ from the actual flows.

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate resulting from the CFaR calculation, could be EUR 256 million at 31 January 2019 (31 January 2018 EUR 237 million).

Credit risk

The Group is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises and retail sales represent the vast majority of revenue. Collections are made primarily in cash or through credit card payments.

The Group adopts prudent criteria in its investment policy the main objectives of which are to mitigate the credit risk associated with investment products and the counterparty risk associated with banks by establishing highly detailed analysis criteria.

Investment vehicles are rated using a selection of criteria, including, inter alia, the ratings of the three main rating agencies, the size of the investment vehicle, location and returns. All the investment vehicles have the highest possible credit rating.

In addition to taking into account the credit ratings issued by the three main rating agencies, the Group considers the solvency, liquidity, asset quality and managerial prudence of the banks, as well as the potential performance of the bank in stressed conditions and standard probability of default models.

Based on the aforementioned counterparty risk considerations, the Group assigns a rating that determines the maximum permissible exposure to a given bank. A rigorous analysis of the counterparty does not completely eliminate credit risk and, therefore, these limits seek to guarantee a broad diversification of the banks used by the Group. This principle of diversification is also applied to the jurisdiction in which assets are held and the range of financial products used for investing purposes. In the specific case of short-term money market funds, the credit analysis and diversification principles are satisfied by the requisite fulfilment by the investment vehicle of domestic and regulatory requirements.

The credit risk resulting from the arrangement of financial derivatives is mitigated by the requirement that such instruments be subject to an ISDA master agreement. Occasionally, where deemed necessary, the Group requests that additional security be provided in the form of pledged collateral.

The Group estimates that at the closing date there has not been a significant increase in the credit risk of the financial assets that had a low credit risk at the beginning, which is why the expected loss at 12 months has been estimated, and it is not significant.

In relation to accounts receivable of commercial origin, the Group estimates that at closing date there has not been a significant increase in credit risk since its recognition, which is why the expected loss at 12 months has been estimated, not being significant, and it has not been considered necessary to make valuation corrections with accounts receivable not due.

The main financial assets of the Group are shown in the "Financial instruments: other information" section below.

Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Group has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments (see Note 19).

Note 19 contains a detail of the financial liabilities, along with their scheduled maturities.

Interest rate risk

The Group's exposure to interest rate risk, which in no case is significant, arises principally in relation to the following items:

- Cash and cash equivalents: given the Group's investment policy (see Note 19), any changes in interest rates at year-end would not significantly affect consolidated profits.
- Financial debt: given the amount of the Group's external financing (see Note 19), any change in interest rates at year-end would not significantly affect consolidated profits.
- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets), goodwill and intangible assets with an indefinite useful life (see Note 6.2.2.g).
- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

The Group does not have any material financial assets or liabilities designated as at fair value through profit or loss. A potential change in fair value would not imply significant impact.

Country risk

The international presence of the Group's business activities exposes it to the country risk of multiple geographical regions, in both its supply and its sales and distribution activities. The Group adapts its administrative and business processes in order to minimise country risk and take advantage of the benefits of geographical diversification.

One of the most significant manifestations of country risk is foreign currency risk and the possibility of exposure to limits or controls on the free circulation of cash flows due to a lack of currency convertibility, in current or capital account terms, or to unexpected restrictions on the movement of capital. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum.

At 31 January 2019, there was no significant risk in relation to the repatriation of funds or any material cash surpluses not available for use by the Group or its subsidiaries. Similarly, there are no significant restrictions on the Group's ability to access the assets and settle the liabilities of its subsidiaries.

At 31 January 2019, the Group was not operating in markets in which there was more than one exchange rate.

Brexit-related risk

Since the announcement of the referendum on the permanence of the United Kingdom in the European Union in 2016, measures have been taken to mitigate the potential impact of this process for the Group. Even though there is still uncertainty about the possible date of entry into force of Article 50 of the Treaty on European Union, as a result of which the United Kingdom would leave the European Union, there is certainty that a Brexit without an agreement would mean significant changes in the regulatory environment in which the group operates in the United Kingdom, as well as in the commercial relationship between the United Kingdom and the EU, by passing these to be governed by the rules of the World Trade Organization (WTO).

In anticipation that the United Kingdom may leave the European Union without a negotiated agreement, the Group has comprehensively evaluated what the potential impact for the business in this market would be, and for the Group as a whole. The areas of the Group responsible for the management and control of the different risks, have carried out a coordinated analysis of the causes, repercussions, as well as the supposed materialization deadlines of the different impacts of a Brexit scenario without agreement. The purpose of this exercise has been twofold. On the one hand, determine the criticality of the different risks and evaluate their impact, on the other hand, design an action Plan with specific mitigation measures, assignees for its execution, and maximum deadlines for implementation.

Among the main risks arising from a non-negotiated Brexit, we highlight the possibility of transient disruptions in the supply of services and goods necessary for the normal operation of the Group's multi-channel commercial offer in the United Kingdom. Another of its manifestations would be the establishment of tariffs, as well as the increase of commercial friction resulting from the elimination of the free movement of goods and services. Potentially, the pound sterling would weaken, and consumption could slow down. An environment of regulatory uncertainty would generate tensions in the British labour market, as a result of the limitations on the free movement of people and the change of residence and work regulations. In addition, the surplus variation of the regulation could compromise the supply of goods and services that the Group receives outside the United Kingdom from entities domiciled in that jurisdiction. Some of these providers may experience difficulties, which would deteriorate the level of their profits. Despite the transcendence of a Brexit without an agreement, the analysis exercise shows that the residual risk for the Group, once the mitigation actions have been implemented, would not be significant.

Capital management

The Group's capital management objectives are to safeguard its ability to continue operating as a going concern, so that it can continue to generate returns for shareholders and benefit other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations. The shareholder remuneration policy is detailed in Note 28.

There were no significant changes to capital management in the year.

Financial instruments

At 31 January 2019 and 2018, the Group had arranged hedging derivatives consisting basically of forwards on its future purchases in US dollars, forwards to hedge intra-Group financing, and options. The fair value of these derivatives is recognised under "Other Financial Assets" or "Other Financial Liabilities" depending on the related balance.

The detail of "Other Financial Assets" and "Other Financial Liabilities" in the consolidated balance sheet is as follows:

	2018	2017
Other financial assets		
Fair value of the hedging instruments	20	12
Total	**20**	**12**
Other financial liabilities		
Fair value of the hedging instruments	24	81
Reciprocal call and put options (Note 6)	23	24
Total	**47**	**105**

The detail of the fair value (measured as indicated in Note 6.2.2.n) of the hedging instruments for 2018 and 2017 is as follows:

2018

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY

Description	Level	Fair Value 2018	Transfer to Income	Transfer to Income from Equity	Income Recognised Directly in Equity	Fair Value 2017
OTC Derivatives						
Foreign currency forwards	2	20	10	(6)	3	12
Total Derivatives		**20**	**10**	**(6)**	**3**	**12**

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY

Description	Nivel	Fair Value 2018	Transfer to Income	Transfer to Income from Equity	Income Recognised Directly in Equity	Fair Value 2017
OTC Derivatives						
Foreign currency forwards	2	19	(39)	(31)	11	78
Cross Currency Swap	2	5	2	-	-	3
Total Derivatives		**24**	**(36)**	**(31)**	**11**	**81**

2017

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY

Description	Nivel	Fair Value 2017	Transfer to Income	Transfer to Income from Equity	Income Recognised Directly in Equity	Fair Value 2016
OTC Derivatives						
Foreign currency forwards	2	12	(63)	(11)	6	81
Options	2	-	-	(6)	-	6
Total Derivatives		**12**	**(63)**	**(17)**	**6**	**87**

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY

Description	Nivel	Fair Value 2017	Transfer to Income	Transfer to Income from Equity	Income Recognised Directly in Equity	Fair Value 2016
OTC Derivatives						
Foreign currency forwards	2	78	22	-	31	25
Cross Currency Swap	2	3	(12)	-	-	15
Total Derivatives		**81**	**10**	**-**	**31**	**40**

There were no transfers among the various levels of the fair value hierarchy (see 6.2.2.n).

Financial instruments: other information

The main financial assets held by the Group, other than cash and cash equivalents and derivative financial instruments, are the loans and receivables related to the Group's principal activity and the guarantees given in relation to the lease of commercial premises, which are shown under "Other Non- Current Assets". The main financial assets of the Group are as follows:

	2018	2017
Cash and cash equivalents (Note 19)	4,866	4,931
Current financial investments (Note 19)	1,929	1,472
Trade receivables (Note 11)	229	202
Receivable due to sales to franchises (Note 11)	229	231
Other current receivables (Note 11)	144	147
Guarantees (Note 17)	432	457
Total	**7,828**	**7,440**

The main financial liabilities of the Group relate to accounts payable on commercial transactions.

In 2018 no significant impairment losses were recognised on financial assets.

6.26. Employee benefits

Obligations for benefit plans or defined contributions

The Group does not maintain obligations with its employees as a general rule for defined benefit plans or contributions. However, in certain countries, due to the legislation or regulation in force or local labour practice, the Group assumes certain commitments related to the payment of certain amounts for accidents, illness or retirement, among others, sometimes partially paid by the worker and risk is partially or totally externalized through hiring the corresponding insurance policies.

Likewise, in certain countries, the worker participates in a percentage of the profits generated by the Group companies. The liabilities related to these items are recorded in the "Creditors" and "Other long- term liabilities" heading in the consolidated balance sheet. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

Long–term Incentive Compensation Plans

Long-term Incentive Plan 2016-2020

The General Shareholders' Meeting agreed, at its meeting of 19 July 2016, a Long-Term Incentive Plan 2016-2020 (hereinafter, the "Plan"), addressed to members of the management team and other employees of the Board of Directors of Inditex and its Group of companies, by virtue of which each beneficiary shall have the right, if the conditions established in said plan are met, to receive up to a maximum amount of the assigned incentive.

The Plan consists of the combination of a multi-year cash bonus and a promise of a delivery of shares free of charge that, after a certain period of time and once the fulfilment of the specific goals is verified, will be paid to the beneficiaries of the plan, in its totality or in the applicable percentage.

The Plan has a total duration of four years and is structured into two mutually independent time cycles. The first cycle of the Plan has elapsed and spanned the period from 1 February 2016 to 31 January 2019. The second cycle spans the period from 1 February 2017 to 31 January 2020.

The Plan is linked to critical business targets and the creation of value for the shareholder.

The Plan does not expose the Group to material risks.

The liability related to the Plan in cash is shown under "Provisions" and "Trade and other payables" in the consolidated balance sheet, and its annual allocation is recorded as an operating expense in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

The amount related to the Plan in shares is shown in the "Net equity" of the consolidated balance sheet and its annual allocation is recorded as an operating expense in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

For the coverage of this Plan, the Group has acquired, as an active asset, a volume of treasury shares sufficient to meet future obligations (see Note 22).

The incentive to be received will be calculated in accordance with the provisions of the seventh agreement of the General Shareholders' Meeting held on 19 July 2016.

Extraordinary profit-sharing plan

In response to the Group performance, Inditex approved, in 2015, an extraordinary employee sharing plan in the growth of the Company's profits for the 2015 and 2016 financial years. In 2017, the Group approved a new plan for employee participation in the growth of the Company's profits for the 2017 and 2018 financial years, with characteristics similar to the previous one.

In fiscal year 2018, the part corresponding to fiscal year 2017 was executed, following the criteria described in Note 26 of the annual report corresponding to fiscal year 2017. During fiscal year 2019, the part corresponding to fiscal year 2018 will be executed.

The liabilities related to this item are recorded under the heading "Trade and other payables" in the consolidated balance sheet, and their annual allocation is included in the heading "Operating expenses" in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

6.27. Jointly controlled entities

Inditex has a 50% stake in the group formed by the parent, Tempe, S.A., and its subsidiaries, the detail of which is shown in the following table. These companies engage mainly in the design, supply and distribution of footwear to Inditex Group companies, their main customer.

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Tempe, S.A.	50.00%	Alicante Spain	Equity method	31-Jan	Multi-concept	Sale of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico City México	Equity method	31-Dec	Multi-concept	Sale of footwear
Tempe Logística, S.A.	50.00%	Alicante Spain	Equity method	31-Jan	Multi-concept	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo Brazil	Equity method	31-Dec	Multi-concept	Dormant
Tempe Diseño, S.L.	50.00%	Alicante Spain	Equity method	31-Jan	Multi-concept	Design
Tempe Trading	50.00%	Fribourg Switzerland	Equity method	31-Oct	Multi-concept	Dormant
Tempe Trading Asia Limited	50.00%	Hong Kong China	Equity method	31-Jan	Multi-concept	Sale of footwear
TMP Trading (Shanghai) Co. Ltd	50.00%	Shanghai China	Equity method	31-Dec	Multi-concept	Sale of footwear

Set forth below is the financial information of the Tempe Group, obtained from its consolidated annual accounts prepared in accordance with IFRS, together with other relevant financial information:

	2018	2017
Fixed assets	192	170
Others	38	29
Non-current assets	231	199
Inventories	284	238
Trade and other receivables	370	377
Cash and cash equivalents	10	18
Current assets	663	632
Non-current liabilities	(26)	(42)
Trade and other payables	(310)	(319)
Others	(29)	(19)
Current liabilities	339	(338)
Net assets	**529**	**452**
Revenues	1,317	1,246
Gross profit	354	288
Operating expenses	(191)	(182)
Amortisation and depreciation	(23)	(24)
Net operating profit (EBIT)	140	92
Net profit	113	81

In 2018 the Group received dividends totalling EUR 20 million (EUR 21 million in 2017) from Tempe (see Nota 16).

6.28. Proposed distribution of the profit of the Parent

The Directors will propose that EUR 2,740 million of the 2018 net profit of the Parent, which is the maximum amount distributable, be distributed as an ordinary dividend of EUR 0.66 per share and an extraordinary dividend of EUR 0.22 gross per share on the total outstanding shares, and that EUR 7,641 million be taken to voluntary reserves.

From the total amount of EUR 0.88 per share to be distributed as dividend, EUR 0.44 per share are payable on 2 May 2019 in concept of interim ordinary dividend and EUR 0.44 per share on 4 November 2019 as extraordinary dividend and bonus dividend.

6.29. Remuneration of the Board of Directors and related party transactions

Remuneration of the Board of Directors

The remuneration earned by the Board of Directors and Senior Management of the Parent in 2018 is shown in the section on related party transactions.

Other information concerning the Board of Directors

At 31 January 2019, per the Parent's shareholder register, and also per the public registers of the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly held the following ownership interests in the share capital of Inditex:

Name or company name of director	% Voting rights attributed to the shares		% Voting rights through financial instruments		% Total voting rights
	Direct	Indirect	Direct	Indirect	
Mr Pablo Isla Álvarez de Tejera (1)	0.0620%	-	0.0070%	-	0.0690%
Mr Amancio Ortega Gaona (2)	-	59.294%	-	-	59.294%
Mr José Arnau Sierra	0.001%	-	-	-	0.001%
Pontegadea Inversiones, S.L. (3)	50.010%	-	-	-	50.010%
Bns. Denise Patricia Kingsmill	-	-	-	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%
Mr Rodrigo Echenique Gordillo	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-
Total					**59.364%**

(1) In accordance with the 2016-2020 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 215,405 shares, i.e 0.007%.

(2) Through Pontegadea Inversiones, SL and Partler 2006, S.L.

(3) Represented by Ms Flora Pérez Marcote.

Pursuant to the provisions of Article 229 of the Capital Companies Law, as amended by Law 31/2014, of December 3, no director has communicated any situation that, directly and/or indirectly, through persons related to they could place them in a potential conflict of interest with the Parent Company.

Notwithstanding the foregoing, Mr. Rodrigo Echenique Gordillo, Mr. Emilio Saracho Rodriguez de Torres and Ms. Pilar López Álvarez, hold positions on the Boards of Directors of Banco Santander, International Consolidated Airlines Group and Microsoft Iberica, respectively, and perform their duties as Inditex directors as independent parties, without prejudice to the commercial relationships that Inditex has with these companies for years. In any case, the Board of Directors ensures, through the Audit and Control Committee that the transactions with directors and/or significant shareholders, or with respective related persons, are carried out under market conditions and respecting the principle of equal treatment to shareholders.

When the Board of Directors deliberated on the appointment, re-election, acknowledgment of resignation, making available a position, compensation or any other agreement referred to a director or to a person or company related to a director, the affected party was absent from the company meeting during the deliberation and voting of the corresponding agreement.

Related party transactions

Related parties are the subsidiaries, jointly controlled entities (Note 27) and associates detailed in Appendix I to the notes to the consolidated annual accounts, the significant or controlling shareholders, the members of the Board of Directors of Inditex and Senior Management of the Inditex Group, as well as their close family members, as defined in Article 2.3 of Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, on information on related party transactions that issuers of securities listed on official secondary markets must disclose.

The transactions with related parties were performed on an arm's length basis.

Inditex Group companies

The transactions between Inditex and its subsidiaries, which form part of the normal course of business in terms of their purpose and terms and conditions, were eliminated in full on consolidation and, therefore, they are not disclosed in this Note.

The following tables detail the transactions and the outstanding balances between Inditex and its jointly controlled entities in the consolidated balance sheet:

Transactions:

Type of company	2018	2017
Jointly controlled entities	(1,009)	(951)

Balances:

	31/01/2019	31/01/2018
Current financial investments	1	1
Trade and other receivables	11	7
Non-current financial investments	258	227
Trade and other payables	308	251
Current financial debt	1	1

The detail of the transactions with significant shareholders, the members of the Board of Directors and management is as follows:

Significant shareholders

In 2018 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(44)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Sale of assets (land)	1
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	2
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

In 2017 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(42)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	7
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

Several Group companies have leased commercial premises belonging to companies related to the controlling shareholder or to significant shareholders.

Members of the Board of Directors and management

The amounts indicated in the following tables and paragraphs referring to remuneration and termination benefits are expressed in thousands of euros in both years.

The following tables show the remuneration and termination benefits earned by the directors and management of Inditex in 2018:

Name or business name of the Director	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2018
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	3,087	3,052	9,489
Mr José Arnau Sierra	Propietary	100	80	150	-	-	-	-	330
Mr Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. (1)	Propietary	100	-	-	-	-	-	-	100
Bns. Denise Patricia Kingsmill	Independent	100	-	150	-	-	-	-	250
Mr José Luis Durán Schulz	Independent	100	-	150	50	-	-	-	300
Mr Carlos Espinosa Bernaldo de Quirós (2)	Other external	46	-	70	-	-	-	-	116
Ms Pilar López Álvarez (3)	Independent	54	-	80	-	-	-	-	134
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		**900**	**80**	**900**	**150**	**3,250**	**3,087**	**3,052**	**11,419**

(1) Represented by Ms Flora Pérez Marcote.

(2) Cessation of employment at 17 July 2018.

(3) From 17 July 2018.

An itemised breakdown of the remuneration of the members of the Board of Directors in 2017 is as follows:

Name or business name of the Director	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2017
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	3,220	4,120	10,690
Mr José Arnau Sierra	Propietary	100	80	150	-	-	-	-	330
Mr Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. (1)	Propietary	100	-	-	-	-	-	-	100
Bns. Denise Patricia Kingsmill	Independent	100	-	150	-	-	-	-	250
Mr José Luis Durán Schulz	Independent	100	-	150	50	-	-	-	300
Mr Carlos Espinosa Bernaldo de Quirós	Other external	100	-	150	-	-	-	-	250
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		**900**	**80**	**900**	**150**	**3,250**	**3,220**	**4,120**	**12,620**

(1) Represented by Ms Flora Pérez Marcote.

The total remuneration and termination benefits earned by Senior Management of the Inditex Group in 2018 were as follows:

2018	
	SENIOR MANAGEMENT
Remuneration	42,768
Termination benefits	2,168
Total	**44,936**

The total remuneration and termination benefits earned by Senior Management of Inditex Group in 2017 were as follows:

2017	
	SENIOR MANAGEMENT
Remuneration	34,426
Termination benefits	-
Total	**34,426**

The aforementioned remuneration for the 2018 fiscal year includes the accrued amount corresponding to the first cycle (2016-2019) of the 2016-2020 Long-term Incentive Plan. The amount accrued during the year 2018 for this incentive is 3,052 thousand euros for Directors and 15,302 thousand euros for Senior Management, instrumented in (i) an incentive in cash, for a total amount of 1,348 thousand euros gross for Directors and 8,384 thousands of gross euros for Senior Management, and (ii) an incentive in shares, equivalent to a total of 69,985 shares, which corresponds to a gross amount of 1,704 thousand euros, for Directors, and a total of 284,100 shares, corresponding to with an amount of 6,918 thousand euros gross, for Senior Management.

For these purposes, it is stated that, in order to quantify the part of the incentive that will be delivered in shares, the market value of Inditex's shares at closing of the market on the accrual day of the first cycle of the 2016-2020 Plan (that is, 31 January 2019) has been considered as a reference.

The liquidation of the incentive in cash and in shares will take place during the month following the publication of the annual accounts corresponding to fiscal year 2018.

The remuneration for 2017 including the accrued amount corresponding to the second cycle (2014-2017) of the Long-Term Incentive Plan for Shares was 4,120 thousand euros for Directors and the accrued amount 9,271 thousand euros for Senior Management and paid during the first semester of the fiscal year 2017.

During the years 2018 and 2017, no contribution has been made to the defined contribution forecast Plan.

6.30. External auditors

In 2018 and 2017 the fees for financial audit and other services provided by the auditor of the Group's annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, were as follows:

	2018	**2017**
Audit services	6.5	6.3
Other assurance services	0.5	0.5
Total audit and similar services	**7.0**	**6.8**
Other services	0.1	0.1
Total professional services	**7.1**	**6.9**

According to information received from the auditors, the fees received from the Inditex Group by the principal auditor and the other firms belonging to the international network (and their associated firms) did not exceed 0.0194% of their total revenue.

6.31. Environment

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

6.32. Events after the reporting period

At the date of formal preparation of these consolidated annual accounts no matters had been disclosed that might modify the consolidated annual accounts or give rise to disclosures additional to those already included in these consolidated annual accounts.

6.33. Explanation added for translation to English

These consolidated annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see first page of the Notes). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Annex I — Composition of the Inditex Group

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Subsidiaries:						
Industria de Diseño Textil, S.A.	Parent	A Coruña - Spain	Full Consol.	31-Jan	-	Parent
Comditel, S.A.	100%	Barcelona - Spain	Full Consol.	31-Jan	Zara	Buyer
Zara Asia, Ltd.	100%	Hong Kong SAR	Full Consol.	31-Jan	Zara	Retail sales
Choolet, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Textile Manufacturing
Confecciones Fíos, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Textile Manufacturing
Confecciones Goa, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Textile Manufacturing
Denllo, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Textile Manufacturing
Hampton, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Textile Manufacturing
Nikole, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Buyer
Samlor, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Textile Manufacturing
Stear, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Textile Manufacturing
Trisko, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Textile Manufacturing
Zintura, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Textile Manufacturing
Glencare, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Textile Manufacturing
Indipunt, S.L.	100%	A Coruña - Spain	Full Consol.	31-Jan	Multi-concept	Logistics
Zara España, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Retail sales
Zara Argentina, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-Jan	Zara	Retail sales
Zara Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-Jan	Zara	Retail sales
Zara Chile, S.A.	100%	Santiago de Chile - Chile	Full Consol.	31-Dec	Zara	Retail sales
Zara USA, Inc.	100%	New York - USA	Full Consol.	31-Jan	Zara	Retail sales
Zara France, S.A.R.L.	100%	Paris - France	Full Consol.	31-Jan	Zara	Retail sales
Zara UK, Ltd.	100%	London - UK	Full Consol.	31-Jan	Zara	Retail sales
Zara Mexico, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Zara	Holding company
Zara Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-Jan	Zara	Retail sales
Zara México, S.A. de C.V.	95%	Mexico City - Mexico	Full Consol.	31-Dec	Zara	Retail sales
Zara Portugal- Confecçoes, S.A.	100%	Lisbon - Portugal	Full Consol.	31-Jan	Zara	Retail sales
G.Zara Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-Jan	Zara	Retail sales
Zara Financiën B.V. Ireland	100%	Dublin - Ireland	Full Consol.	31-Jan	Multi-concept	Financial services
Zara Brasil, LTDA.	100%	Sao Paulo - Brazil	Full Consol.	31-Dec	Zara	Retail sales
Zara Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Zara	Retail sales
Zara Österreich Clothing, GmbH	100%	Vienna - Austria	Full Consol.	31-Jan	Zara	Retail sales
Zara Danmark, AS.	100%	Copenhaguen - Denmark	Full Consol.	31-Jan	Zara	Retail sales
Zara Sverige, AB.	100%	Stockholm - Sweden	Full Consol.	31-Jan	Zara	Retail sales
Zara Norge, AS.	100%	Oslo - Norway	Full Consol.	31-Jan	Zara	Retail sales
Zara Canada, Inc.	100%	Montreal - Canada	Full Consol.	31-Jan	Zara	Retail sales
Zara Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-Jan	Zara	Retail sales
Zara Luxembourg, S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-Jan	Zara	Retail sales
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-Jan	Zara	Retail sales
Zara Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-Jan	Zara	Retail sales
Zara Japan Corp.	100%	Tokyo - Japan	Full Consol.	31-Jan	Zara	Retail sales
Zara Ceská Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-Jan	Zara	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Zara Puerto Rico, Inc.	100%	San Juan - Puerto Rico	Full Consol.	31-Jan	Zara	Retail sales
Za Clothing Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-Jan	Zara	Retail sales
Zara Magyarorszag, KFT.	100%	Budapest - Hungary	Full Consol.	31-Jan	Zara	Retail sales
Zara Holding, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Multi-concept	Holding company
Zara Monaco, SAM	100%	Monte Carlo - Monaco	Full Consol.	31-Jan	Zara	Retail sales
Zara Commercial (Shanghai), Co Ltd.	100%	Shanghai - China	Full Consol.	31-Dec	Zara	Retail sales
Zara Commercial (Beijing), Co Ltd.	100%	Beijing - China	Full Consol.	31-Dec	Zara	Retail sales
Zara Macau, Ltd.	100%	Macao SAR	Full Consol.	31-Dec	Zara	Retail sales
Zara Polska, Sp. Zo.o.	100%	Warsaw - Poland	Full Consol.	31-Jan	Zara	Retail sales
JSC "Zara CIS"	100%	Moscow - Russia	Full Consol.	31-Dec	Zara	Retail sales
Zara Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-Jan	Zara	Holding company
Zara Bucuresti, Srl	100%	Bucharest - Romania	Full Consol.	31-Dec	Zara	Retail sales
Zara Ukraine LLC	100%	Kiev - Ukraine	Full Consol.	31-Dec	Zara	Retail sales
Zara Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-Jan	Zara	Retail sales
ITX Taiwan B.V. Zara - Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-Jan	Zara	Retail sales
Zara Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-Jan	Zara	Retail sales
Zara Retail Korea, Co Ltd.	80%	Seoul - South Korea	Full Consol.	31-Jan	Zara	Retail sales
Zara Bulgaria Ltd	100%	Sofia - Bulgaria	Full Consol.	31-Dec	Zara	Retail sales
Zara Immobiliare Italia SRL	100%	Milan - Italy	Full Consol.	31-Jan	Zara	Real estate
Zara Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Design
Zara Management, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Zara	Holding company
Zara Retail NZ Limited	100%	Auckland - New Zealand	Full Consol.	31-Jan	Zara	Retail sales
KG ZARA Deutschland B.V. & Co.	100%	Hamburg - Germany	Full Consol.	31-Jan	Zara	Retail sales
Zara Retail South Africa (Propietary), LTD.	90%	Johannesburg - South Africa	Full Consol.	31-Jan	Zara	Retail sales
Group Zara Australia Pty. Ltd.	100%	Sydney - Australia	Full Consol.	31-Jan	Zara	Retail sales
Limited Liability Company "ZARA BLR"	100%	Minsk - Belarus	Full Consol.	31-Dec	Zara	Retail sales
Zara S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-Jan	Zara	Retail sales
ITX Financien, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Multi-concept	Financial services
ITX Taiwan, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Zara	Holding company
Zara Vittorio 11 Italia S.R.L.	100%	Milan - Italy	Full Consol.	31-Jan	Zara	Real estate
Zara BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-Dec	Zara	Retail sales
Zara Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-Jan	Zara	Retail sales
Nikole Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100%	Podgoricaa - Montenegro	Full Consol.	31-Dec	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100%	Seoul - South Korea	Full Consol.	31-Jan	Zara	Real estate
Inditex Trent Retail India Private Ltd	51%	Gurgaon - India	Full Consol.	31-Mar	Zara	Retail sales
Kiddy´s Class España, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Retail sales
Fibracolor, S.A.	100%	Barcelona - Spain	Full Consol.	31-Jan	Zara	Dormant
ITX Holding, S.A.	100%	Fribourg - Switzerland	Full Consol.	31-Jan	Multi-concept	Holding company
Zara Finland, OY	100%	Helsinki - Finland	Full Consol.	31-Jan	Zara	Retail sales
Retail Group Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-Dec	Zara	Retail sales
ITX Financien III, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Multi-concept	Financial services
ITX Albania SHPK	100%	Tirana - Albania	Full Consol.	31-Dec	Multi-concept	Retail sales
Zara Fashion (Shanghai) CO., Ltd.	100%	Shanghai - China	Full Consol.	31-Dec	Zara	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Oysho España, S.A.	100%	Barcelona - Spain	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Portugal - Confecçoes, S.A.	100%	Lisbon - Portugal	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-Dec	Oysho	Retail sales
Oysho Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-Jan	Oysho	Retail sales
Oysho CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-Dec	Oysho	Retail sales
Oysho France, S.A.R.L.	100%	Paris - France	Full Consol.	31-Jan	Oysho	Retail sales
Oysho MAGYARORSZAG, KFT	100%	Budapest - Hungary	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-Dec	Oysho	Retail sales
Oysho Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-Dec	Oysho	Retail sales
Oysho Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-Jan	Oysho	Design
Oysho Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-Dec	Oysho	Retail sales
Oysho Commercial & Trading (Shangai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-Dec	Oysho	Retail sales
Oysho Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Croacia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Macau, Ltd	100%	Macao SAR	Full Consol.	31-Dec	Oysho	Retail sales
Oysho Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-Dec	Oysho	Retail sales
Oysho Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-Jan	Oysho	Retail sales
Limited Liability Company "OYSHO BLR"	100%	Minsk - Belarus	Full Consol.	31-Dec	Oysho	Retail sales
Oysho Suisse SÀRL	100%	Fribourg - Switzerland	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-Jan	Oysho	Retail sales
Grupo Massimo Dutti, S.A.	100%	Barcelona - Spain	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Giyim Ithalat Ih.Ve.Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti France, S.A.R.L.	100%	Paris - France	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti UK, Ltd.	100%	London - UK	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Norge, AS.	100%	Oslo - Norway	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti USA, INC.	100%	New York - USA	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Danmark AS	100%	Copenhagen - Denmark	Full Consol.	31-Jan	Massimo Dutti	Retail sales
LLC Massimo Dutti	100%	Moscow - Russia	Full Consol.	31-Dec	Massimo Dutti	Retail sales
Massimo Dutti Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-Jan	Massimo Dutti	Holding company
Massimo Dutti Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-Dec	Massimo Dutti	Retail sales
Massimo Dutti, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100%	Hong Kong SAR	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp z.o.o.	100%	Warsaw - Poland	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-Dec	Massimo Dutti	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Massimo Dutti Macau Ltd.	100%	Macao SAR	Full Consol.	31-Dec	Massimo Dutti	Retail sales
Massimo Dutti Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-Dec	Massimo Dutti	Retail sales
Massimo Dutti Ceská Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-Dec	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-Dec	Massimo Dutti	Retail sales
Massimo Dutti Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-Jan	Massimo Dutti	Design
Massimo Dutti Commercial Shangai CO, Ltd	100%	Shanghai - China	Full Consol.	31-Dec	Massimo Dutti	Retail sales
Massimo Dutti Österreich Clothing, GMBH	100%	Vienna - Austria	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Canada, INC.	100%	Montreal - Canada	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Finland OY	100%	Helsinki - Finland	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Limited Liability Company "MASSIMO DUTTI BLR"	100%	Minsk - Belarus	Full Consol.	31-Dec	Massimo Dutti	Retail sales
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-Jan	Massimo Dutti	Retail sales
ITX Taiwan B.V. Massimo Dutti Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-Jan	Massimo Dutti	Retail sales
MD Benelux, SA	100%	Bruges - Belgium	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Italco Moda Italiana, SA	100%	Lisbon - Portugal	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Japan, Co.	100%	Tokyo - Japan	Full Consol.	31-Jan	Massimo Dutti	Dormant
KG Massimo Dutti Deutschland, B.V. & CO.	100%	Hamburg - Germany	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Massimo Dutti Magyarorxzág KFT	100%	Budapest - Hungary	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Master Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-Dec	Massimo Dutti	Retail sales
Massimo Dutti BH, D.O.O	100%	Sarajevo - Bosnia	Full Consol.	31-Dec	Massimo Dutti	Retail sales
Massimo Duttil India Private Ltd	51%	Gurgaon - India	Full Consol.	31-Mar	Massimo Dutti	Retail sales
Pull & Bear España, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-Dec	Pull & Bear	Retail sales
Pull & Bear Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100%	Paris - France	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Ceska Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Magyarország Kft.	100%	Budapest - Hungary	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-Dec	Pull & Bear	Retail sales
Pull & Bear Uk Limited	100%	London - UK	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-Dec	Pull & Bear	Retail sales
Pull & Bear Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-Dec	Pull & Bear	Retail sales
Pull & Bear Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-Dec	Pull & Bear	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Pull & Bear Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-Dec	Pull & Bear	Retail sales
Pull & Bear Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-Jan	Pull & Bear	Design
Pull & Bear Macau, Ltd	100%	Macao SAR	Full Consol.	31-Dec	Pull & Bear	Retail sales
Pull & Bear Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Österreich Clothing, Gmbh	100%	Vienna - Austria	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-Dec	Pull & Bear	Retail sales
Limited Liability Company "PULL AND BEAR BLR"	100%	Minsk - Belarus	Full Consol.	31-Dec	Pull & Bear	Retail sales
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-Jan	Pull & Bear	Retail sales
ITX Taiwan B.V. Pull & Bear Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-Jan	Pull & Bear	Retail sales
Plataforma Cabanillas, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Pull & Bear	Logistics
P&B Gmbh	100%	Hamburg - Germany	Full Consol.	31-Jan	Pull & Bear	Holding company
Pull & Bear Deutschland BV& CO	100%	Hamburg - Germany	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pro Retail Kazakhstan, LLP	100%	Stockholm - Sweden	Full Consol.	31-Dec	Pull & Bear	Retail sales
Pull & Bear Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-Jan	Pull & Bear	Retail sales
Pull & Bear Suisse, SÁRL	100%	Fribourg - Switzerland	Full Consol.	31-Jan	Pull & Bear	Retail sales
Uterqüe, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Uterqüe	Buyer
Uterqüe España, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Uterqüe	Retail sales
Uterqüe Hellas	100%	Athens - Greece	Full Consol.	31-Jan	Uterqüe	Retail sales
Gruputerqüe Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-Jan	Uterqüe	Retail sales
Uterqüe Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-Dec	Uterqüe	Retail sales
Uterqüe Giyim Limited	100%	Istanbul - Turkey	Full Consol.	31-Jan	Uterqüe	Retail sales
Uterqüe México S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-Dec	Uterqüe	Retail sales
Uterqüe Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-Jan	Uterqüe	Design
"ITX KOSOVO" L.L.C.	100%	Pristina	Full Consol.	31-Dec	Multi-concept	Retail sales
ITX Italia, Srl.	100%	Milan - Italy	Full Consol.	31-Jan	Uterqüe	Retail sales
ITX Finance Asia, LTD	100%	Hong Kong SAR	Full Consol.	31-Jan	Zara	Financial services
Inditex USA, LLC	100%	New York - USA	Full Consol.	31-Jan	Multi-concept	Holding company
Uterqüe Commercial & Trading (Shangai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-Dec	Uterqüe	Retail sales
Uterqüe Polska SP. Z O.O.	100%	Warsaw - Poland	Full Consol.	31-Jan	Uterqüe	Retail sales
Uterqüe Kazakhstan LLP	100%	Almaty - Kazakhstan	Full Consol.	31-Dec	Uterqüe	Retail sales
Uterqüe Ukraine, LLC	100%	Kiev - Ukraine	Full Consol.	31-Jan	Uterqüe	Retail sales
Bershka BSK España, S.A.	100%	Barcelona - Spain	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Portugal Conf. Soc. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Mexico, S.A. de CV	100%	Mexico City - Mexico	Full Consol.	31-Dec	Bershka	Retail sales
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100%	Istanbul - Turkey	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-Jan	Bershka	Retail sales
Bershka France, S.A.R.L.	100%	Paris - France	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-Jan	Bershka	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Bershka U.K., Ltd.	100%	London - UK	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Ceska Republica, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Polska Sp Z O.O.	100%	Warsaw - Poland	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Carpati, Srl	100%	Bucharest - Romania	Full Consol.	31-Dec	Bershka	Retail sales
Bershka Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-Dec	Bershka	Retail sales
Bershka Magyaroszag Kft.	100%	Budapest - Hungary	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-Dec	Bershka	Retail sales
Bershka Osterreich Clothing GmbH	100%	Vienna - Austria	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Hong Kong Limited	100%	Hong Kong SAR	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Commercial Beijing Co, Ltd	100%	Beijing - China	Full Consol.	31-Dec	Bershka	Retail sales
Bershka Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-Dec	Bershka	Retail sales
Bershka Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-Jan	Bershka	Design
Bershka Macau, Ltd	100%	Macao SAR	Full Consol.	31-Dec	Bershka	Retail sales
Bershka Japan, Co	100%	Tokyo - Japan	Full Consol.	31-Jan	Bershka	Retail sales
BSKE, GMBH	100%	Hamburg - Germany	Full Consol.	31-Jan	Bershka	Holding company
Bershka BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-Dec	Bershka	Retail sales
Bershka Deutschland B.V. & CO. KG	100%	Hamburg - Germany	Full Consol.	31-Jan	Bershka	Retail sales
Bershka Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-Jan	Bershka	Retail sales
Best Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-Dec	Bershka	Retail sales
Bershka Commercial (Shanghai) Co, Ltd	100%	Shanghai - China	Full Consol.	31-Dec	Bershka	Retail sales
Bershka USA INC	100%	New York - USA	Full Consol.	31-Jan	Bershka	Retail sales
Limited Liability Company "BK GARMENTS BLR"	100%	Minsk - Belarus	Full Consol.	31-Dec	Bershka	Retail sales
Bershka S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-Jan	Bershka	Retail sales
ITX Taiwan B.V. Bershka Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-Jan	Bershka	Retail sales
Stradivarius España, S.A.	100%	Barcelona - Spain	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-Jan	Stradivarius	Retail sales
ITX RE DAC	100%	Dublin - Ireland	Full Consol.	31-Jan	Multi-concept	Insurance
Stradivarius Portugal, Conf. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Ireland Limited	100%	Dublin - Ireland	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Italia SRL	100%	Milan - Italy	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius France, S.A.R.L.	100%	Paris - France	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Magyaroszag Kft.	100%	Budapest - Hungary	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius Ceská Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-Jan	Stradivarius	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Stradivarius Commercial Shangai CO, Ltd	100%	Shanghai - China	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-Jan	Stradivarius	Design
Stradivarius Macau, Ltd	100%	Macao SAR	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Hong Kong, Ltd	100%	Hong Kong SAR	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius México, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius UK LIMITED	100%	London - UK	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Stradivarius	Retail sales
Limited Liability Company "STRADIVARIUS BLR"	100%	Minsk - Belarus	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-Jan	Stradivarius	Retail sales
Spanish Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius Japan Corporation	100%	Tokyo - Japan	Full Consol.	31-Jan	Stradivarius	Retail sales
ITX Trading, S.A.	100%	Fribourg - Switzerland	Full Consol.	31-Jan	Multi-concept	Buyer
Zara Home España, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Portugal, Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home U.K., Ltd.	100%	London - UK	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Francia, S.A.R.L.	100%	Paris - France	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100%	Hamburg - Germany	Full Consol.	31-Jan	Zara Home	Retail sales
ZHE, Gmbh	100%	Hamburg - Germany	Full Consol.	31-Jan	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100%	Sao Paulo - Brazil	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Commercial & Trading (Shangai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home Japan Corp.	100%	Tokyo - Japan	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Canada, Inc	100%	Montreal - Canada	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Macao SUL	100%	Macao SAR	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home Sverige AB	100%	Stockholm - Sweden	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-Jan	Zara Home	Retail sales
G. Zara Home Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Suisse SÀRL	100%	Fribourg - Switzerland	Full Consol.	31-Jan	Zara Home	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Zara Home Chile SPA	100%	Santiago de Chile - Chile	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home Australia Pty Ltd	100%	Sydney - Australia	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Magyarorszag KFT.	100%	Budapest - Hungary	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home Danmark A/S	100%	Copenhagen - Denmark	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Home SRB DOO Beograd	100%	Belgrade - Serbia	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home Bulgaria EOOD	100%	Sofia - Bulgaria	Full Consol.	31-Dec	Zara Home	Retail sales
Limited Liability Company "ZARA HOME BLR"	100%	Minsk - Belarus	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-Jan	Zara Home	Retail sales
ITX Taiwan B.V. Zara Home Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-Jan	Zara Home	Retail sales
Zara Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Logistics
Plataforma Europa, S.A.	100%	Zaragoza - Spain	Full Consol.	31-Jan	Zara	Logistics
Plataforma Logística León, S.A.	100%	León - Spain	Full Consol.	31-Jan	Zara	Logistics
Plataforma Logística Meco, S.A.	100%	Madrid - Spain	Full Consol.	31-Jan	Multi-concept	Logistics
Pull & Bear Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-Jan	Massimo Dutti	Logistics
Bershka Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-Jan	Bershka	Logistics
Oysho Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-Jan	Oysho	Logistics
Stradivarius Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-Jan	Stradivarius	Logistics
Zara Home Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara Home	Logistics
Uterqüe Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Uterqüe	Logistics
Uterque Fashion RO S.R.L.	100%	Bucharest - Romania	Full Consol.	31-Dec	Uterqüe	Retail sales
Lefties Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Logistics
Inditex Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Logistics
Tordera Logística, S.L.	100%	A Coruña - Spain	Full Consol.	31-Jan	Multi-concept	Logistics
Nueva comercializadora global XXI, S.A. DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-Dec	Multi-concept	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-Dec	Multi-concept	Services
ITX Fashion Ltd	100%	Dublin - Ireland	Full Consol.	31-Jan	Multi-concept	Dormant
Goa-Invest, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Multi-concept	Construction
Goa-Invest Deutschland GMBH	100%	Hamburg - Germany	Full Consol.	31-Jan	Multi-concept	Construction
Zara Vastgoed, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Zara	Real estate
ITX Global Solutions LIMITED	100%	Hong Kong SAR	Full Consol.	31-Jan	Multi-concept	Services
SNC Zara France Immobiliere	100%	Paris - France	Full Consol.	31-Dec	Zara	Real estate
SCI Vastgoed Ferreol P03302	100%	Paris - France	Full Consol.	31-Dec	Zara	Real estate
SCI Vastgoed France P03301	100%	Paris - France	Full Consol.	31-Dec	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100%	Paris - France	Full Consol.	31-Dec	Zara	Real estate
SCI Vastgoed Nancy P03304	100%	Paris - France	Full Consol.	31-Dec	Zara	Real estate
Invercarpro, S.A.	100%	Madrid - Spain	Full Consol.	31-Jan	Zara	Real estate
Robustae Confeçciones, S.A	100%	Lisbon - Portugal	Full Consol.	31-Jan	Zara	Retail sales
Lefties España, S,A,	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Real estate
Born, S.A.	100%	Palma de Mallorca - Spain	Full Consol.	31-Jan	Zara	Real estate
LFT RUS Ltd	100%	Moscow - Russia	Full Consol.	31-Dec	Zara	Retail sales
Lelystad Platform, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Multi-concept	Logistics
Robustae Mexico, S.A DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-Dec	Zara	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Inditex Cogeneración, A.I.E.	100%	A Coruña - Spain	Full Consol.	31-Jan	Multi-concept	Combined heat and power plant
Inditex, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Dormant
Zara Holding II, B.V	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Multi-concept	Holding company
Zara, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Zara	Dormant
Zara, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-Jan	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Multi-concept	Logistics
ITX Asia Pacific Enterprise Management, Co., Ltd	100%	Shanghai - China	Full Consol.	31-Dec	Multi-concept	Buyer
FSF New York, LLC	100%	New York - USA	Full Consol.	31-Jan	Zara	Real estate
FSF Soho, LLC	100%	New York - USA	Full Consol.	31-Jan	Zara	Real estate
ITX USA, LLC	100%	New York - USA	Full Consol.	31-Jan	Multi-concept	Retail sales
Fashion Retail , S.A.	100%	A Coruña - Spain	Full Consol.	31-Jan	Multi-concept	Retail sales
ITXR Macedonaia Dooel Skopje	100%	Skopje - Macedonia	Full Consol.	31-Dec	Multi-concept	Retail sales
ITX E-commerce (Shanghai) Co. Ltd	100%	Shanghai - China	Full Consol.	31-Dec	Multi-concept	Retail sales
ITX Financien II, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Multi-concept	Financial services
ITX TRYFIN B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Multi-concept	Financial services
ITX RUBFIN, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Multi-concept	Financial services
ITX Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-Jan	Multi-concept	Retail sales
ITX Services India Private Ltd	100%	Gurgaon - India	Full Consol.	31-Mar	Multi-concept	Buyer
Inditex France, S.A.R.L.	100%	Paris - France	Full Consol.	31-Jan	Multi-concept	Dormant
ITX Merken, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-Jan	Multi-concept	Services
Zara Home Österreich Clothing GMBH	100%	Vienna - Austria	Full Consol.	31-Jan	Zara Home	Retail sales
Massimo Dutti Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-Jan	Massimo Dutti	Retail sales
ITX LUXEMBOURG S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-Jan	Pull & Bear	Retail sales
Zara Vittorio 13 Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-Jan	Zara	Real estate
CDC Trading (Shangai) Co. LTD.	100%	Shanghai - China	Full Consol.	31-Dec	Multi-concept	Buyer
Oysho Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Slovakia S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-Jan	Oysho	Retail sales
Zara Home Retail South Africa (PTY) LTD.	100%	Johannesburg - South Africa	Full Consol.	31-Jan	Zara	Retail sales
FGI Gestión Mex, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-Dec	Multi-concept	Construction

CONSOLIDATED DIRECTORS' REPORT

AT 31 JANUARY 2019

Photo: Employees at Inditex's headquarters in Arteixo (A Coruña).

Consolidated Directors' Report
at 31 january 2019

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Annex II. Income statement: FY2018 quarterly results:

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Annex IV. Non-financial information and information on diversity

Available at:
https://www.inditex.com/en/investors/investor-relations /annual-reports

And registered in:
https://www.cnmv.es/AUDITA/2019/17906_en.pdf

Consolidated Directors' Report

at 31 january 2019

(Amounts expressed in millions of euros)

1. Situation of the entity

The information relating to the "Situation of the entity" is detailed in section "I. Inditex: Integrated and Sustainable Business Model" in the Annex IV that contains the "Non-financial information and information on diversity" available at https://www.inditex.com/en/investors/investor-relations/annual-reports

Organisational structure

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- General Shareholders´ Meeting
- Board of Directors
- Executive Committee
- Audit and Control Committee
- Nomination Committee
- Remuneration Committee
- Code Compliance Committee and Office
- Ethics Committee

2. Business performance and results

Key financial and non–financial indicators

Inditex continues to roll out its global, fully integrated store and online platform.

In FY2018, Inditex achieved a strong operating performance. Net sales reached EUR 26.1 billion, with growth of 3%. Sales in local currencies grew 7%.

Like-for-like sales increased 4% in FY2018 (4% in the first half and 3% in the second half), on 5% in FY2017. LFL sales were positive across all geographic areas, in all concepts, and in both stores and online in 2018. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of fiscal years 2018 and 2017) and online. This represents 82% of total sales.

In FY2018, online sales grew 27% to EUR 3.2 billion, 12% of net sales. Online sales account for 14% of net sales in markets with online sales.

Last March, Inditex launched online sales for Zara in Australia and New Zealand. In November, Inditex launched online sales for Zara in an additional 106 markets. Zara collections are now available in a total of 202 markets.

In FY2018 gross new space in prime locations increased 8% (4.7% net). Total selling area at FYE reached 4,962,081 square metres:

	2018	2017	18/17
Zara (Zara and Zara Home)	3,256,381	3,091,747	5%
Pull&Bear	419,387	409,363	2%
Massimo Dutti	274,563	269,512	2%
Bershka	541,310	514,384	5%
Stradivarius	332,279	324,045	3%
Oysho	122,841	116,079	6%
Uterqüe	15,320	14,297	7%
Total	**4,962,081**	**4,739,427**	**5%**

Inditex has been very active in store optimisation activities in 2018 (370 openings, 355 absorptions, and 226 refurbishments which include 112 enlargements). At the end of FY2018 Inditex operated 7,490 stores. In FY2018 Inditex opened stores in 56 markets. To reinforce our position we have optimised 90% of our retail space over the period 2012 to 2018.

A list of the number of stores is included in the table below:

Concept	31 January 2019	31 January 2018
Zara	2,131	2,118
Zara Kids	128	133
Zara Home	603	590
Pull&Bear	974	979
Massimo Dutti	766	780
Bershka	1,107	1,098
Stradivarius	1,011	1,017
Oysho	678	670
Uterqüe	92	90
Total	**7,490**	**7,475**

Company-managed stores and franchised stores at the end 2018:

Concept	Co. Managed	Franchised	Total
Zara	1,881	250	2,131
Zara Kids	128	-	128
Zara Home	524	79	603
Pull&Bear	818	156	974
Massimo Dutti	652	114	766
Bershka	933	174	1,107
Stradivarius	809	202	1,011
Oysho	592	86	678
Uterqüe	75	17	92
Total	**6,412**	**1,078**	**7,490**

Sales in company-managed and franchised stores:

Concept	Co. Managed	Franchised
Zara (Zara and Zara Home)	88%	12%
Pull&Bear	84%	16%
Massimo Dutti	85%	15%
Bershka	83%	17%
Stradivarius	79%	21%
Oysho	87%	13%
Uterqüe	86%	14%
Total	**86%**	**14%**

A list of the stores' locations by concepts and by market at FYE is included in Annex III.

Net sales by concept are shown in the table below:

	2018	2017
Zara (Zara and Zara Home)	18,021	17,449
Pull&Bear	1,862	1,747
Massimo Dutti	1,802	1,765
Bershka	2,240	2,227
Stradivarius	1,534	1,480
Oysho	585	570
Uterqüe	101	97
Total	**26,145**	**25,336**

The Group operates a global store and online platform. Store & Online sales by geographical area are shown in the table below:

Area	2018	2017
Europe ex-Spain	45.1%	44.9%
Asia & RoW	23.2%	23.2%
Spain	16.2%	16.3%
Americas	15.5%	15.6%
Total	**100.0%**	**100.0%**

Inditex will integrate the reporting of Zara Home into Zara due to the increasing synergies between these concepts. The goal is to leverage the operational and brand management of the combined store and online platform. We plan to progressively incorporate Zara Home products onto the Zara website from next Autumn/Winter across a number of markets.

Inditex sees strong growth opportunities and continues to expand its global, fully integrated store and online sales platform.

Gross profit reached EUR 14.8 billion, 4% higher than in FY2017 (+8% in local currencies). The gross margin reached 56.7% (+39 bps).

Operating expenses have been tightly managed over the year and have grown by 4%, mainly as a result of the growth in sales and new retail space added.

	2018	2017
Personnel expenses	4,136	3,961
Rental expenses	2,392	2,358
Other operating expenses	2,801	2,625
Total	**9,329**	**8,944**

At FYE 2018 the number of employees was 174,386 (171,839 at FYE 2017).

EBITDA rose to EUR 5.5 billion, 3% higher than a year earlier (+11% in local currencies). EBIT rose to EUR 4.4 billion, 1% higher (+9% in local currencies).

The breakdown of EBIT by concept is shown below:

	EBIT by concept (€m)		% sales	% total
Concept	2018	2017	2018	2018
Zara (Zara and Zara Home)	3,122	3,120	17%	72%
Pull&Bear	300	264	16%	7%
Massimo Dutti	258	260	14%	6%
Bershka	327	353	15%	8%
Stradivarius	259	225	17%	6%
Oysho	86	87	15%	2%
Uterqüe	5	5	5%	0%
Total EBIT	**4,357**	**4,314**	**17%**	**100%**

The following chart shows the breakdown of financial results:

	2018	2017
Net financial income (losses)	14	16
Foreign exchange gains (losses)	3	(21)
Total	**17**	**(5)**

Results from companies consolidated by the equity method came to EUR 54 million.

Net income came to EUR 3.4 billion, 2% higher than the previous year (+12% in local currencies).

Return on Equity (ROE), defined as net income on average shareholder's equity:

	2018	2017
Net income	3,444	3,368
Shareholders equity - previous year	13,497	12,713
Shareholders equity - current year	14,653	13,497
Average equity	14,075	13,105
Return on Equity	**24%**	**26%**

Return on Capital Employed (ROCE), defined as EBIT on average capital employed (shareholder's equity plus net financial debt):

	2018	2017
EBIT	4,357	4,314
Average capital employed		
Average shareholders' equity	14,075	13,105
Average net financial debt (*)	-	-
Total average capital employed	14,075	13,105
Return on Capital employed	**31%**	**33%**

(*) Zero when net cash.

Return on Capital Employed by concept:

Concept	2018	2017
Zara (Zara and Zara Home)	28%	30%
Pull&Bear	48%	43%
Massimo Dutti	36%	37%
Bershka	50%	57%
Stradivarius	50%	44%
Oysho	40%	45%
Uterqüe	11%	12%
Total	**31%**	**33%**

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached there is Annex II showing the 2018 results by quarter.

3. Issues relating to sustainability and employees

Available at https://www.inditex.com/en/investors/investor-relations/annual-reports.

4. Liquidity and capital resources

Inditex continued to show a strong financial position in 2018.

	31 January 2019	31 January 2018
Cash & cash equivalents	4,866	4,931
Short term investments	1,929	1,472
Current financial debt	(84)	(12)
Non current financial debt	(5)	(4)
Net financial cash (debt)	**6,705**	**6,387**

The operating working capital position remains negative as a result of the business model. Inventory grew 1% in FY2018.

	31 January 2019	31 January 2018
Inventories	2,716	2,685
Receivables	820	778
Payables	(5,251)	(5,057)
Operating working capital	**(1,715)**	**(1,594)**

Cash from operations increased 2% to EUR 4 billion.

Ordinary capital expenditure for FY2018 amounted to EUR 1.5 billion, 2% lower than the prior year. Extraordinary capex came to EUR 109 million.

The Group's capital structure is characterised by the low debt/equity ratio as a result of the practically non-existent financing and the strength of its equity.

The Group's organic growth and its CAPEX needs have been financed substantially in full with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

The Group considers that no changes will arise with regard to the generation and management of liquidity in FY2019.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see Note 19 to the consolidated annual accounts), that guarantee access to such additional funds as might be required.

5. Analysis of contractual obligations and off balance sheet transactions

As detailed in Note 24 to the consolidated annual accounts, the most significant contractual obligations are related to future minimum payments under non-cancellable operating leases.

Also, commitments exist in relation to investments envisaged in the opening of new stores in FY2019, the amount of which is included in the figure for capital expenditure detailed under "Information on the outlook for the group".

6. Main risks and uncertainties

To facilitate unified and comprehensive risk management, the Group has established a common definition of risk for the Organisation as a whole. Accordingly, the Group defines a risk as "any potential event that may have a negative impact on the fulfilment of the business objectives".

The risks reviewed are classified and grouped in the following categories:

6.1. Business environment

Risks arising from external factors relating to the Group's business activities.

This category includes risks relating to difficulties in adapting to the environment or market in which the Group operates, as regards both the procurement processes and the product retailing and sale activities. These risks are inherent to the fashion retailing business and consist of the Group's potential inability to continue operating and react to changes in its target market or to adapt to new situations in the countries from which it obtains its supplies or in which it performs retail activities.

In this regard, geo-political, demographic and socio-economic changes in countries, in which procurements or retail sales are made or a downturn in demand in certain markets, and which trigger country risk, constitute inter alia, factors that might have an adverse effect on the optimum achievement of the Group's business objectives.

Furthermore, the strong competitiveness of the industry, driven by new technologies and disruptive innovations, could condition the Group's ability to compete in an environment where the consumer profile is constantly evolving.

6.2. Legislative and regulatory

These are the risks to which the Group is exposed as a result of the legislation in force in the countries in which it carries out its business activities.

The risks included in this category include risks relating to tax, customs, labour law, commercial and consumption-related regulations, intellectual and industrial property regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk (including potential perpetration of crimes related to corruption, fraud and bribery), regardless of whether or not they determine the criminal liability of legal entities, and other risks of non-compliance with legislation.

General Counsel's Office - Compliance Office supervises and manages the Inditex Group's regulatory compliance system to prevent legal (including criminal) and reputational risks arising from possible regulatory breaches, and to achieve the best ethical standards and monitor corporate best practices.

Although there is currently some uncertainty surrounding the date of entry into force of Article 50 of the European Union Treaty, through which the United Kingdom would leave the European Union (Brexit), as well as future occurrences in this regard, a no-deal Brexit would entail changes in the regulatory framework within which the group operates in the UK, as well as in trade relations between the United Kingdom and the EU, as it would then be governed by the rules of the World Trade Organisation (WTO). This would mean that cross-border trading will be subject to customs controls and customs duty.

Among the main Brexit risks for the Group, we have identified potential delays in the transit of goods, economic impacts resulting from the imposition of customs duty and from currency fluctuations, potential restrictions on the free movement of individuals, as well as those arising from contractual risks or from management of key third parties.

6.3. Reputation

These are risks which have a direct influence on the perception of the Group held by its stakeholders (customers, employees, shareholders and suppliers) and society in general.

They arise from the possibility of the inappropriate management of issues relating to social and environmental sustainability, responsibility on account of health and safety of the products, the corporate image of the Group, as well as its image on social networks, and any other potential regulatory breach that might have an impact on the Organisation's reputation.

6.4. Human resources

The main risks relating to human resources are those arising from potential dependence on key employees and maintaining an adequate working environment in all the work centres.

6.5. Operational

The principal operational risks to which the Group is exposed arise from the possible difficulties involved in recognizing and taking on board the ongoing changes in fashion trends, and in manufacturing, buying and putting on the market new items that meet customer expectations. Also the risks arising from the growing importance of technological innovations and evolutions in the broadest sense, both in the interaction with customers and the improvement of operating processes, to ensure commercial success.

The risk arising from the interruption of operations is associated with the possible occurrence of extraordinary events beyond the Group's control (natural disasters, fires, transport or key supplier strikes, interruptions in energy and fuel supplies, withholding of goods in freight, etc.), which could have a significant effect on the normal functioning of the Group's operations.

In view of the Group's operating structure, the main operational risks are concentrated at logistics centres and at third-party operators transporting goods. The clothing, footwear, accessories and household products of all the concepts are distributed from logistics centres located throughout Spain. Logistics distribution is complemented by other smaller logistics centres located in other countries and with third-party logistics operators that carry out small-scale distribution operations.

Other risks included under this category would be those associated with property management, particularly in relation to the search for and selection of commercial premises and the profitability thereon. Furthermore, the relationship with certain supplies of goods and providers of services is subject to certain risks that are not directly under our control and which could have an impact on the normal performance of some of the Group’s operations.

6.6. Financial

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes, inter alia, foreign currency exchange risk and counterparty credit risk. In addition, the increasingly international nature of the Group's businesses exposes it to country risk in its various markets.

The Euro is the Group's functional currency. Its international transactions require the use of numerous non-euro currencies giving rise to foreign currency exchange risk. The Group has investments overseas whose assets are exposed to the foreign currency exchange risk. Given that the Group consolidates the annual accounts of all its companies in its functional currency, i.e. in the Euro, it is exposed to foreign currency exchange risk in the translation of the results of all its entities located outside the Economic and Monetary Union. The Company is also exposed to the risk arising from the payment and collection flows in currencies other than the euro in relation to the acquisition and provision of goods and services in both Group and non-Group transactions.

The Group is not exposed to significant concentrations of counterparty credit risk. The majority of its revenue relates to retail sales which are collected on demand, either in cash or through credit or debit card. In any event, the Group is exposed to the risk that the counterparties (mainly financial ones) fail to comply with the obligations resulting from the investment of company cash, under the credit facilities or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks.

6.7. Information for decision–making

The risks in this category relate to the availability of adequate information at all levels: transactional and operating information, financial and accounting information, management information and budgeting and control information.

The Group's various departments and particularly the Planning Management and Control and the Administration Departments, which report to the Corporate Finance Department, are directly responsible for producing and supervising the quality of this information.

6.8. Technology and information systems

These include the risks associated with the technological infrastructure, the effective management of information, IT and robotic networks and communications. They also include those relating to the physical and technological security of systems, in particular, the risk of cyberattacks on information systems, which could potentially affect the confidentiality, integrity and availability of critical data.

6.9. Corporate governance

This category includes the risk relating to the possibility of inadequate Group management arising from possible breach by the management team or members of the Board of Directors of the standards, recommendations or best practices that exist in issues of Corporate Governance, of the transparency regulations of the supervisory authorities, or even the lack of professional ethics in management.

Risk management at the Group is a process promoted by the Board of Directors and Senior Management and is the responsibility of each and every member of the Group, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved, furnishing shareholders, other stakeholders and the market in general with sufficient guarantees to ensure that the value generated will be protected.

In this context, the Group's Risk Management and Control Policy establishes the basic principles, key risk factors and the general action guidelines for managing and controlling the risks that affect the Group. This Policy is enforced on the entire Group and forms the basis for an Integral Risk Management System.

The Risk Management and Control Policy is implemented and complemented by specific policies and internal regulations relating to certain units or areas of the Group. The policies and internal regulations developed and implemented by these areas for the management of the different types of risk include most notably:

- Investment Policy.
- External Financing Policy.
- Payment Management Policy.
- Financial Risk Management Policy.
- Insurable Risks Management Policy.
- Code of Conduct and of Responsible Practices.
- Criminal Risk Prevention Policy.
- The Internal Regulations of Conduct regarding Transactions in Securities.
- Corporate Social Responsibility Policy.
- Code of Conduct of Manufacturer and Supplier.
- Health and Safety Policy.
- Environmental Sustainability Policy.
- Information Security Policy.
- Purchasing and Contracting Policy.
- Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisers Communication and Relations.
- Policy and Procedure for Representatives and Attorneys.
- Policy on Human Rights.
- Diversity and Inclusion Policy.
- Compliance Policy.
- Tax Strategy and Tax Policy.
- Prevention of Money Laundering and Financing of Terrorism Policy.

For further details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2018.

7. Significant events after the reporting period

No significant events have occurred since the reporting date.

8. Information on the outlook for the Group

Store and Online sales in local currencies increased 7% from 1 February to 9 March 2019.

In FY2019 Inditex estimates gross space growth in prime locations between 5%-6%. In the year, Inditex expects to open c.300 stores with the selective absorption of c.250.

Management estimates like-for-like sales growth of 4%-6% in FY2019.

Zara will launch online sales in Brazil in March. In May, Zara expects to launch online sales in Dubai, Egypt, Indonesia, Israel, Lebanon, Morocco, Saudi Arabia, Serbia and UAE.

Ordinary capital expenditure in FY2019 will be approximately EUR 1.4 billion driven mainly by the addition of new space in prime locations during the year. Ordinary capital expenditure is expected to grow below space growth in the coming years.

8.1. IFRS 16

Inditex will start applying the IFRS 16 standard in FY2019. While this standard will produce presentation changes in the financial statements it does not affect the cash flow or business.

IFRS 16 requires all leases to be reported on a company's balance sheet as assets and liabilities subject to some criteria and assumptions.

The fixed rental expenses charge is replaced in the income statement with depreciation and financial charges. Variable rental expenses will remain in the rental expenses line.

As of today, under current estimates IFRS 16 will result in an increase in FY2019 net income of 2%- 4% over former IAS 17, and lease liabilities of EUR 6.5- EUR 6.9 billion.

Inditex will provide further information in due course for you to take into consideration regarding the 1Q2019 results, the first to be released under IFRS 16.

8.2. R&D+I activities

The Inditex Group generally does not carry out research and development projects, which are defined as projects, other than those involving the design of garments, accessories, household products or certain logistical activities, in which amounts are invested over several years to develop assets on which a return is expected over multi-year periods.

Since its inception, the Group has been run with the help of the technology available in all areas of activity in order to improve manufacturing and distribution processes, and by developing in-house or third-party tools to facilitate the management of the business. Some examples of this are point-of-sale terminals, inventory management systems, distribution centre delivery systems, systems for communications with stores and in-store garment labelling systems.

8.3. Acquisition and sale of treasury shares

The Annual General Shareholders´ Meeting held on 19 July 2016 approved the 2016-2020 Long- Term Incentive Plan ("the 2016-2020 Plan") (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan.

At 31 January 2019, the Parent owned a total of 2,950,143 treasury shares, representing 0.095% of the share capital.

Accrual of the first cycle (2016-2019) of the 2016-2020 Long-Term Incentive Plan took place on that date. Settlement of the share-based incentive will take place in the month following publication of the 2018 annual accounts.

9. Other salient information

9.1. Stock market information

The Inditex share price closed 2018 at EUR 24.35 per share on 31 January 2019. The average daily trading volume was approximately 6.8 million shares. In the same period, the Dow Jones Stoxx 600 Retail fell by 13% while the Ibex 35 registered a decrease in value of 2%.

Inditex's market capitalization stood at EUR 75,890 million at the end of the period, up 728% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 6% decrease in the Ibex 35 index in the same period.

The dividend for 2017 totalling EUR 0.75 per issued share was paid in May and November 2018.

9.2. Dividend policy

The Group's policy consists of the payment of dividends equivalent to 60% of the net profit generated in the year as an ordinary dividend and the possibility of a bonus dividend.

Inditex's Board of Directors will propose at the Annual General Shareholders´ Meeting a dividend of EUR 0.88 per share, representing an increase of 17.3% in relation to the dividend approved in 2017, comprising an ordinary dividend of EUR 0.66 per share and a bonus dividend of EUR 0.22 per share. Of said amount, EUR 0.44 would be payable on 2 May 2019 as an interim ordinary dividend and EUR 0.44 would be payable on 4 November 2019 as the final ordinary and bonus dividend.

Dividends paid to shareholders in 2018 reached EUR 2,335 million.

9.3. Other disclosures

Related party transactions

Transactions with related parties are described in Notes 27 and 29 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in 2018 that substantially affected its financial position or results.

The following table shows the information on average payment periods required by Law 15/2010, of 5 July, amending Law 3/2004, of 29 December

The Group's supplier payment policy complies with the periods for payment to suppliers set in the late payment legislation in force. The Group is developing measures to try to reduce the payment period in those rare cases in which the established maximum payment period is exceeded. The aforementioned measures will focus on reducing the length of the processes involved in the receipt, verification, acceptance and accounting of invoices (enhancing use of electronic and technological methods) and improving the procedure for incident resolution in this connection.

Annual Corporate Governance Report

The Annual Corporate Governance Report for 2018 is available at www.inditex.com and was published in the section on Relevant Event Communications of the CNMV (Spanish National Securities Market Commission) website (www.cnmv.es) on 13 March 2019.

Non-financial information and information on diversity

The non-financial information and information on diversity of the Inditex group available at https://www.inditex.com/en/investors/investor-relations/annual-reports.

9.4. Alternative performance measures

The gross profit, EBITDA, EBIT, ROCE, ROE, working capital and financial position are defined in the initial note to the consolidated annual accounts for 2018.

The information disclosed in this document may contain statements in relation to future intentions, expectations and projections. All such statements, except for those based on historical data, are forward-looking statements, including, inter alia, those that address our financial position, business strategy, management plans and objective for future transactions. The aforementioned intentions, expectations or projections are subject per se to risks and uncertainties which could cause actual results to differ from those anticipated.

These risks include, but are not limited to, competition within the sector, consumer preferences and spending trends, economic and legal conditions, restrictions on free trade and/or political instability in those markets where the Inditex Group has a presence or in those countries in which Group products are manufactured or distributed.

The risks and uncertainties that could potentially have an impact on the information disclosed are difficult to predict. The Group undertakes no obligation to publicly update or revise any of the forward- looking statements in the event that any unforeseen changes or events arise which might affect them.

Annex II.
Income statement: FY2018 quarterly results:

	2018 Quarterly results			
	Q1	Q2	Q3	Q4
Net sales	5,654	6,372	6,412	7,708
Cost of sales	(2,326)	(2,882)	(2,534)	(3,586)
Gross profit	**3,328**	**3,490**	**3,877**	**4,121**
	58.9%	54.8%	60.5%	53.5%
Operating expenses	(2,194)	(2,265)	(2,280)	(2,589)
Other net operating income (losses)	(9)	(6)	(8)	(7)
Operating cash flow (EBITDA)	**1,125**	**1,218**	**1,589**	**1,525**
	19.9%	19.1%	24.8%	19.8%
Amortisation and depreciation	(273)	(286)	(303)	(239)
Operating income (EBIT)	**851**	**933**	**1,286**	**1,287**
	15.1%	14.6%	20.1%	16.7%
Financial results	7	15	(9)	4
Results from companies consolidated by equity method	8	10	13	24
Income before taxes	**866**	**957**	**1,290**	**1,315**
Taxes	(197)	(216)	(259)	(308)
Net income	**669**	**741**	**1,031**	**1,006**
	11.8%	11.6%	16.1%	13.1%
Minorities	**2**	**-**	**1**	**1**
Net income attributable to the controlling company	**668**	**741**	**1,029**	**1,006**
	11.8%	11.6%	16.1%	13.1%

The consolidated financial reporting for the first quarter of 2018 and first half of 2018 did not contain the aforementioned hyperinflation adjustments, given that, at the time of preparation, Argentina was not considered to be a hyperinflationary economy. See further information in note 6.2.1 iv Financial Statements in hyperinflationary countries.

Annex III. Detail of stores by concept and market as at 31 January 2019

Market	Zara	Zara Kids	Zara Home	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Uterqüe	INDITEX
ALBANIA	1	-	1	1	1	2	2	-	-	8
GERMANY	77	-	15	11	17	14	-	-	-	134
ANDORRA	1	-	1	1	1	1	1	1	1	8
SAUDI ARABIA	42	-	8	17	14	32	47	17	5	182
ALGERIA	1	-	1	1	-	2	2	1	-	8
ARGENTINA	11	-	-	-	-	-	-	-	-	11
ARMENIA	2	-	1	2	2	2	2	1	-	12
ARUBA	1	-	-	-	-	-	-	-	-	1
AUSTRALIA	19	-	2	-	-	-	-	-	-	21
AUSTRIA	13	-	5	4	3	7	-	-	-	32
AZERBAIJAN	3	-	-	2	3	3	2	1	-	14
BAHREIN	2	-	1	1	2	1	1	1	-	9
BELGIUM	32	-	8	9	20	13	-	3	-	85
BELARUS	2	-	1	2	1	2	2	1	-	11
BOSNIA	3	-	-	3	1	3	3	-	-	13
BRAZIL	57	-	15	-	-	-	-	-	-	72
BULGARIA	7	-	-	6	6	8	6	6	-	39
CANADA	32	-	2	-	8	-	-	-	-	42
CHILE	9	-	3	-	-	-	-	-	-	12
MAINLAND CHINA	179	-	50	69	87	66	49	88	1	589
HONG KONG SAR	14	-	2	6	3	6	2	2	-	35
MACAO SAR	2	-	1	1	2	1	1	1	-	9
TAIWAN, CHINA	9	-	2	3	5	3	-	-	-	22
CYPRUS	7	-	5	6	5	7	7	5	-	42
COLOMBIA	14	-	4	9	5	13	12	4	-	61
SOUTH KOREA	42	-	6	3	8	4	-	4	-	67
COSTA RICA	2	-	1	2	1	2	2	1	-	11
CROATIA	10	-	2	7	4	10	7	3	-	43
DENMARK	4	-	1	-	1	-	-	-	-	6
ECUADOR	2	-	-	3	1	3	3	1	-	13
EGYPT	6	-	4	6	5	6	5	4	-	36
EL SALVADOR	2	-	-	2	-	2	2	1	-	9
UAE	11	-	8	8	8	9	6	8	2	60
SLOVAKIA	3	-	-	3	1	5	4	-	-	16
SLOVENIA	5	-	-	2	1	4	4	-	-	16
SPAIN	304	107	136	210	183	201	283	177	34	1.635
UNITED STATES	98	-	-	-	3	1	-	-	-	102
ESTONIA	3	-	1	1	2	1	1	-	-	9
PHILIPPINES	7	-	-	2	2	4	4	-	-	19
FINLAND	6	-	-	-	1	-	-	-	-	7
FRANCE	123	-	22	38	19	52	24	12	-	290
GEORGIA	3	-	1	1	3	2	2	1	-	13
GREECE	41	6	10	25	13	30	21	19	-	165
GUATEMALA	3	-	1	3	1	3	3	2	-	16
NETHERLANDS	29	-	8	11	6	18	6	-	-	78
HONDURAS	2	-	1	2	1	2	2	1	-	11
HUNGARY	8	-	2	8	3	9	7	2	-	39
INDIA	22	-	-	-	3	-	-	-	-	25

Market	Zara	Zara Kids	Zara Home	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Uterqüe	INDITEX
INDONESIA	17	-	3	14	5	9	15	4	-	67
IRELAND	9	-	-	3	2	6	4	-	-	24
ICELAND	1	-	-	-	-	-	-	-	-	1
ISRAEL	25	-	2	24	3	17	8	-	-	79
ITALY	101	-	33	56	8	67	84	41	-	390
JAPAN	94	-	18	-	-	26	9	-	-	147
JORDAN	3	-	2	2	3	1	4	2	1	18
KAZAKHSTAN	5	-	4	5	4	6	6	5	1	36
KUWAIT	6	-	4	3	3	4	3	4	2	29
LATVIA	3	-	-	2	2	2	1	-	-	10
LEBANON	7	-	5	5	6	8	7	6	1	45
LITHUANIA	5	-	2	4	5	4	4	1	-	25
LUXEMBOURG	3	-	-	1	1	-	-	-	-	5
MACEDONIA	1	-	-	1	1	1	1	-	-	5
MALAYSIA	10	-	-	4	5	2	-	-	-	21
MALTA	1	-	3	3	1	1	1	1	-	11
MOROCCO	5	-	4	2	3	3	7	3	1	28
MEXICO	88	-	28	67	40	75	48	53	15	414
MONACO	1	-	-	-	-	-	-	-	-	1
MONTENEGRO	1	-	-	1	-	1	1	1	-	5
NICARAGUA	1	-	-	1	-	1	1	-	-	4
NORWAY	5	-	-	-	1	-	-	-	-	6
NEW ZEALAND	1	-	-	-	-	-	-	-	-	1
OMAN	1	-	1	-	-	1	1	1	-	5
PANAMA	3	-	1	2	1	2	2	2	-	13
PARAGUAY	1	-	1	-	-	-	-	-	-	2
PERU	4	-	3	-	-	-	-	-	-	7
POLAND	45	-	14	33	29	50	55	19	4	249
PORTUGAL	71	15	28	50	41	48	44	36	6	339
PUERTO RICO	3	-	-	-	-	-	-	-	-	3
QATAR	6	-	5	5	4	5	4	5	3	37
UNITED KINGDOM	63	-	12	8	13	6	6	-	-	108
CZECH REPUBLIC	6	-	1	4	3	5	5	1	-	25
DOMINICAN REPUBLIC	3	-	2	1	2	2	2	2	-	14
ROMANIA	23	-	6	23	10	25	23	10	1	121
RUSSIA	98	-	46	87	53	99	83	68	13	547
SERBIA	7	-	3	5	4	5	5	4	-	33
SINGAPORE	9	-	-	3	5	3	1	-	-	21
SOUTH AFRICA	9	-	1	-	-	-	-	-	-	10
SWEDEN	11	-	4	1	4	-	-	1	-	21
SWITZERLAND	20	-	4	4	8	6	-	1	-	43
THAILAND	12	-	2	3	4	1	-	1	-	23
TUNISIA	3	-	1	2	1	3	3	2	-	15
TURKEY	43	-	24	34	28	35	35	29	-	228
UKRAINE	9	-	2	14	6	14	12	7	1	65
URUGUAY	2	-	2	-	-	-	-	-	-	4
VENEZUELA	8	-	-	5	-	9	-	-	-	22
VIETNAM	2	-	-	1	1	-	1	-	-	5
INDITEX	**2,131**	**128**	**603**	**974**	**766**	**1,107**	**1,011**	**678**	**92**	**7,490**


ZARA

RISK MANAGEMENT AND CONTROL SYSTEMS

Photo: Employee and customer in our Zara SoHo store in New York.

1. Explain the scope of the Company's Risk Management and Control System, including tax compliance risk.
2. Identify the bodies within the Company responsible for creating and executing the Risk Management and Control System, including tax compliance risk.
3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives.
4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk.
5. State which risks, including tax compliance risks, have materialized during the year.
6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the Company, as well as the procedures followed by the Company in order to ensure that the Board of Directors responds to any new challenges that arise.

1.1. Explain the scope of the Company's Risk Management and Control System, including tax compliance risk

Risk management in the Inditex Group is a process driven by the Board of Directors and the Senior Executives, incumbent on each and every single member of the Group, which seeks to provide reasonable assurance in achieving the objectives established by the Group, ensuring the shareholders, other stakeholders and the market at large, an appropriate level of guarantee which ensures protection of value built.

In this context, the Group's Enterprise Risks Management Policy sets the overarching principles, key risk factors and the general action lines to manage and control the risks which affect the Group. This Policy is enforced on the whole Group and is at the basis of an Integral Risks Management System.

The Enterprise Risks Management Policy is developed and supplemented by specific internal policies or regulations with regard to certain areas or units of the Group. Among the internal policies or regulations developed and implemented by these areas regarding the management of the different types of risks, the following should be pointed out:

- The Investment Policy.
- The External Financing Policy.
- The Payment Management Policy.
- The Financial Risk Management Policy.
- The Policy on Management of Insurable Risks.
- The Code of Conduct and Responsible Practices.
- The Policy on Criminal Risk Prevention.
- The Internal Regulations of Conduct regarding Transactions in Securities.
- The Corporate Social Responsibility Policy.
- The Code of Conduct for Manufacturers and Suppliers.
- The Health and Safety Policy.
- The Environmental Sustainability Policy.
- The Information Security Policy.
- The Procurement Policy.
- The Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors.
- The Policy and Procedure for Representatives and Attorneys.
- The Policy on Human Rights.
- The Diversity and Inclusion Policy.
- The Compliance Policy.
- The Tax Policy and the Tax Strategy.
- The Anti-Money Laundering and Terrorist Financing Policy.

The risk management process is described in detail in the Risks Management Manual attached to the Enterprise Risk Management Policy.

The whole process is based upon the identification and assessment of the factors which may have a negative impact on the achievement of the business objectives, which translates into a risks map that includes the main risks classified in different groups, together with an assessment thereof based upon their potential impact, the likelihood of their occurrence and the level of preparedness of the Group to address them. The risks map is regularly reviewed to keep it updated, in order to include amendments related to the evolution of the Group itself and the environment where it operates. The risk management process continues with adopting a certain response to such factors, and establishing the required control measures for such response to be effective.

Within the Risks Management System, business units represent the first line of defense, and they report the relevant information to the Enterprise Risks Management Department, which coordinates the System as a second line of defense.

Internal Audit acts as a third line of defense, overseeing in an independent and objective manner the Risks Management System and reporting to the Board of Directors through the Audit and Control Committee.

1.2. Identify the bodies within the Company responsible for creating and executing the Risk Management and Control System, including tax compliance risk

The main responsibilities of the governing bodies and areas involved in Enterprise Risks Management at the Inditex Group are described below:

The Board of Directors is charged with:

- Approving the Enterprise Risk Management Policy, on the proposal of the management. Such Policy defines the strategy in the field of risks management and the disclosure thereof to the rest of the organisation. Based upon such policy, the ERM System is implemented, as well as the mechanisms for the regular follow-up of internal information and control systems.

The Audit and Control Committee is charged with:

- Overseeing the control and risks management function.
- Periodically reviewing the Enterprise Risk Management Policy, including tax risks.
- Ensuring that the Enterprise Risk Management Policy would include at least:
  - The different types of risk (including without limitation, operational, technological, financial, legal, reputational and tax related) that the Company is faced with, including contingent liabilities and other off-balance sheet risks as part of the financial or economic risks;
  - The determination of the level of risk that the Company deems acceptable;
  - The course of action planned to reduce the impact of the identified risks, should they materialize; and,
  - The information and internal control systems that will be used to monitor and manage the aforementioned risks, including contingent liabilities and other off-balance sheet risks;
- Reviewing the information on the risks that the Group faces, and on the risk control systems, that must be included in the Annual Corporate Governance Report, the management report attached to the annual accounts and the interim financial statements and in any other information instruments of the Company; and
- Evaluating any question regarding non-financial risks (including without limitation, operational, technological, regulatory, social, environmental, political and reputational) that the enterprise risk management policy and the risks management systems must cover.

The Financial Division (to which the ERM Department belongs) is charged with:

- Ensuring the good running of the Risk Management System and namely that all relevant risks which affect the Company are duly identified, managed and quantified.
- Taking an active role in the preparation of the risk strategy and in the important decisions on risk management.
- Ensuring that the ERM System would appropriately mitigate risks.
- Overseeing the work and liaising with Risks Managers at each business unit or area, both at corporate or concept level, providing valid tools for risks assessment and management.
- Maintaining and updating knowledge, techniques, methodologies and tools allowing observance of the principles underlying the ERM system at maximum quality levels.
- Regularly reviewing the risks management policies and manuals and the motions for the amendment and update thereof to the Audit and Control Committee to be tabled, where appropriate, to the Board of Directors.
- Coordinating and processing the information received by Risks Managers at each business unit or area, reporting to the Senior Executives and to the Board of Directors through the Audit and Control Committee.
- Promoting appropriate and effective communication channels between ERM Department and the remaining Divisions and areas involved.

Risks Managers are charged with:

- Monitoring the risks under their remit, in accordance with the methodology and tools defined by the ERM Department.
- Identification of events which may entail potential risks and opportunities within the assigned scope of responsibility, reporting the necessary information to the ERM Department.
- Follow-up and notice of the evolution of risk management, as well as the defined action plans.

The Internal Audit Department is charged with:

- Contributing to the improvement of risks management, control and governance processes, assuring the Audit and Control Committee of an effective and independent supervision of the internal control system and issuing recommendations for the Group to help reduce to reasonable levels the potential impact of risks which hamper the achievement of the objectives of the Company.
- Internal Audit function must always remain independent in respect of ERM System, and it shall not be responsible for making any key decisions regarding its operation.

Senior Executives are charged with:

- Raising awareness regarding the weight of the ERM System and its value for all the stakeholders of the Group, encouraging the creation of an all-encompassing risks management culture.

- Defining and validating functions, powers and responsibilities within the framework of the ERM System.
- Determining the level of risk that the Company may deem acceptable.
- Provision of appropriate and sufficient resources to implement Risks Management activities.
- Validation of action and work plans resulting from the risks management process itself.
- Follow-up on activities.

Additionally, the following specific Committees related to the follow-up of the major risks are in place:

- Expansion Committee
- Logistics Committee
- Committee of Ethics
- Business Monitoring Committee
- Compliance Supervisory Board
- Information Security Committee
- Investments Committee
- Financial Risks Committee
- Reputation Committee

1.3. State the primary risks, including tax compliance risks, and those deriving from corruption (with the scope of these risks as set out in Royal Decree Law 18/2017), to the extent that these are significant, which may affect the achievement of business objectives

In order to permit a streamlined and comprehensive risks management, the Group has established a definition of risk valid for the whole Organisation. Thus, the Group defines risk as: "any potential event which might have a negative impact on the achievement of its business objectives".

Risks reviewed are classified and grouped in the following categories:

1.3.1. Business environment

These are risks stemming from external factors, associated with the Group's business.

This category encompasses the risks associated with the difficulty in adjusting to the environment or market where the Group operates, whether as regards procurement processes or distribution and sale of goods activities. This element is inherent in the fashion retail business and consists of the eventual inability of the Group to follow up and offer a response to the development of its target market or to adjust to the new situations in procurement or distribution countries.

In this regard, geopolitical, demographic, social and economic changes that trigger the country risk in procurement or distribution countries or the consumption decline in certain markets, as well as abrupt changes in climate cycles likely to affect demand patterns are, *inter alia*, factors which may have an impact on the effective achievement of the business objectives of the Group.

Additionally the strong competitiveness existing in the sector, driven by new technologies and disruptive innovation might condition the Group's capacity to compete in an environment in which customer's profile is constantly changing.

1.3.2. Regulatory risk

Those are risks to which the Group is exposed arising from the different laws and regulations in force in the different countries where it conducts its business.

Included in this category are risks regarding tax, customs, employment, trade and consumption and industrial and intellectual property regulations, and risks associated with the remaining laws and regulations, namely regulatory risks of a criminal nature (including potential risks of commission of offences related to corruption, fraud or bribery), whether or not they determine criminal liability of the natural person, as well as other risks of regulatory noncompliance.

The General Counsel's Office – Office of the Chief Compliance Officer is charged with overseeing and managing the Compliance System of the Inditex Group, in order to prevent any regulatory risks (including criminal ones) and/or reputational risks, arising from any potential regulatory noncompliance, and to respect the highest ethical standards and follow-up on best corporate practices.

Although at present it is uncertain whether or not Article 50 TFEU, whereby the United Kingdom would leave the European Union (Brexit) would be extended, as well as which future events would Brexit trigger, No Deal Brexit would entail changes to the regulatory environment of the Group in the UK, as well as to the trade relationship between the UK and the EU, as this latter would be governed by the regulations of the World Trade Organization (WTO). This means that cross-borders trade will be subject to customs controls and customs duties.

The main risks for the Group identified arising from Brexit include potential delays in transit of goods, economic impacts resulting from custom duties and currency fluctuation, potential constraints to free movement of people, as well as those arising from contractual risks or management of key third parties.

1.3.3. Reputation

Those are the risks which have a direct impact on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the society at large.

These risks stem from a potentially inappropriate management of the issues regarding corporate ethics, social and environmental sustainability, responsibility on account of health and safety of products, the corporate image of the Group, including in social media, as well as any other potential regulatory noncompliance or noncompliance with best practices which might have an impact on the reputation of the Organisation.

1.3.4. Human Resources

The main risks related to the field of human resources are those arising out of a potential dependence on key personnel and of the difficulty in properly identifying and retaining talent, as well as in keeping an appropriate work environment at all work centres.

1.3.5. Operations

The main operational risks the Group addresses stem from a potential difficulty in recognizing and taking in the ongoing changes in fashion trends, and in manufacturing, supplying and putting on the market new models that fulfil customers' expectations. Likewise, risks arising from the increasing weight of technological innovations and evolutions in the broadest sense, both regarding interaction with customers and improvement of operating processes to ensure commercial success.

The risk arising out of business interruption is associated with the potential occurrence of extraordinary events beyond the control of the Group (natural disasters, fires, strikes of haulers or of key suppliers, power outage, discontinuance in the supply of fuel, goods detention during carriage, etc.,) that may significantly affect normal operations.

Given the way the Group operates, the main risks included in this category are to be found at logistics centres and in external operators charged with carriage of the goods. Apparel, footwear, accessories and homeware for all the concepts are distributed from 14 logistic centres spread throughout Spain. Distribution logistics is also assured by means of other smaller logistic centres located in different countries and by external logistics operators in charge of small volume distribution operations.

Other risks included in this category are those associated with real estate management, related to the search and selection of business premises and their profitability. Additionally, the relationship with certain suppliers of goods or services providers is subject to certain risks beyond our control which might have an impact on the normal course of certain operations of the Group.

1.3.6. Financial

In the ordinary conduct of its business, the Group is exposed to financial risks. Included in this category are foreign exchange risk and counterparty credit risk. Additionally, given the ever-growing international dimension of the Group's business, the Company is exposed to the country risk in different markets.

Euro is the functional currency of the Group. Its international transactions involve using a large number of currencies other than euro, which gives rise to the foreign exchange risk. The Group has different investments abroad, the net assets of which are exposed to foreign exchange rate risk. As the consolidated financial statements of all the companies in the Group are prepared in the functional currency, i.e., euro, it is faced with the foreign exchange risk on account of translation, in respect of all its entities outside the European Monetary Union. The Company also addresses the risk resulting from transactions in currencies other than euro in flows of collections and payments for acquisition of goods and provision of services both in respect of transactions within the Group and outside the Group.

The Group is not exposed to significant concentrations of counterparty credit risk. Most of its revenue results from retail sales, where payment is primarily made on demand, either in cash or with credit card. At any rate, the Group deals with the risk that counterparties, mainly financial ones, would fail to comply with the obligations stemming from investment of the Company's cash, loan agreements and other financial and securities vehicles, and from derivatives used for financial risks hedging.

1.3.7. Information for the decision making

Risks included in this group are those associated with the appropriate information at all levels: transactional and operational, financing-accounting, management, budgeting and control.

The different departments of the Group, and especially the Planning and Management Control Department and the Administration Department, which report to the Financial Division, are directly responsible for producing and overseeing the quality of such information.

1.3.8. Technology and IT systems

Risks in this group include those linked to the technological infrastructure, the effective management of information, of computer and robotic networks and of communications. Risks connected with the physical and technological IT security are also included, namely the risk of cyber-attacks against IT systems, which might eventually affect the confidentiality, integrity and availability of key information.

1.3.9. Corporate Governance

This category includes the risk associated with the potential existence of an inappropriate management of the Group stemming from potential noncompliance by members of management or of the Board of Directors with existing Corporate Governance regulations, recommendations, or best practices, with transparency regulations, or regulations of regulatory authorities, or even from lack of professional ethics in such management.

1.4. State whether the entity has a risk tolerance level, including tolerance for tax compliance risk

The Inditex Group relies on standard criteria to identify, assess and prioritize risks, based upon the concept of risk tolerance as key tool.

It is incumbent on Senior Executives to establish strategy and risk tolerance, which must reflect the volume of risks that they are willing to assume, to reasonably achieve the objectives and interests of the Group. Such tolerance is regularly updated, and at least every time the Group strategy changes.

Once the risk tolerance for strategic and business objectives of the Group has been defined, it is duly disclosed to the Corporate Risks Manager, who determines the assessment scales of key business risks (impact, likelihood and level of preparedness).

1.5. State which risks, including tax compliance risks, have materialized during the year

During the year, risks inherent in the business model, the Group's business and the market environment, have materialized as a result of circumstances inherent in the conduct of business and the prevailing economic climate. Although none of them has had a significant impact on the Organisation, materialization of foreign exchange risk has had a higher weight.

The Group operates globally and therefore, it is exposed to the foreign exchange risk in respect of transactions in currencies, namely in US dollar, Russian ruble, Chinese renminbi, Mexican peso, Sterling pound and Japanese yen. In 2018, the depreciation of non-euro currencies has had a negative impact on the growth rate of net sales of the Company, and a slightly negative impact on the cost of sales.

The foreign exchange risk is managed pursuant to the guidelines set out by the management of the Group, which mainly cover the establishment of financial or natural hedging systems, constant monitoring of foreign exchange rates fluctuation, and other measures aimed at mitigating such risk.

Although the progression of the negotiations on the withdrawal of the United Kingdom from the European Union (pursuant to Article 50 of the Treaty on the Functioning of the European Union) has resulted in a high level of uncertainty of the markets, its impact has not been significant for the Group during the financial year.

The evolution of the sterling pound during the Brexit's negotiation process has not given rise to a material increase of the foreign exchange risk, considering the behaviour of the Group's exchange exposure portfolio, resulting from its high diversification and the foreign exchange management policy.

1.6. Explain the response and monitoring plans for all major risks, including tax compliance risks, of the Company, as well as the procedures followed by the Company in order to ensure that the Board of Directors responds to any new challenges that arise

The Group relies on response plans that seek to reduce the impact and likelihood of materialization of the critical risks described in section E.3 above, or to improve the level of preparedness versus risks.

The main specific response plans for each risk category are explained below:

1.6.1. Business environment

In order to reduce the risk exposure in this area, the Group carries out a feasibility research for each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether the estimated figures are met or not. Moreover, the business model of the Group is based not only on managing new openings, but also on improving the efficiency and effectiveness of the markets, business lines and stores already existing, so that the growth achieved via expansion and diversification, be complemented by the organic growth of the existing business.

In line with the foregoing, the expansion policy, the multi-brand format of the Group and the commitment to the full integration of all the channels and the use of new technologies as an alternative of communication and sale for our customers, represents a way to diversify this risk, which downplays the global exposure to this business environment risk.

1.6.2. Regulatory risk

The General Counsel's Office – Office of the Chief Compliance Officer is charged with managing the Model of Compliance System of the Company. Namely, it discharges a triple function: organisation, coordination and report.

Organisation means that the General Counsel's Office – Office of the Chief Compliance Officer oversees the process of preparing the internal regulations (Polices, Procedures and Instructions) of the Company and, approves them, where appropriate.

The General Counsel's Office – Office of the Chief Compliance Officer is also responsible for coordinating compliance functions of other departments or areas where compliance risks exist, by means of a periodic reporting system.

Special mention should be made of criminal regulatory risks. In order to reduce exposure to criminal regulatory risks, namely the risk of commission of offences related to corruption, fraud and bribery, Inditex relies, first of all, on a structure of high level basic standards, and a number of organisational documents which constitute the three main pillars of the Company's Cross-cutting Compliance System: the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers of the Inditex Group. Secondly, it relies on a model of criminal risk prevention, made up of three different documents: the Policy on Criminal Risk Prevention, the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls (hereinafter, the "Model of Criminal Risk Prevention"). Such high level standards and the Model of Criminal Risk Prevention are part of Inditex Compliance System.

Inditex Model of Criminal Risk Prevention was approved by the Board of Directors in 2016 and is subject to continuous updating. Namely, risks identified in the Scoping Matrix of Criminal Risks and Controls are updated by regularly reviewing potential risks inherent in the processes of the different proceedings carried out, taking into account the latest regulatory developments, the approval and/or amendment of internal regulations and the changes in the Company's organisation.

Within the scope of such Model of Criminal Risk Prevention, a number of standards have been approved, in furtherance of statutory obligations or obligations arising from the Articles of Association and from the regulatory framework wherein Inditex operates. Namely, for the purposes of ensuring that all Inditex employees, and those third parties with whom they are engaged in any business relationship, comply with the main anti-bribery and anti-corruption regulations existing in such markets where the Group is present, the so-called Integrity Policies have been approved: (i) the Policy on Donations and Sponsorships; (ii) The Policy on Gifts and Business Courtesies; and, (iii) the Policy on Dealings with Public Servants (hereinafter, the "Integrity Policies").

Additionally, as a demonstration of its commitment to anti-money laundering and the prevention of terrorist financing activities, Inditex has approved the Anti-Money Laundering and Terrorist Financing Policy.

The Committee of Ethics that reports to the Board of Directors through the Audit and Control Committee, is the internal body charged with overseeing compliance with the Model of Criminal Risk Prevention and the effectiveness and appropriate implementation of the controls set therein - the General Counsel's Office-Office of the Chief Compliance Officer being responsible for the material performance thereof - , and with ensuring that such Model meets the prevailing legal requirements from time to time in force.

The Committee of Ethics submits, at least every six months, a report to the Audit and Control Committee considering the degree of compliance with the Model of Criminal Risk Prevention.

Additionally, the Internal Audit Department conducts regulatory compliance audits on a regular basis with teams of independent professionals specializing in certain regulations which apply to the Company's business.

The Company relies on a Whistle Blowing Channel that allows all the Group's employees, suppliers or third parties with a direct relationship and a lawful business or professional interests to report, regardless of their managerial level and geographic or functional location, any noncompliance with the internal regulations of the Group governing conduct and regulatory compliance, by any Group's employee, manufacturer, supplier or third party with whom the Group has a direct employment, business or professional relationship and which affect either Inditex or its Group. Therefore, noncompliance with internal regulations as well as any manner of irregularities can be reported, including those related to corruption, fraud and/or bribery.

The Committee of Ethics is responsible for managing and overseeing the Whistle Blowing Channel as well as compliance with its procedure. In 2018, the Audit and Control Committee resolved to submit the Model of Criminal Risk Prevention to a reasonable assurance review by an independent third party, in order to establish that the controls included in the Scoping Matrix of Criminal Risks and Control are effective and appropriate and that the Model complies with the requirements laid down in the Criminal Code and in UNE 19601 standard, as well as with COSO guidance. The audit firm has issued an unqualified report.

With regard to risks arising from Brexit, the Group has prepared a contingency plan considering the potential impacts for the Group, and a number of measures have been set to mitigate such risks.

1.6.3. Reputation

The Group has implemented a Compliance Programme in respect of the Code of Conduct for Manufacturers and Suppliers through social audits and pre-assessment audits, based on the verification carried out by qualified social auditors, of the facilities which are necessary to manufacture the fashion items that the Group distributes, for the purposes of minimizing any potential risks of damaging the image of the Group on account of improper behaviour by third parties. Such specific programme sets out the review procedures which ensure gathering information and evidence on the minimum working conditions that all manufacturers and suppliers must comply with. Such Compliance Programme is complemented with "Workers at the Centre" projects and programmes that focus on workers and their well-being, and through partnerships with different stakeholders, including without limitation, the Global Framework executed with IndustriALL Global Union, or alliances with the International Labour Organization (ILO). Additional information on this and other programmes is available in the Annual Report and at the corporate website.

Likewise, the Group also has in place an Environmental Sustainability Policy that covers all the environmental commitments undertaken by the Group applicable across all its business areas and the entire supply chain. Under such Policy, three environmental strategies are implemented to ensure the utmost protection of environmental resources: the Biodiversity Strategy, the Global Water Management Strategy and the Global Energy Strategy. In line with such strategies, mention should be made of Inditex commitment to forest products, materialized in the Forest Product Policy. Current 2016-2020 Environmental Strategy is mainly focused on clean energy and on implementing circular management models at headquarters, logistics centres, factories and stores, including the *Closing the Loop* programme. Additional information on this and other programmes and initiatives is available in the Annual Report and at the corporate website.

In such sizable and visible organisations as the Group, some conflicts might arise out of an inappropriate relationship with third parties alien to the proceedings of the Group (e.g., CNVM, media, investors, financial analysts, public authorities, etc.,).

Through the Communication and Corporate Affairs Division and the Corporate Social Responsibility Department, the Group sets the procedures and protocols required to minimize this risk. Likewise, given their relevance, the General Counsel's Office-Office of the Chief Compliance Officer, and the Capital Markets Department are charged with managing specifically the relationship with CNMV, the latter being also charged with investors relations.

Likewise, different departments, including the Communication and Corporate Affairs Division, are responsible for following up the image of the Group in social media.

To reduce the risks associated with the description of finished product, ensuring that they do not entail any hazard for the health and safety of customers, the Group carries out controls and verifications of the health and safety of the products standards (*"Safe to Wear"* and *"Clear to Wear"*), whose enforcement is mandatory across the supply chain for all the products sold.

The Group relies on a Policy on Human Rights and a Code of Conduct for Manufacturers and Suppliers. The Committee of Ethics and the Sustainability Department are responsible for enforcing and construing both internal regulations. Meanwhile, the General Counsel's Office – Office of the Chief Compliance Officer runs training sessions on the Code of Conduct and Responsible Practices for the employees.

Likewise, the Group has in place the so called Integrity Policies of the Inditex Group which are: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships; and, (iii) the Policy on Dealings with Public Servants.

The enforcement and/or construction of the Integrity Policies falls on the Committee of Ethics, whereas the General Counsel's Office – Office of the Chief Compliance Officer is charged with overseeing compliance with such Policies.

1.6.4. Human Resources

The action lines followed by the Department of People are explained in detail in the relevant section of the Annual Report and in the Statement on Non-financial Information.

The work system implemented within the Organisation encourages the transfer of knowledge and the involvement of all employees with the Company's culture and operations. Career development, training and compensation policies seek to foster development of all teams, give career development opportunities to the more talented people and retain key employees. Additionally, the Group carries out selection and recruitment processes of new employees to ensure the continuous arrival of talent at all areas of the Company. With such proceedings and the continuous improvement of Group policies related to people, risk arising from concentration of knowledge in key people is reduced.

Meanwhile, a growing demand has arisen lately within the labour market, linked to companies' corporate social responsibility, which has become a key factor upon selecting a company for the job of choice. In this regard, the Group has implemented a number of initiatives around different focal points of action.

The Diversity and Inclusion Policy applies to all entities of the Company. The Inditex Group has implemented equality plans that include measures to promote the commitment and effective implementation of the principle of equal opportunities between women and men, contributing to reduce inequality and imbalance, preventing work discrimination, fostering the Company's commitment towards improving life quality, ensuring a healthy work environment and providing actions to promote work-family balance.

The Group also encourages the participation of employees in community service projects so that they can develop their social concerns wherever the Company operates. A number of programmes and projects have been implemented in this field offering employees different extents of collaboration.

1.6.5. Operations

The Group reduces exposure to this risk through a production and procurement system that ensures a reasonably flexible response to unexpected changes in the demand from our customers. Stores and online teams are permanently in touch with the team of designers, through the Product Management Department, and this allows perceiving the changes of taste of the customers. Meanwhile, the vertical integration of the transactions allows reducing manufacturing and delivery times as well as the stock volumes, while at the same time, the reaction capacity to introduce new products throughout each season, is kept.

Given the relevance that an efficient logistics management has on the materialization of such risks, the Group conducts a review of all the factors which might have a negative impact on the target of achieving the maximum efficiency of the logistics management, to actively monitor such factors under the supervision of the Logistics Committee.

To mitigate the risk resulting from business interruption, associated with the likelihood of occurrence of extraordinary events beyond the control of the Group, the size and use of all centres has been optimized, based upon the size of each format or the specific requirements of the geographic area which they service. Namely, part of the above mentioned logistics centres specialize in distribution of goods sold online. The different hubs have been set in such a manner as to be able to assume storage and distribution capacity from other centres in the event of any contingency resulting from potential accidents or stoppage of distribution activities.

Additionally, the Group takes active measures to reduce risk exposure in respect of this type of risks, by keeping high levels of prevention and protection in all its distribution centres, in addition to insurance policies covering both any potential property damage incurred by the facilities and stock, and any loss of profit which might arise out of any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan assesses the need and considers, where appropriate:

- Investing in new logistic centres (construction of a new logistics connection point in Lelystad (the Netherlands) is currently in progress) or extending the existing ones, so as to minimize the risk associated with the logistics planning and sizing.

- Investing towards improving and automating processes in the existing hubs aimed at increasing their capacity and efficiency and improving the internal control on goods stored in such centres. In this respect, mention should be made of the progressive application of RFID technology within the supply chain, which allows reaching a very high degree of control on goods.

- The search, approval and monitoring of external logistics operators, in different strategic points, with full integration in the logistics capacity of the Company.

With regard to the potential risk of goods detention during carriage process, the Group relies on a network of agents in different procurement and distribution points, as well as on alternative routes for carriage of goods.

The Group reduces the risks associated with the real estate management, regarding the search and selection of business premises and the profitability thereof, by monitoring all the markets where it operates, considering the suitability of premises prior to their opening, and overseeing all new store openings through the Expansion Committee.

1.6.6. Financial

In order to reduce the foreign exchange risk, it must be managed in a proactive, sufficient and systematic manner. To achieve this, the Group has implemented the Financial Risk Management Policy with the main goals of reducing potential economic losses and volatility in the financial statements resulting from such risk. Exchange exposure materializes in terms of net investment, translation and transaction risks. Such Policy sets the guidelines to manage all such exposures and provides that exchange management is done at headquarters by the Financial Management Department of the Group. The Policy sets forth the review and follow-up procedures regarding exchange exposure and the potential hedging strategies, the procedure to contract financial derivatives and the registration and documentation thereof. Within the scope of its financial risk management policy, the Group uses the Cash-Flow-at-Risk (CFaR) methodology, for the purposes of estimating the potential impact that the fluctuations of the exchange rates might have on the consolidated pre-tax results and, as the case may be, determining the relevant mitigation strategy. Currently, forward contract is the main hedging instrument. Additionally, other derivatives, such as zero cost option strategies and option buying strategy and swaps are used, to a lesser extent.

The Payment Management Policy provides the principles aimed at ensuring compliance with the Group's obligations, safeguarding its interests and setting up the required procedures and processes to ensure an effective payment management. Such policy determines the best method, currency and terms to make payments, in economic, accounting and legal terms. Finally, the Payment Management Policy covers the potential exceptions and the procedure to authorize them. Meanwhile, the Policy and Procedure for Representatives and Attorneys determines the different proxies included in each Group entitled to engage financial transactions on behalf of the Company, including payments, the level of authorization according to the Group to which they belong, the authorized amount of the transaction and the required pairing of proxies according to such criteria.

The Investment Policy, which seeks to ensure security, integrity and liquidity of the Company's financial assets, provides the guidelines which need to be observed by counterparties, and classifies them in panels in accordance with their rating, solvency and relevance for the Group profile. Likewise, such Policy sets maximum exposure limits in terms of counterparty and provides procedures to ensure control, follow-up and monitoring of credit risk.

Such Policy sets guidelines with regard to the role of sovereign risk in terms of counterparty credit risk, and the influence thereof on financial assets and/or investment vehicles.

1.6.7. Information for the decision–making

In order to reduce exposure to this type of risks, the Group regularly reviews the management information disclosed to the different supervisors and invests, *inter alia*, in systems for transmission of information, business monitoring and budgeting.

The Information Security Department is responsible for ensuring that such information is available to and/or amended, exclusively by the persons authorized to do so, setting the parameters for the systems to ensure the reliability, confidentiality, integrity and availability of key information.

With regard to the risks associated with financial reporting, the Group has set up an Internal Control System on Financial Reporting (ICFR) System aimed at achieving a continuous follow-up and assessment of the main risks associated, which permits reasonably ensuring the reliability of the public financial information of the Group. Additional information on this issue is available in Section F of this report.

In addition, the consolidated Financial Statements and those of all relevant companies are subject to review by the independent auditors, who are also in charge of carrying out certain audit works regarding the financial information. Likewise, as regards the most significant companies of the Group, independent auditors are requested to issue recommendations on internal control.

1.6.8. Technology and IT systems

Given the importance of the smooth running of technological systems to achieve the objectives of the Group, the Office of the Chief Operating Officer exercises, through the Information Security Department and with the support of the Information Security Committee, permanent control aimed at ensuring streamlining and consistency of such systems, in addition to the security and stability required for business continuity. The Group is aware that its systems will require ongoing improvement and investment to prevent obsolescence and keep the response capacity thereof at the levels required by the Organisation.

As a benchmark, aimed at keeping security of information and of the elements which process it, the Group is governed by the Information Security Policy, which is accepted by all users with access to information and is available on the Company's intranet (INET).

For the specific purpose of keeping a continuous systems operation, the Group relies on technical and procedural contingency systems which would, together with the associated technical procedures, reduce the consequences of any breakdown or stoppage. Among such technical contingency systems, the main data centre, Tier IV certified (availability) as well as the storage of synchronous data in redundant locations exposed to different physical or geological risks, or the duplicity of teams and lines may be found.

Additionally, the Information Security Department within the Office of the Chief Operating Officer relies on continuous review mechanisms, which are regularly assessed by different internal and external audits, to prevent, detect and respond to any potential cyber-attack. Such controls would allow advancing and/or reducing the consequences of risk materialization, together with insurance policies covering loss of profit, expenses stemming from cyber-attack and civil liability of the Company for damages incurred by third parties. The Organisation considers, based upon the available information, that these controls have been successful to date. Particularly, regarding the e-commerce environment, the Group meets the requirements of the Payment Card Industry Data Security Standard (PCI DSS) and has certification for compliance with ISO/IEC 27011 in Information Security.

However, taking into account that every year a large number of hackers attempt to gain access to the information of corporations globally, the Group is aware that technological risks progress exponentially, in an unpredictable and sometimes highly elaborate manner. For such reason, although Information Security is one of the top priorities of the Group, the possibility of a non-detectable attack, including to its services providers, which might have an impact on the operations or the information managed by the Organisation, cannot be ruled out.

1.6.9. Corporate Governance

In order to reduce these risks, the alignment of the Company's corporate governance system (comprising the Articles of Association, the Board of Directors' Regulations, the Regulations of the General Meeting of Shareholders, the Audit and Control Committee's Regulations, the Nomination Committee's Regulations, the Remuneration Committee's Regulations, the Internal Regulations of Conduct regarding Transactions in Securities, the corporate policies implemented for enterprise risk management, and the conduct policies of the Group) with the applicable regulations regarding Corporate Governance from time to time in force (including, without limitation, the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, and the Internal Regulations of Conduct, among others), must be ensured.

For such purposes, the Audit and Control Committee conducts an annual review of the Corporate Governance System to establish the extent of compliance and its alignment with regulatory developments, recommendations, standards and best practices existing in the field, and systematically reinforce good corporate governance practices across the Company's governing bodies.

Additionally, the performance of the Board of Directors, board members, board committees, the Executive Chairman, the Lead Independent Director and the Secretary of the Board (non-member), are subject to an annual self-evaluation process, led by the Nomination Committee.

In this end, Inditex relies first on the Internal Regulations of Conduct that sets out the principles and criteria to ensure (i) that the information released to the market and to CNMV is reliable, clear, quantified and complete, avoiding subjective evaluations that could lead or may lead to confusion or deception; as well as (ii) the appropriate use of relevant information.

The Office of the Chief Compliance Officer and the Chief Officer, reporting to the Audit and Control Committee every six months, are charged with overseeing and enforcing the IRC.

With regard to the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics is responsible for the enforcement and construction thereof. Such Committee may act of its own motion or at the behest of any of Inditex's employees, manufacturers or suppliers, or any third party involved in a direct relationship and with a lawful business or professional interest, by submitting a report in good faith.

On the other hand, the Audit and Control Committee regularly reviews whether potential conflicts of interest or related-party transactions detrimental to the interests of the Company and/or the shareholders exist, pursuant to a regulated review and assessment procedure, and subject to approval by the Board of Directors. In the performance of this function, the Committee is supported by the General Counsel's Office – Office of the Chief Compliance Officer that feeds on the information regularly provided by board members and senior executives through specific questionnaires.

This type of risk is reduced upon earning the trust of shareholders and investors. This requires ensuring appropriate proceedings from its governing and managing bodies and improving internal control, transparency and corporate responsibility within the Company.

With regard to supervision, the Board of Directors and the Audit and Control Committee are the main governing bodies responsible for risks control.

1.– The Board of Directors

The Board of Directors is responsible for identifying the main risks for the Group and for organising the appropriate internal control and information systems.

2.– The Audit and Control Committee

Included in the duties of the Audit and Control Committee is that of assisting the Board of Directors in its duties to oversee and control the Group, by reviewing the internal control systems. The duties of the Audit and Control Committee are provided in the Articles of Association, the Board of Directors' Regulations and the Audit and Control Committee's Regulations.

The Audit and Control Committee's Regulations provide that it is incumbent on such body, exclusively comprised of non-executive directors, inter alia: to oversee the effectiveness of the internal control of the Company, the internal audit and the risk management systems, including tax ones, and to review with the financial auditor the significant weaknesses of the internal control system revealed, as the case may be, in the conduct of the audit, and to supervise the process for preparing and releasing the regulated financial information.

Additionally, the Audit and Control Committee is responsible for overseeing the Internal Audit Department of the Group, approving its budget and the Internal Audit Plan, the annual report of activities of the Internal Audit Department and ensuring that it relies on the appropriate material and human resources, whether internal or external, to discharge its duties, approving the budget of the Internal Audit function, the Internal Audit Plan and the annual activities report, ensuring that its activity is mainly focused on the risks which are relevant for the Company and its Group, and gathering periodic information on the proceedings of Internal Audit.

The Internal Audit Department is directly linked to the Board of Directors, to which it reports functionally, through the Chair of the Audit and Control Committee, thus ensuring the full independence of its acts.

The mission of the Internal Audit function is defined in the Group's Internal Audit Charter, and it consists of contributing to the good running of the Group, by assuring an independent and effective supervision of the internal control system, and providing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks that hamper the achievement of the objectives of the Organisation.

Likewise, according to such Charter, the objectives of the Internal Audit function include, without limitation: issuing the recommendations it may deem appropriate to improve the governance process; evaluating the effectiveness of the risks management processes and contributing to the improvement thereof; ensuring the good running of the information and internal control systems, and ensuring the uniform and effective enforcement of the policies and procedures which make up the internal control system.

ICFR

THE INTERNAL CONTROL AND RISKS MANAGEMENT SYSTEMS WITH REGARD TO FINANCIAL REPORTING

Photo: Employees in our Pull&Bear studios in Naron (A Coruña).

1.1. Entity's control environment
1.2. Risks assessment in financial reporting
1.3. Control activities
1.4. Information and communication
1.5. Supervision of the system's operation
1.6. Other relevant information
1.7. Report of the external auditor

1. Describe the mechanisms comprising the internal control and risks management systems with regard to financial reporting (ICFR) of your entity

1.1. Entity's control environment

Give information describing the key features of at least:

1.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its monitoring

Board of Directors

Except for such issues which transaction is reserved to the General Meeting of Shareholders, the Board of Directors is the highest decision-making, supervisory and monitoring body of the Company, being ultimately responsible for the existence and update of an appropriate and effective ICFR, as provided in the Policy on Internal Control over Financial Reporting System (hereinafter, the "ICFR Policy"), approved by the Board itself.

The Board of Directors is entrusted with leadership, management and representation of the Group, generally delegating the management of the day-to-day business of INDITEX to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding the policy of the Group, monitoring the management activity, evaluating officers' management, making the most relevant decisions for the Group and liaising with the shareholders.

Audit and Control Committee

Pursuant to the provisions of the Articles of Association, the Board of Director's Regulations and the Audit and Control Committee's Regulations, and as part of its financial and monitoring duties, it is incumbent on the Audit and Control Committee to oversee the process for preparing and releasing the regulated financial information, and as provided in the ICFR Policy, to monitor the effectiveness of the ICFR.

In this regard, the Committee discharges, inter alia, the following duties:

- Overseeing the effectiveness of the internal control system of the Group, the internal audit, and the risks management systems, including tax risks, as well as discussing with the statutory auditor the significant weaknesses of the internal control system revealed, as the case may be, in the course of the audit.
- With regard to the powers regarding the process to prepare the regulated financial information:
  - Overseeing the process of preparation and submission and the integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports, and overseeing the review of the interim financial statements requested from the financial auditor, with the scope and frequency that may be defined, as the case may be.
  - Reviewing compliance with the legal requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable.
  - Advising the Board of Directors on any significant change of accounting standard and on the significant risks of the balance sheet and off-balance sheet.
- With regard to the Enterprise Risk Management Policy:
  - Overseeing the control and risk management function.
  - Regularly reviewing the enterprise risk management policy, including tax risks.
  - Ensuring that the enterprise risk management policy contains at least:

    (i) The different types of risk (including without limitation, operational, technological, financial, legal, reputational and tax related) that the Group faces, including among such financial or economic risk, contingent liabilities and other off-balance sheet risks;

    (ii) The determination of the level of risk that the Group deems acceptable;

    (iii) The measures planned to reduce the impact of the identified risks, should they materialize; and,

    (iv) The internal control and financial reporting systems that will be used to monitor and manage the aforementioned risks, including contingent liabilities and other off-balance sheet risks;

- Reviewing the information about the risks to the Group, and about the risk control systems, that must be included in the Annual Corporate Governance Report, the management report attached to the annual accounts and the interim financial statements, and in any other information instruments of the Group;

- Evaluating any question regarding non-financial risks (including without limitation operational, technological, regulatory, social, environmental, political and reputational) that the enterprise risk management policy and systems must contain;

Most members of the Audit and Control Committee are non-executive independent directors. The Committee meets on a quarterly basis and whenever it is called by its Chair. In 2018, the Audit and Control Committee has met 5 times.

– Financial Division

The Financial Division is responsible for the design, roll-out and implementation of the ICFR, as provided in the ICFR Policy, keeping the system updated, monitoring its design and proceedings to ensure that it is effective and appropriate, communicating and training the parties involved and keeping a periodic report.

The Financial Division sets out and circulates the policies, guidelines and procedures, associated with financial reporting and is charged with ensuring the appropriate enforcement thereof within the Group.

– Internal Audit

Internal Audit is overseen by the Audit and Control Committee to which it reports. It is charged, inter alia, with supporting the Committee in supervising the internal control over financial reporting systems, by performing specific ICFR audits, requesting action plans to correct or reduce any weaknesses revealed and following-up on the implementation of the proposed recommendations.

Internal Audit relies on an Internal Audit Chart, approved by the Audit and Control Committee, which regulates its mission, authority and responsibilities pursuant to both domestic and international regulations and standards for the professional practice of internal auditing.

Likewise, Internal Audit has been awarded the certificate of compliance with the "International Standards for the Professional Practice of Internal Auditing" by the Instituto de Auditores Internos, a member of the IIA (Institute of Internal Auditors).

1.1.2. Whether, especially in the process of drawing up the financial information, the following elements exist:

1.1.3. Departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying sufficient procedures for the effective circulation within the Company

The Board of Directors is responsible for designing and reviewing the organisational structure and the lines of responsibility within the Group. The departments charged with preparing the financial information are found within such structure.

Senior executives and the Human Resources Department (hereinafter, either the "HRD" or the "Human Resources Department") define the duties and responsibilities of each area. Additionally, the Compensation area, reporting to the HRD regularly assesses the classification, description and duties of each position. Such duties are disclosed to each of the affected areas.

For the purposes of preparing the financial information, the Group has clearly defined lines of authority and responsibility. The main responsibility in preparing financial information falls with the Financial Division.

The structure, size and definition of duties and tasks of each position within the financial area are defined by the Financial Division and disclosed by the HRD.

To carry out its activity, the Financial Division is organised in the following departments: Administration, Planning and Management Control, Treasury, Enterprise Risk Management, Tax, and Processes and Projects.

With regard to ICFR, a specific area has been created within the Financial Division to manage ICFR system (hereinafter, the "ICFR Area").

The Group relies on financial organisation structures that meet local requirements in each country where it operates, headed by a Chief Financial Officer who is charged, inter alia, with complying with the procedures set out within ICFR.

- **Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating any specific mentions to the recording of transactions and the drafting of financial information), body in charge of investigating breaches and proposing corrective or disciplinary action.**

The Board of Directors approved in the meeting held on 17 July 2012, following a report of the Audit and Control Committee, the Code of Conduct and Responsible Practices of the Inditex Group (which replaces both the Internal Guidelines for Responsible Practices of the Inditex Group's Personnel and the Code of Conduct) and the Code of Conduct for Manufacturers and Suppliers (which replaces the Code of Conduct for External Manufacturers and Workshops).

Likewise, the Board of Directors approved on 19 September 2017 following a report of the Audit and Control Committee, the Integrity Policies of the Inditex Group, addressed in section E.6 above.

Therefore, the Group's internal conduct policies are mainly covered in the following codes:

- The Code of Conduct and Responsible Practices.
- The Code of Conduct for Manufacturers and Suppliers.
- The Integrity Policies, which are: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships, and; (iii) the Policy on Dealings with Public Servants.
- The Internal Regulations of Conduct regarding Transactions in Securities (IRC).

– The Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties.

Its goal consists of exacting an ethical and responsible professional conduct from INDITEX and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees is based. For such purposes, the principles and values which shall govern the relationship between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices is based upon a number of general principles, inter alia, that according to which the Inditex Group shall carry out all its transactions under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of Inditex shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

One of the standards of conduct covered in the Code of Conduct and Responsible Practices is the "Obligation to Record Transactions", addressed in section 4.13 thereof, according to which:

"Any and all transactions carried out by the Company which may have an economic impact shall be clearly and accurately shown on the appropriate records of accounts, as a true representation of the transactions carried out, and they shall be made available to the internal and external auditors.

Inditex's employees shall enter the financial information on the company's systems in a full, clear and accurate manner, so that they would show, as at the relevant date, their rights and obligations in accordance with the applicable regulations. Additionally, the accuracy and integrity of the financial information which, under the prevailing regulations in force shall be disclosed to the market shall be ensured.

Inditex undertakes to implement and maintain an appropriate internal control system on financial reporting, ensuring the regular supervision of the effectiveness of such system.

Accounting records shall be at all times made available to the internal and external auditors. For such purposes, Inditex undertakes to provide its employees with the necessary training for them to understand and comply with the commitments undertaken by the company regarding the internal control on financial information."

A Committee of Ethics has been set up to ensure compliance with the Code of Conduct and Responsible Practices. Such Committee of Ethics is composed of:

- The General Counsel and Chief Compliance Officer, who chairs it.
- The Chief Audit Officer.
- The Chief Sustainability Officer.
- The Chief Human Resources Officer.

The Committee of Ethics may act of its own motion or at the behest of any employees, manufacturers or suppliers of Inditex, or any third party involved in a direct relationship and with a lawful commercial or professional interest, further to a report made in good faith.

The Committee of Ethics reports to the Board of Directors through the Audit and Control Committee and has the following duties:

- To supervise compliance with the Code and the internal circulation thereof to the Group's s personnel.
- To receive any manner of written instruments with regard to the enforcement of the Code and to send them, where appropriate, to the relevant body or department which may be responsible for processing and issuing a resolution regarding such instrument.
- To monitor and supervise the management and settlement of any case.
- To solve any doubts which may arise, regarding the enforcement of the Code.
- To propose to the Board of Directors, after report from the Audit and Control Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.
- To oversee the Whistle Blowing Channel and compliance with the Procedure.

In the performance of its duties, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or by any court order.
- The thorough review of any information or document that triggered its action.
- The commencement of such proceedings that adjust to the circumstances, where it shall always act with independence and full respect of the right of the affected person to be heard as well as of the presumption of innocence.
- The indemnity of any complainant who gives notices or brings complaints in good faith to the Committee.

Decisions of the Committee of Ethics shall be binding for the Inditex Group and for its employees.

The Committee of Ethics submits a report to the Audit and Control Committee at least every six months, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Control Committee reports to the Board of Directors, on an annual basis as well as whenever this latter so requires, on the enforcement of the Code of Conduct and Responsible Practices and of the additional documents which comprise the model of compliance with internal regulations, from time to time in force.

– The Code of Conduct for Manufacturers and Suppliers

The Code of Conduct for Manufacturers and Suppliers defines minimum standards of ethical and responsible behaviour which must be met by the manufacturers and suppliers of the products commercialized by Inditex in the course of its business, in line with the corporate culture of the Inditex Group, firmly based on the respect for human and labour rights.

Manufacturers of goods that Inditex sells are bound to comply with the Code of Conduct for Manufacturers and Suppliers and with the Code of Conduct and Responsible Practices, insomuch as they apply to them. Likewise, the remaining suppliers of goods and services of the Group shall enforce both Codes insomuch as they apply to them.

– The Integrity Policies

The Integrity Policies implement certain aspects of the Policy on Criminal Risk Preventions, and intertwine with the ethical values of the Group, which are defined in the Code of Conduct and Responsible Practices and in the Code of Conduct for Manufacturers and Suppliers.

Such Policies respond to the need to ensure that all the employees of Inditex, as well as third parties with which it conducts business, comply with the provisions of the main anti-bribery regulations applicable in the markets where the Group is present. In this regard, the Integrity Policies endorse the standards set in international standard ISO 37001, on Anti-Bribery Management Systems.

The Integrity Policies include:

- The Policy on Donations and Sponsorships: the definition of donation and sponsorship is provided, for ease of reference of the recipients of the Policy. It lays down a number of requirements that gifts and sponsorships need to meet in order to be carried out and/or accepted.
- The Policy on Gifts and Business Courtesies: the definition of gift and business courtesies is provided, for ease of reference of the recipients of the Policy. It lays down a number of requirements that must be met for the offer and/or acceptance thereof to be valid and compatible with Inditex's conduct policies.
- The Policy on Dealings with Public Servants: (i) provides the definition of bribery and civil servant; (ii) expressly prohibits bribery in the public and private sectors; (iii) covers extortion payments; (iv) expressly prohibits facilitation payments, even where such payments are not prohibited under the laws of the country or territory in question; and; (v) lays down the due diligence processes implemented to ensure that the conduct of third parties associated with Inditex is aligned with the ethical values, regulations and standards of the Company, the applicable regulations in the markets and the existing best practices in the anti-bribery area.

The Integrity Policies are mandatory for all the individuals within their scope, and any breach thereof may be confidentially reported to the Committee of Ethics, charged with the application and/or construction of such Policies, through the Whistle Blowing Channel.

IRC

Moreover, the Board of Directors approved on 19 July 2016 the Internal Regulations of Conduct regarding Transactions in Securities, within the European regulatory framework against market abuse, comprising the Market Abuse Regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council, of 16 April 2014) and Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse, which seeks to reinforce market integrity and establish mechanisms for a streamlined implementation and supervision within the different Member States of the European Union.

Compliance with the IRC is mandatory for all the persons included in its scope of application and any noncompliance may be reported in a confidential manner to the Committee of Ethics, pursuant to the provisions of the Whistle Blowing Channel Procedure of the Inditex Group.

In this regard, noncompliance with the IRC may give rise to the relevant disciplinary sanctions, as the case may be, on account of civil, criminal and/or administrative liability, and to the obligation to compensate any damages incurred, where appropriate.

Finally, there is a Compliance Supervisory Board (hereinafter, the "CSB") which reports directly to the Audit and Control Committee of the Board of Directors. Such Supervisory Board is composed of:

- The Executive Chairman
- The General Counsel and Secretary of the Board
- The Chief Financial Officer
- The Capital Markets Director, and
- The Chief Human Resources Officer.

CSB is mainly responsible for developing procedures and implementing regulations to enforce the IRC. Likewise, the Office of the Chief Compliance Officer (hereinafter, the "OCCO") exists within the CSB. The General Counsel of the Inditex Group is the Chief Compliance Officer. The OCCO is charged, inter alia, with enforcing the conduct policies of stock exchanges and the rules and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be relevant information, and namely to financial information, shall comply with the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the CSB and the OCCO shall ensure that the above referred principles are observed.

With regard to the dissemination of the above referred conduct policies, it is incumbent on the Human Resources Department of the Group to circulate a copy of the Code of Conduct and Responsible Practices to any new employees upon their joining the organisation.

Likewise, the updated version of such regulations is available on the corporate website (www.inditex.com) and on INET; they are subject to the appropriate measures regarding disclosure, training and awareness-raising, so that they may be understood and implemented within the whole organisation. Additionally, the Code of Conduct and Responsible Practices is also available at the stores' TGT in most countries.

With regard to the IRC, the OCCO keeps a General Documentary Register of all Affected Persons. The OCCO is bound to inform Affected Persons that they are subject to the provisions of the IRC as well as of any breaches and penalties which may arise, where appropriate, from an inappropriate use of Reserved Information.

Likewise, the OCCO shall inform the Affected Persons that they have been included in the General Documentary Register and about any other issues addressed in Regulation (EU) 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC, and in Ley Orgánica 15/1999, of 13 December on Personal Data Protection.

- **Whistle blowing channel, for the reporting to the audit committee of any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating where appropriate, whether reports made through this channel are confidential.**

A Whistle Blowing Channel is available to all employees of the Group, manufacturers, suppliers or third parties with any direct relationship and a lawful business or professional interest, regardless of their tier or geographic or functional location, so that they may report through this Whistle Blowing Channel any breach of the Group's internal conduct and regulatory compliance policies by any employees, manufacturers, suppliers or third parties with whom the Group has any direct employment, business or professional relationship and which affect Inditex or its Group.

Therefore, any breach and/or any manner of malpractice in respect of any codes may be reported, including those of a financial and accounting nature.

It is incumbent on the Committee of Ethics to oversee the Whistle Blowing Channel as well as the enforcement of the Whistle Blowing Channel Procedure.

The proceedings of such Whistle Blowing Channel are implemented in the Whistle Blowing Channel Procedure approved by the Board of Directors on 17 July 2012. Such document is available on the INET.

Reports of noncompliance and/or queries regarding the construction or enforcement of internal conduct policies and internal regulations on regulatory compliance may be sent to the Company by post, for the attention of the Committee of Ethics (to Avenida de la Diputación, Edificio INDITEX, 15142 Arteixo, A Coruña (Spain)); by e-mail to: (comitedeetica@inditex.com), or by fax (+34 981186211). The confidentiality of such reports or queries is ensured.

Upon receiving a report, the Committee of Ethics verifies first whether it falls within the remit of the Whistle Blowing Channel. If so, the Committee of Ethics will refer such report to the relevant department so that it would make the appropriate investigations. Otherwise, the Committee of Ethics will order closure of proceedings.

In light of the findings reached following the investigation, the Committee of Ethics shall, having heard first the interested party, adopt any of the following measures:

- Remedy of the breach, if appropriate,
- Proposal of penalties or relevant courses of action
- Closure of proceedings, where no breach has been detected.

- **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating ICFR, which address, at least, accounting rules, auditing, internal control and risk management**

The Training and Career Development area of the Group, which reports to the HRD is charged with preparing, together with each of the areas reporting to the Financial Division, training and refresher courses for the different staff members involved in the preparation and supervision of the financial information of each and every company within the Group. Such schemes include, both general courses, focusing on business expertise and knowledge of the different interrelated departments which make up the Company, and specific schemes aimed at training and refreshing employees in respect of new regulatory changes on financial reporting and review of financial information.

– General Induction

Aimed at gaining internal knowledge of each business unit, as well as of each department and of the respective activities, functions and duties within the business.

Under this scheme, employees begin by working at the stores, getting directly acquainted with the whole process of running a store. Then, they spend time at the different corporate departments at headquarters and their training is completed at any of the subsidiaries of the Group abroad.

– Specific training

Group employees involved in process associated with the preparation of financial information regularly receive training and refresher courses that seek to provide knowledge about local and international standards on financial reporting, as well as about the existing regulations and best practices in the area of internal control. An e-learning platform is available to employees, to train them on issues regarding financial reporting or information security.

Within the financial environment, such training and refresher schemes are arranged by the HRD liaising with each of the areas within the Financial Division.

Training courses are provided on an annual basis for all new supervisors of financial areas in each country, in order to train them on the Group's management model, as well as on the internal control over the financial reporting system implemented by the Group.

Additionally, supplementary courses are taught by internal staff on the operation of financial software tools used in financial reporting.

With regard to specialized training run for employees of the different departments of Financial Division during the year, the following stand out, without limitation:

- Internal Control over Financial Reporting Systems.
- International accounting standards : IFRS 16, IFRS 17.
- Tax update.
- Training on ERM.
- Advanced Financial Management Programme.

Additionally, subsidiaries have in place training schemes regarding the different local accounting regulations.

1.2. Risks assessment in financial reporting

Give information on at least:

1.2.1. The main features of the risk identification process, including error and fraud risks, with respect to:

- Whether the process exists and is documented.

The risk identification process has been documented in the Procedure for Enterprise Risk Management regarding financial reporting. This procedure seeks to describe the mechanisms for identifying and assessing, on an annual basis, the risks which may lead to material errors in financial reporting.

- Whether the process covers all the goals of financial information (existence and occurrence; integrity; assessment; submission, breakdown and comparison; rights and obligations); whether the information is updated and how often.

The above referred risks management process consists of five stages:

- Gathering financial information
- Identification of the operation cycles with an impact on financial information
- Assessment of risks by the reporting unit of financial statements
- Prioritization of accounts criticality
- Checking risks versus operational cycles.

As a result of such process, a scoping matrix of risks regarding financial information (Scoping Matrix of ICFR) is updated on an annual basis. This Scoping Matrix allows identifying the material headings of the financial statements, the assertions or goals of financial information in respect of which any risks may exist, and the prioritization of operational processes which have an impact on financial information.

The assessment process covers all the goals of financial information: (i) existence and occurrence; (ii) integrity; (iii) assessment; (iv) release and breakdown; and (v) rights and obligations.

Following the identification of potential risks, they are assessed on an annual basis based upon the management's information and understanding of the business and upon materiality criteria.

Assessment criteria are established (i) from a quantitative perspective in accordance with such parameters as turnover, size of assets and pre-tax profit and (ii) from a qualitative perspective in accordance with different issues such as transactions standardizing and processes automation, composition, changes versus the previous year, complexity of accounting, likelihood of fraud or error or degree of use of estimates in book recording.

- The existence of a process to identify the consolidation perimeter taking into account, *inter alia*, the potential existence of complex corporate structures or special purposes vehicles.

The Group relies on a Corporate Master of Companies wherein all the companies which are part of the Inditex Group are included. Such Master is at the basis of the consolidation perimeter and is managed and updated in accordance with the Procedure for Incorporating and Financing of Companies.

Recorded in such Master are, on the one hand, general corporate information, such as company name, accounting closing date and currency, and on the other, legal details such as the date of incorporation, share capital, list of shareholders, equity interest, and other relevant information. The Legal Department is responsible for updating the Master as regards legal information.

The External Reporting area, which reports to the Planning and Management Control Department, determines on a monthly basis the number of companies which make up the Consolidation Perimeter as well as the consolidation methods which apply to each of the companies included in the above referred perimeter.

- **Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.,), to the extent that they might have an impact on financial statements.**

In addition to the above referred quantitative and qualitative factors, the main risks identified through the Risks Map of the Inditex Group are considered in the process for the assessment of financial information risks.

Potential risks identified through the Scoping Matrix of ICFR are taken into account upon preparing the Risks Map of the Group, which is updated on an annual basis by the Enterprise Risks Management Department (reporting to the Financial Division) with the assistance of all involved areas of the organisation. Thus, the Group may consider the impact that the remaining risks may have on financial statements. Such risks are classified in the following groups: Business Environment, Reputation, Regulatory Risks, Human Resources, Operations, Financial, Information for the decision-making, Technology and IT Systems, and Corporate Governance.

- **Which governing body of the Company is charged with overseeing the process.**

The entire process is overseen and approved on an annual basis by the Audit and Control Committee.

1.3. Control activities

Give information on the main features if at least the following exist:

1.3.1. Procedures to review and authorize financial information and ICFR description, to be disclosed to stock exchanges, stating who is in charge thereof, as well as the documentation describing the activities and control flows (including those concerning fraud risk) for the different types of transactions which may have a material impact on the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgment, estimates, valuations and projections

Pursuant to the Board of Directors' Regulations, it is incumbent on the Audit and Control Committee, inter alia, to review the annual accounts and the periodic information that the Board of Directors must submit to the markets and their supervisory bodies, overseeing at all times compliance with the legal requirements and the appropriate use of generally accepted accounting standards upon preparing such information.

Likewise, the above referred Regulations provide that the Audit and Control Committee will meet on a quarterly basis to review the periodic financial information to be submitted to the Stock Exchanges authorities and the information that the Board of Directors must approve and add to its annual public documentation.

Moreover, the ICFR Area monitors the effective functioning of ICFR and apprises the General Division and, where appropriate, the Audit and Control Committee, of the outcome of such monitoring.

The Group relies on review mechanisms of the financial information. Each of the organisational structures shall be responsible for reviewing the periodic financial information reported. Analytical reviews of the financial information reported by such structures are carried out at corporate financial level. Prior to stating the annual accounts and approving the half-yearly financial statements, the Financial Division and the external auditors meet, for the purposes of reviewing and assessing the financial information.

The Audit and Control Committee submits this information to the Board of Directors which is responsible for approving it, in order to be subsequently disclosed to the market.

The Group keeps its main business processes with ICRF scope duly documented. Each process is structured in a number of sub-processes, with their relevant flowcharts, that include the proceedings that play a direct or indirect role on financial reporting.

Such processes describe the controls which allow giving an appropriate response to risks associated with the achievement of the objectives related with reliability and integrity of the financial information so as to prevent, detect, reduce and correct the risk of any potential mistakes way in advance. Each ICFR process has its scoping matrix of risks and controls associated, and they are separated between processes carried out at local level and at corporate level for the entire Group.

Design of flowcharts, description of the different processes and sub-processes and identification of risks and controls is carried out with ARIS.

This software application allows keeping the entire documentation related to the Group's ICFR process within a single environment, which results in streamlined processes, as flowcharts, narratives and risks and controls matrices are integrated. All the members of the Group involved in ICFR have access to ARIS to view the different processes.

The ICFR monitoring model is implemented based upon SAP GRC Process Control tool, wherein each control activity is assigned to each supervisor. The effectiveness of these controls is monitored and assessed on a quarterly basis by the ICFR area.

Additionally, each process is assigned to a supervisor charged with supporting the quarterly monitoring of controls, and defining and keeping the ICFR process under their remit updated.

SAP GRC Process Control is implemented in all subsidiaries within the ICFR scope.

With regard to the accounting closing, the Financial Division issues the instructions together with the calendar and contents of the financial information to be reported by each of the local financial structures to prepare the consolidated financial statements.

This procedure also includes a section on provisions, opinions and estimates regarding the specific identification of the main opinions, estimates, assessments and projections at consolidated level as well as the review and approval thereof by the Financial Division.

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1.3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of functions) supporting the key process of the Company regarding the drafting and publication of financial information

The internal control framework of IT systems of the Group seeks to set up controls over the main business processes, which are closely related to Information Technologies (hereinafter, "IT").

Based upon the relationship between business processes and associated systems, a basic review of risks is carried out, allowing the Company to prioritize and focus on such IT environments which are deemed to be especially relevant.

A number of general controls on applications are identified within the Group's ICFR, including:

- Secure access to both applications and data
- Control on changes in applications
- Environment segregation
- Appropriate operation of applications
- Availability of data and continuity of applications
- Compliance with data protection regulations

The Group's Information Security Department, that reports to the Office of the Chief Operating Officer, seeks to ensure the security of the Company's IT systems by:

- setting and circulating regulations and procedures which ensure security, pursuant to the Policy for Information Security (hereinafter, the "PIS").
- carrying out reviews and setting up controls aimed at verifying enforcement of such regulations.

The PIS and its implementing regulations serve as the benchmark which provides guidelines to the staff of the Inditex Group, for the purposes of ensuring information security within all business processes; therefore, they also support the ICFR. Guidelines provided in the PIS address the following issues:

- Assets classification and control
- Security vis-à-vis human deeds

- Physical security and security of the environment
- Accesses control
- Systems, Communications and Operations Management
- Systems Development and Update
- Business Continuity Management
- Management of Information Security Incidences
- Regulatory and Legal Compliance.

Mention should be made of the fact that, in the process to design and implement applications, the Group has defined a methodological framework with different requirements aimed at ensuring that the solution implemented actually meets the functions demanded by users and so that the quality level meets the security standards set out.

Likewise, the Group relies on contingency mechanisms and procedures, both technical and operational, which have been defined to ensure recovery of IT systems in case of lack of availability.

In 2018, the Information Security Committee has held quarterly meetings. Such body is charged with ensuring support within the Organisation to any and all initiatives on information security.

The Information Security Committee is composed of:

- The Chief Operating Officer
- The General Counsel and Secretary of the Board
- The Chief IT Officer
- The Chief Information Security Officer
- The Chief Financial Officer
- The Chief Audit Officer, in an advisory capacity

Likewise, the Chief Operating Officer may invite other individuals within or outside the Group, to attend the meetings of the Information Security Committee, without them having the status of members thereof.

1.3.3. Internal control policies and procedures to oversee activities outsourced to third parties as well as the appraisal, calculation or assessment activities commissioned from independent experts, which may have any material impact on financial statements

In 2018, certain activities, such as evaluation and testing of ICFR controls, valuation of fixed assets, actuarial calculations, human resources-related services, valuation of derivatives and certain processes of the IT area, were outsourced to third parties, without them having any material impact on financial statements.

Such services are commissioned by the supervisors of the relevant areas, ensuring the technical and legal qualifications, capacity and independence of the experts hired.

1.4. Information and communication

Give information on the main features if at least the following exist:

1.4.1. A specific function in charge of defining and updating accounting policies (accounting policies area or Department) and of settling doubts or conflicts arising from the construction thereof, which is in regular communication with those in charge of operations within the organisation as well as an updated manual on accounting policies disclosed to the units through which the entity operates

The External Reporting area, within the Planning and Management Control Department, is responsible for drafting, publishing, implementing and updating the Group's Manual on Accounting Policies. With regard to the Group's accounting policies, such area is responsible for, *inter alia*:

- Defining the accounting treatment of the transactions which make up the business of the Group.
- Defining and updating the accounting practices of the Group.
- Addressing doubts and queries arising from the construction of accounting standards.
- Standardizing the accounting practices of the Group.

Such manual covers the different transactions inherent in the Groups' business and their accounting treatment in accordance with the benchmark accounting framework of the Inditex Group.

The manual is regularly updated. As part of such updating procedure, the External Reporting area includes all accounting changes identified which were advanced to those in charge of drafting the financial statements.

The manual and the remaining documentation are available on the INET.

1.4.2. Mechanisms for the capture and preparation of financial information in standard format, which are enforced and used by all the units of the Company or the Group, supporting the main financial statements and the notes thereto, as well as the disclosure concerning ICFR

The process for consolidation and preparation of consolidated financial statements is centralized, being incumbent on the External Reporting area which reports to the Planning and Management Control Department.

Preparation of the consolidated financial information begins with the addition of individual financial statements of each company included in the consolidation perimeter, to be subsequently consolidated based upon the accounting regulations of the Group. The entire addition and consolidation process is supported by SAP BPC tool.

Financial information reported to CNMV is prepared based upon consolidated financial statements gathered through the above referred tool, and upon certain supplementary information reported by the subsidiaries, required to prepare the annual/half-year report. The entire process is supported by SAP Disclosure Management tool. Contemporaneously, certain specific controls are exerted to confirm integrity of such information.

1.5. Supervision of the system's operation

Give information describing the main features of at least:

1.5.1. ICFR supervision activities carried out by the Audit Committee and whether the entity has an internal audit function charged, inter alia, with supporting the audit committee in the monitoring of the internal system, including ICFR. Likewise, give information on the scope of ICFR assessment carried out during the financial year, and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan providing any potential corrective measures and whether the impact of such measures on the financial information has been considered

Specifically regarding ICFR supervision activities, the Audit and Control Committee has carried out in 2018 the following proceedings, without limitation:

- It has reviewed the consolidated annual accounts of the Group and the periodic quarterly and half-yearly financial information that the Board of Directors has to provide to the markets and its supervisory bodies, overseeing compliance with the legal requirements and the appropriate application of the generally accepted accounting standards upon drafting such information.

- As part of its supervision duties regarding the Internal Audit Department, it has approved its annual activities report, as well as its budget and the annual internal audit plan.

- It has reviewed the annual audit plan of external auditors that includes the audit objectives based upon the evaluation of risks of financial information and the main areas of interests or significant transactions subject to review during the year.

- It has reviewed with the external auditors and with Internal Audit the internal control weaknesses revealed, where appropriate, in the course of the different audit and review assignments. Meanwhile, both external auditors and Internal Audit have regularly advised the Audit and Control Committee on the degree of enforcement of recommendations resulting from such assignments.

- It has regularly met with other corporate departments of the INDITEX Group for the purposes of overseeing the effectiveness of internal control systems of the Group, including ICFR, verifying their suitability and integrity and the degree of implementation of action plans to meet audit recommendations.

Internal Audit is a corporate function included in the current organisational structure by means of a direct link to the Board of Directors, which ensures full independence in the performance of its activities. Internal Audit functionally reports to the Audit and Control Committee.

The area is centrally managed from headquarters and has representatives at such geographic areas where the presence of the Inditex Group so requires. Additionally, it is divided into specialized areas, which allows gathering deep understanding on risks and processes.

Internal Audit's budget is approved on an annual basis by the Audit and Control Committee which provides for the human and material resources, both internal and external of the Internal Audit area.

The mission of the Internal Audit function consists, inter alia, of assessing risk exposure and the suitability and effectiveness of controls in respect of risks identified and namely, those related to reliability and integrity of financial and operational information.

Based upon ICFR Scoping Matrix of Risks, Internal Audit drafts a pluri- annual plan for the regular review of ICFR of the Group which is submitted to the Audit and Control Committee for approval every year.

Such pluri-annual plan entails ICFR reviews regarding the significant processes and elements of the Group's financial statements. Review priorities are set based upon the risks identified. Such plan is implemented through annual planning which determines the scope of the annual ICFR reviews. The suitability of such plan is reviewed every year, further to the update of the process to identify and assess financial information risks. Additionally, annual planning includes compliance with the provisions of current internal policies, including the ICFR Policy.

Namely, the following issues are subject to review: the design and effective operation of key transactional controls and general controls on the main software tools involved in financial reporting, as well as the review of the general control environment.

Additionally, this review covers the implementation and analysis of key risk indicators (KRI) defined by Internal Audit in respect of the most critical risks areas; such KRI have been designed to detect and reduce likelihood of risks and errors, including those of financial nature and fraud. Such key risk indicators are centrally implemented for the different business units and geographic areas included in the audit plan.

To carry out its activities, Internal Audit uses different audit techniques, mainly interviews, analytical reviews, specific control tests, reviewing both the appropriateness of design and the effective operation thereof, review of the effectiveness of software tools and material tests.

Likewise, Internal Audit carries out certain limited analytical review procedures on consolidated financial statements for the first and third quarter of the year on consolidated information.

Results of the assignments, together with the corrective measures recommended, where appropriate, are reported to the Financial Division and the Audit and Control Committee. Internal audit follows up on the implementation of such measures which is reported to the Audit and Control Committee.

1.5.2. Whether there is a discussion procedure whereby the auditor, (in accordance with the provisions of the NTA), the Internal Audit function and other experts may disclose to the Senior Management and to the Audit Committee or the directors of the Company any significant internal control weaknesses identified in the course of the review of the financial statements or any other assignment entrusted. Likewise, give information on whether there is an action plan to try and correct or reduce weaknesses observed

Internal Audit regularly discloses to the Financial Division and the Audit and Control Committee the internal control weaknesses identified in the reviews carried out, as well as the follow-up on the action plans set out to settle or reduce them.

In turn, external auditors regularly meet with the Financial Division and Internal Audit, both to gather information and to disclose any potential control weaknesses which may have been revealed, where appropriate, in the course of their work.

In its meetings, the Audit and Control considers the potential weaknesses in control which might have an impact on financial statements, requesting, where appropriate, from the affected areas, the necessary information to assess any effects on the financial statements.

Section 45.5 of the Board of Directors' Regulations provides that: *"The Board of Directors shall endeavour to draft the final accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the contents and scope of the discrepancy."*

To meet the provisions of the above referred section 45.5, any discussions or different views existing are advanced in the meetings of the Audit and Control Committee with external auditors. In turn, external auditors report, where appropriate, on the main internal control issues that need to be improved identified as a result of their work. Additionally, the Management reports on the degree of implementation of the relevant action plans set in train to correct or reduce the issues identified.

On the other hand, the Audit and Control Committee meets with the statutory auditors of the individual and consolidated statements for the purposes of reviewing on the one hand, the Group's annual account, and on the other, certain half-yearly periodic financial information that the Board of Directors must provide to the market and its supervisory bodies, overseeing compliance with statutory requirements and the appropriate enforcement of generally accepted accounting standards upon preparing such information.

In 2018, members of Internal Audit have attended all 5 meetings of the Audit and Control Committee, whereas external auditors were in attendance in 4.

1.6. Other relevant information

1.7. Report of the external auditor

1.7.1. Whether the information on the internal control over financial reporting system has been reviewed by the external auditor, in which case the entity should include the respective report as an exhibit. Otherwise, it should provide the reasons therefor

The Group's Management submits the information on ICFR included in this section F of the 2018 Annual Corporate Governance Report prepared by the Group's Management, to the external auditors for review.

GRI CONTENT INDEX

GRI content verification

INDEPENDENT VERIFICATION REPORT

1. SCOPE

SGS ICS Ibérica, S.A. (hereinafter, SGS) has carried out, at the request of INDITEX, S. A. (hereinafter, INDITEX), the Independent Verification of the information relating to practices regarding Human, Social and Environmental Resources corresponding to the financial year ending on 31st January 2019 and contained in the Annual Report 2018 (hereinafter, the Report).

The scope of the Independent Verification includes the text and data contained in the Report. Information and/or data referred to and not entered in the Report is not included.

2. INDEPENDENCE

The information contained in the Report as well as its preparation is the exclusive responsibility of INDITEX.

SGS has not participated in or advised INDITEX in the preparation of the Report. It has limited itself to acting as an independent verifier, confirming for this purpose the suitability of the contents.

The content of the present Independent Verification Report and the opinions contained therein are the exclusive responsibility of SGS.

3. VERIFICATION

For the independent verification of the Report, the SGS methodology has been used, which consists of auditing procedures according to ISO 19011 and following the principles established in the Global Reporting Initiative (GRI) Standards (hereinafter, the GRI Standards).

Our work of independent verification has consisted of the formulation of questions to certain Departments of INDITEX involved in the drawing up of the Report, as well as the application of certain analytical procedures and review tests by sampling described below:

- Meetings with the staff of different departments of the Inditex Group so as to discover the management principles, systems and approaches applied.
- Verification of the indicators included in the Report, their correspondence with those recommended by the GRI Standards and the applicability thereof.
- Verification, by means of review tests on the basis of the selection of a sample, of the quantitative and qualitative information corresponding to the GRI contents and their proper compilation from the data supplied by the sources of information from the Inditex Group. These tests have been carried out at the central headquarters of the Inditex Group in Spain.
- Review of the information relative to the management approaches applied.
- The verification of the quantitative and qualitative information corresponding to the "indicators" mentioned above, from INDITEX' own management systems.
- INDITEX Consolidated Annual Accounts, corresponding to the financial year ending on 31st January 2019 have been audited by Deloitte, S.L.

4. TEAM

The SGS team responsible for the Independent Verification was made up of:

- Ms. Carlota Abalo Sinde.
- Ms. Laura López Sanjurjo.

INDEPENDENT VERIFICATION REPORT

5. AREAS OF IMPROVEMENT

We have additionally presented our recommendations relating to the areas of improvement to the Management of Inditex so as to consolidate the processes, programmes and systems linked with the management of the GRI contents. The most relevant recommendations refer to:

- Progress in the coverage of the GRI disclosures information of the Group, focusing on Risk Prevention and Training area, reflecting mostly GRI disclosures for the INDITEX headquarters located in Spain.
- Enforcement of the systematic on the IT area to support new programme development in some necessary areas (Sustainability – Health and Safety of the Product)
- The Strategic Plan 2014-2018 (Sustainability: Supply Chain) has come to an end, so it would be convenient to have more details of the next plan.
- Continue to observe the trends of the market for the optimization of natural resources throughout the supply chain, among others.

6. STRONG POINTS

- ✓ Significant progress has been made in the process of "digital transformation", which has contributed to the inclusion of HHRR, training, social, innovation and costs and time reductions aspects.
- ✓ Continuous efforts (internal and external) have been carried out to build up a working team with its own identity which has a common vision of all "social" needs (Sustainability - Purchasing and Sustainability – Suppliers – Factories)
- ✓ An important change has been evidenced in the Human Resources department, introducing updates in the Report and adding more significant data (All continents).
- ✓ The stakeholder consultation process has been improved to increase transparency and reduce potential conflicts of interest.

7. CONCLUSIONS

From the scope, the methodology, the analytical procedures and the tests by review through sampling carried out, we can conclude that:

- The Report has been prepared in accordance with the demands of the GRI Standards.
- The conclusions which are derived from the tests carried out, with the scope described in sections 1 and 3 above, have not shown up any significant errors.
- The 'in accordance' option with the GRI Standards declared by Inditex (In accordance – comprehensive) is appropriated.

8. RESPONSIBILITIES

- The Management of the Inditex Group has been responsible for drawing up the Report, as well as for the definition of the contents.
- The responsibility of the verification team was to issue an Independent Verification Report in accordance with the rules of independence required.
- The scope of the Independent Verification is substantially less than that of an Audit. Therefore, we do not give any audit opinion on the Report.

25th June 2019

KPMG Asesores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Limited Assurance Report on Annual Report 2018 of Industria de Diseño Textil, S.A. for the year ended 31 january 2019

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

To the Industria de Diseño Textil, S.A. management:

We have been engaged by the Board of Directors of Industria de Diseño Textil, S.A (hereinafter Inditex) to provide limited assurance on the Annual Report for the year ended 31 January 2019 (hereinafter "the Report"). The information reviewed corresponds to the economic, environmental and social indicators with the ☑ symbol in the GRI Content Index of the Report.

Inditex Management responsibilities

Inditex management is responsible for the preparation and presentation of the Report in accordance with the *Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards)*, in its comprehensive option as described in point 102-54 of the GRI content Index of the Report. It is responsible for compliance with the Content Index Service, obtaining confirmation from the Global Reporting Initiative on the proper application of these. Management is also responsible for the information and assertions contained within the report; for determining Inditex's objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.
These responsibilities include the establishment of appropriate controls that Inditex management consider necessary to enable that the preparation of indicators with a limited assurance review would be free of material errors due to fraud or errors.

Our responsibility

Our responsibility is to carry out a limited assurance review and to express a conclusion based on the work performed. We conducted our engagement in accordance with International Standard on Assurance Engagements ISAE 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, and the Standard ISAE 3410, Assurance Engagements on Greenhouse Gas Statements, issued by the International Auditing and Assurance Standard Board (IAASB); and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatements.
We apply the International Standard on Quality Control 1 (ISQC1) and, in conformity with this Standard, maintain a comprehensive system of quality control including documented policies and procedures regarding the compliance with ethical principles, professional standards and applicable legal and regulatory requirements.
We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

2

Procedures performed

Our limited assurance engagement has been carried out by means of enquiries of management and persons responsible for the preparation of information presented in the Report, and the application of analytical and other evidence gathering procedures. These procedures included:

- Verification of Inditex's processes for determining the material issues, and the stakeholder participation therein.
- Risk analysis, including searching the media to identify material issues during the year covered by the Report.
- Analysis of the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Review of the application of the Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards) requirements, in accordance with comprehensive option.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Inditex.
- Comparison between the financial information presented in the Report and those included in Inditex's Annual Accounts audited by independent third parties.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less wide than a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

Conclusions

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Assurance Report.

We believe that the evidences we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the procedures performed and the evidences obtained, nothing has come to our attention that causes us to believe that the Report has not prepared, in all material respects, in accordance with the Sustainability Reporting Standards of Global Reporting Initiative (GRI Standards), in its comprehensive option, as described in point 102-54 of the GRI content Index of the Report, including the reliability of data, adequacy of the reported information and the absence of significant deviations and omissions.

Purpose of our report

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for Inditex in relation to its Annual Report 2018 and for no other purpose or in any other context.

Under separate cover, we will provide Inditex management with an internal report outlining our complete findings and areas for improvement.

KPMG Asesores, S.L.
(Signed)

Patricia Reverter Guillot
12 June 2019


Our people
their

GRI content index

This report has been prepared in accordance with the comprehensive option of the Global Reporting Initiative Standards.

Inditex adheres to the United Nations Global Compact since 2001. In the GRI Content Index of this Report, which also doubles as a Communication on Progress, the different parts of the document related to each of the Global Compact principles are indicated.

The following principles for defining report content included in the GRI Standard 101: Foundation 2016 have been used for the elaboration of this report:

- Stakeholder inclusiveness: Inditex identifies and keeps a constant dialogue with its stakeholders. By doing this, the Group is able to describe its further response to its stakeholders' expectations and interests.

- Sustainability context: Inditex contributes, or pretends to do so in the future, to the improvement of the economic, environmental and social trends, advances and conditions, at a local, regional or global level, all of them interconnected.

- Materiality: Inditex covers those aspects and indicators which best reflect the organisation's most significant social, environmental and economic impacts, or those which could be substantially influential on its stakeholders' evaluations and decisions.

- Completeness: the scope of the material topics Inditex is using and the definition of the information's boundary must be enough to reflect the social, economic and environmental significant impacts and to allow that stakeholders are able to evaluate the Group's performance during the fiscal year.

A selection of 40 of the GRI contents identified in the materiality analysis carried out by Inditex were analysed by KPMG auditors, pursuant to regulation ISAE 3000. These contents can be found in the GRI Content Index and are marked with this symbol: ☑

Global Compact Principles

Principle 1. Businesses should support and respect the protection of internationally proclaimed Human Rights.

Principle 2. Businesses should make sure that they are not complicit in Human Rights abuses.

Principle 3. Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.

Principle 4. Businesses should uphold the elimination of all forms of forced and compulsory labour.

Principle 5. Businesses should uphold the effective abolition of child labour.

Principle 6. Businesses should uphold the elimination of discrimination in respect of employment and occupation.

Principle 7. Businesses should support a precautionary approach to environmental challenges.

Principle 8. Businesses should undertake initiatives to promote greater environmental responsibility.

Principle 9. Businesses should encourage the development and diffusion of environmentally friendly technologies.

Principle 10. Businesses should work against corruption in all its forms, including extortion and bribery.

Content Index
Industria de Diseño Textil S.A.
Jun 2019 Service

For the GRI Content Index Service, GRI Services reviewed that the GRI content index is clearly presented and the references for all disclosures included align with the appropriate sections in the body of the report.

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
GRI 101: FOUNDATION 2016					
	General Disclosures				
GRI 102: GENERAL DISCLOSURES 2016					
	ORGANIZATIONAL PROFILE				
	102-1 Name of the organization	Industria de Diseño Textil, S.A.		Page 410	
	102-2 Activities, brands, products, and services	12-19		Page 410	
	102-3 Location of headquarters	Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña, España		Page 410	
	102-4 Location of operations	376-377		Page 410	
	102-5 Ownership and legal form	239, 240, 316		Page 410	
	102-6 Markets served	376-377		Page 410	
	102-7 Scale of the organization	20, 274		Page 410	
	102-8 Information on employees and other workers	62, 63, 79, 274		Page 410 and 412	Principle 6
	102-9 Supply chain	90, 132, 274, 276		Page 410 and 412	
	102-10 Significant changes to the organization and its supply chain	365, 366		Page 410	
	102-11 Precautionary Principle or approach	385- 388		Page 410	
	102-12 External initiatives	28, 42, 94-95, 157, 166-167		Page 410	
	102-13 Membership of associations	65-66, 95, 166-167		Page 410	
	STRATEGY				
	102-14 Statement from senior decision-maker	6, 7		Page 410	
	102-15 Key impacts, risks, and opportunities	368-370		Page 410	
	ETHICS AND INTEGRITY				
	102-16 Values, principles, standards, and norms of behavior	30, 44-45, 269-270 Code of Conduct and Responsible Practices: https://www.inditex.com/en/how-we-do-business/right-to-wear		Page 410	Principle 10
	102-17 Mechanisms for advice and concerns about ethics	270		Page 410	Principle 10
	GOVERNANCE				
	102-18 Governance structure	240, 243, 253-264		Page 410	
	102-19 Delegating authority	253-265		Page 410	
	102-20 Executive-level responsibility for economic, environmental, and social topics	263		Page 410	
	102-21 Consulting stakeholders on economic, environmental, and social topics	38, 40-41		Page 410	
	102-22 Composition of the highest governance body and its committees	245-248		Page 410	
	102-23 Chair of the highest governance body	246		Page 410	
	102-24 Nominating and selecting the highest governance body	249-251, 259-261		Page 410	
	102-25 Conflicts of interest	265-266		Page 410	

102-55

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	102-26 Role of highest governance body in setting purpose, values, and strategy	243-245		Page 410	
	102-27 Collective knowledge of highest governance body	252		Page 410	
	102-28 Evaluating the highest governance body's performance	252-253		Page 410	
	102-29 Identifying and managing economic, environmental, and social impacts	38-39, 243-245, 264, 381		Page 410	
	102-30 Effectiveness of risk management processes	381, 390-391		Page 410	
	102-31 Review of economic, environmental, and social topics	351-352		Page 410	
	102-32 Highest governance body's role in sustainability reporting	The Board of Directors is the body in charge of reviewing and approving the issuance of the Annual Report		Page 410	
	102- 33 Communicating critical concerns	40-41, 253-265, 270-271		Page 410	
	102-34 Nature and total number of critical concerns	242, 255-259		Page 410	
	102-35 Remuneration policies	261-263 For further information, please refer to the Annual Report on Remuneration of Directors (sections A.1.1. and A.2) which is available at : www.inditex.com/en/investors/corporate-governance/report-on-remuneration-of-directors		Page 410	
	102-36 Process for determining remuneration	261-263 For further information, please refer to the Annual Report on Remuneration of Directors (sections A.1.2. and A.1.6) which is available at : www.inditex.com/en/investors/corporate-governance/report-on-remuneration-of-directors		Page 410	
	102-37 Stakeholders' involvement in remuneration	241-242 For further information, please refer to the Annual Report on Remuneration of Directors (section A.4) which is available at : www.inditex.com/en/investors/corporate-governance/report-on-remuneration-of-directors		Page 410	
	102-38 Annual total compensation ratio	79-80, 265		Page 410	
	102-39 Percentage increase in annual total compensation ratio	79-80, 265		Page 410	
	STAKEHOLDER ENGAGEMENT				
	102-40 List of stakeholder groups	41		Page 410	
	102-41 Collective bargaining agreements	81		Page 410	Principle 3
	102-42 Identifying and selecting stakeholders	40-41		Page 410	
	102-43 Approach to stakeholder engagement	38, 40-41		Page 410	
	102-44 Key topics and concerns raised	39, 296-297		Page 410	
	REPORTING PRACTICE				
	102-45 Entities included in the consolidated financial statements	253-261		Page 410	
	102-46 Defining report content and topic Boundaries	38-39, 296-297		Page 410	
	102-47 List of material topics	39, 296-297		Page 410	
	102-48 Restatements of information	90, 282-283 For information with organizative or temporal scope different from previous years, the clarifications are described in the information itself.		Page 410	
	102-49 Changes in reporting	39		Page 410	
	102-50 Reporting period	The Annual Report reflects the economic, social and environmental performance of the Inditex Group in fiscal year 2018, which runs from 1 February 2018 until 31 January 2019.		Page 410	
	102-51 Date of most recent report	June 2018		Page 410	
	102-52 Reporting cycle	Annual		Page 410	
	102-53 Contact point for questions regarding the report	430		Page 410	
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Comprehensive option		Page 410	
	102-55 GRI content index	416		Page 410	
	102-56 External assurance	410, 412		Page 410	

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle

Material topics

CUSTOMER RELATIONSHIP MANAGEMENT

GRI 103: MANAGEMENT APPROACH 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1 Explanation of the material topic and its Boundary	50, 296		Page 410	
	103-2 The management approach and its components	50-56		Page 410	
	103-3 Evaluation of the management approach	56		Page 410	

BRAND MANAGEMENT AND PROTECTION

GRI 103: MANAGEMENT APPROACH 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1 Explanation of the material topic and its Boundary	296		Page 410	
	103-2 The management approach and its components	387-388		Page 410	
	103-3 Evaluation of the management approach	275, 385		Page 410	

INTEGRATED CUSTOMER EXPERIENCE

GRI 103: MANAGEMENT APPROACH 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1 Explanation of the material topic and its Boundary	52, 296		Page 410	
	103-2 The management approach and its components	52-56		Page 410	
	103-3 Evaluation of the management approach	52-53, 56		Page 410	

CYBER-SECURITY AND DATA PROTECTION

GRI 103: MANAGEMENT APPROACH 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1 Explanation of the material topic and its Boundary	56, 296		Page 410	
	103-2 The management approach and its components	56		Page 410	
	103-3 Evaluation of the management approach	257, 258		Page 410	

GRI 418: CUSTOMER PRIVACY 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	Inditex did not receive any administrative sanctions for failure to comply with customer privacy and data protection laws through any of the channels available for this purpose in 2018.		Page 410 and 412 ☑	

TECHNOLOGICAL INNOVATION

GRI 103: MANAGEMENT APPROACH 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1 Explanation of the material topic and its Boundary	296		Page 410	
	103-2 The management approach and its components	292-293		Page 410	
	103-3 Evaluation of the management approach	292-293		Page 410	

DIVERSITY AND INTEGRATION

GRI 103: MANAGEMENT APPROACH 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1 Explanation of the material topic and its Boundary	64, 296		Page 410	
	103-2 The management approach and its components	64-66		Page 410	
	103-3 Evaluation of the management approach	61-62, 65, 274		Page 410	

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	405-1 Diversity of governance bodies and employees	62, 64, 78-79, 248, 274	The age breakdown is not available for the governing bodies. Inditex is working on improving its reporting systems with a view to disclosing this information in 2020.	Page 410 and 412 ☑	Principle 6
	405-2 Ratio of basic salary and remuneration of women to men	79	The women and men remuneration comparison by professional category is not available. Inditex is working on improving its reporting systems with a view to disclosing this information in 2020.	Page 410 and 412 ☑	Principle 6

OTHER INDICATORS: DIVERSITY AND EQUAL OPPORTUNITIES

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	AF27 Policy and actions to protect the pregnancy and maternity rights of women workers	66		Page 410	
	AF32 Actions to address gender discrimination and to provide opportunities for the advancement of women workers	64-65		Page 410	

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
GRI 406: NON–DISCRIMINATION 2016					
	406-1 Incidents of discrimination and corrective actions taken	The Inditex Group did not register any instances of discrimination that had implied violations of human rights through the available channels in 2018.		Page 410 and 412 ☑	
LABOUR PRACTICES (OWN OPERATIONS)					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	61, 296		Page 410	
	103-2 The management approach and its components	61, 80-81		Page 410	
	103-3 Evaluation of the management approach	61, 78-79, 274		Page 410	
GRI 401: EMPLOYMENT 2016					
	401-1 New employee hires and employee turnover	In 2018 Inditex hired 2,548 new employees, 80% of whom female.71% are aged between 30 and 50; and the remaining 29% are over the age of 50. The majority of new hires were concentrated in Europe (51%); the Americas accounted for 42% and Asia/RoW the remaining 7%. Turnover at the Inditex Group, including voluntary departures, was 55% in 2018 (53% among women and 60% among men). By age, turnover among the under 30 was 80%; among those aged between 30 and 45, it was 16%; and among those over 50, it was 4%. Turnover varied significantly by region: it was 132% in Asia, followed by 93% in the Americas, 50% in Europe (excluding Spain) and 19% in Spain.		Page 410 and 412 ☑	Principle 6
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	80 The Group provides the same benefits to temporary and part-time workers as it does to full-time workers.		Page 410	
	401-3 Parental leave	66 87% of the employees who availed of parental leave in 2018 have returned to their jobs upon completion of that leave and remained in the employment of the Group 12 months after their return (90% in the case of the men taking leave and 86% in the case of the women).		Page 410 and 412 ☑	Principle 6
OTHER INDICATORS: EMPLOYMENT					
	AF22 Policy and practices regarding the use of employees with non-permanent and non-fulltime	78-79		Page 410	
	AF23 Policy regarding the use of home working	66		Page 410	
GRI 402: LABOR/MANAGEMENT RELATIONS 2016					
	402-1 Minimum notice periods regarding operational changes	The collective bargaining agreements in force do not include a minimum notice period for officially communicating significant operational changes at Inditex. However, whenever significant developments occur, they are duly announced with the notice period(s) provided for in prevailing labour law (article 41 of the Spanish Workers' Statute).		Page 410	Principle 3
OTHER INDICATORS: LABOUR/MANAGEMENT RELATIONS 2016					
	AF29 Percentage of workplaces where there is one or more independent trade union(s)	36% of Inditex's workplaces have workers representatives.		Page 410	
	AF30 Percentage of workplaces where, in the absence of a trade union, there are worker-management committees, broken down by country.	The Group does not participate in worker-management committees in the absence of a trade unions.		Page 410	
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016					
	403-1 Workers representation in formal joint management-worker health and safety committees	The existing committees represent all workers (management and employees) at the same level and all of the agreements reached are confirmed by management.		Page 410	
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	82		Page 410 and 412 ☑	
	403-3 Workers with high incidence or high risk of diseases related to their occupation	As a general rule, the Group's employees are not involved in activities that present a high incidence or risk of specific serious diseases.		Page 410	
	403-4 Health and safety topics covered in formal agreements with trade unions	All of the committees reach agreements related with worker health and safety. During the reporting period, Inditex had agreements in effect with unions at the local and international levels which address aspects such as personal protective equipment, periodic inspections, skills training and education and grievance mechanisms, among others.		Page 410	
OTHER INDICATORS: OCCUPATIONAL HEALTH AND SAFETY					
	AF31 Initiatives and programs to respond to, reduce, and prevent the occurrence of musculoskeletal disorders	83		Page 410	

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016					
	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	102-104, 134, 136 Inditex's Code of Code of Conduct and Responsible Practices specifically addresses the right to freedom of association and collective bargaining. This Code applies to all of the Group's operations. The Code of Conduct for Manufacturers and Suppliers, which applies to all of the Group's suppliers, also enshrines this right. The Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses compliance with workers' right to freedom of association.		Page 410	
OTHER INDICATORS: WAGES AND HOURS					
	AF25 Policy and practices on wage deductions that are not mandated by law	80 Inditex does not have policies or practices for wage deductions that are not mandated by law.		Page 410	
	AF26 Policy on working hours, including definition of overtime, and actions to prevent excessive and forced overtime	66, 81		Page 410	

ATTRACTION AND RETAINING OF TALENT

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	67, 296		Page 410	
	103-2 The management approach and its components	67-69		Page 410	
	103-3 Evaluation of the management approach	61-62, 274		Page 410	

DEVELOPMENT OF HUMAN CAPITAL

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	67, 296		Page 410	
	103-2 The management approach and its components	70-75		Page 410	
	103-3 Evaluation of the management approach	73		Page 410	
GRI 404: TRAINING AND EDUCATION 2016					
	404-1 Average hours of training per year per employee	73 For the Group's female employees, the average is 6.1 hours per employee; for its male employees that average is 2.3 hours. The data pertaining to the number of training hours broken down by gender is available for 44 countries representing 94 % of the Group's employees. Data related to training can be consulted al Annex IV Statement of non-financial information which is part of the Consolidated Annual Accounts of Inditex Group Inditex (p. 13) Available at: https://www.inditex.com/en/investors/investor-relations/annual-reports		Page 410 and 412	Principle 6
	404-2 Programs for upgrading employee skills and transition assistance programs	73-74, 130, 190 96% of the Group's employees are under the age of 45, which is why the Group does not foresee the need to develop programmes to assist employees in managing career endings in the near future.		Page 410	
	404-3 Percentage of employees receiving regular performance and career development reviews	252-253	Information about the percentage of performance evaluations is not available for all employees. Inditex is working on improving its reporting systems with a view to disclosing this information in 2020.	Page 410	Principle 6

INTEGRATED SUPPLY CHAIN MANAGEMENT

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	89, 296		Page 410	
	103-2 The management approach and its components	89-95		Page 410	
	103-3 Evaluation of the management approach	132-133, 276		Page 410	

WOMEN EMPOWERMENT

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	64-65, 118, 296		Page 410	
	103-2 The management approach and its components	64-65, 118-122		Page 410	
	103-3 Evaluation of the management approach	61-62, 78-79, 118, 277		Page 410	

RESPONSIBLE PURCHASING PRACTICES

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	113, 296		Page 410	
	103-2 The management approach and its components	113-117, 152-154		Page 410	
	103-3 Evaluation of the management approach	113, 152-153, 277		Page 410	

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
OTHER INDICATORS: CAPACITY BUILDING					
	AF5 Strategy and scope of efforts to strengthen capacity of management, workers and other staff to improve in social and environmental performance.	129-131, 190		Page 410	
OTHER INDICATORS: BUSINESS INTEGRATION					
	AF6 Policies for supplier selection, management, and termination	90, 133, 135-136 Inditex's Code of Conduct for Manufacturers and Suppliers stipulates the standards and requirements to which suppliers looking to form part of Index's supply chain are bound. It can be retrieved from Inditex's website at: https://www.inditex.com/en/how-we-do-business/our-model/sourcing		Page 410 and 412	
	AF17 Actions to identify and mitigate business practices that affect code compliance	134-136		Page 410	
OTHER INDICATORS: EMPLOYMENT					
	AF24 Policy on the use and selection of labour brokers, including adherence to relevant ILO Conventions	99, 103, 137 Inditex analyses and monitors compliance with its Sustainability Strategy by suppliers by means of its Code of Conduct for Manufacturers and Suppliers Compliance Programme.		Page 410	
PROMOTING SOCIALLY RESPONSIBLE PRODUCTION ENVIRONMENTS					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	99, 132, 296		Page 410	
	103-2 The management approach and its components	99, 101, 132-137		Page 410	
	103-3 Evaluation of the management approach	140, 142-143, 277-279		Page 410	
GRI 412: HUMAN RIGHTS ASSESSMENT 2016					
	412-1 Operations that have been subject to human rights reviews or impact assessments	132-133, 274, 279		Page 410	Principle 1 and 2
	412-2 Employee training on human rights policies or procedures	45		Page 410	Principle 1
	412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	133		Page 410	Principle 2
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016					
	414-1 New suppliers that were screened using social criteria	132-133, 274, 279		Page410 and 412	Principle 2
	414-2 Negative social impacts in the supply chain and actions taken	134-136		Page 410	Principle 2
OTHER INDICATORS: AUDIT PROCESS					
	AF2 Parties and personnel engaged in code of conduct compliance function	274 Compliance Programme: https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement		Page 410	
	AF3 Compliance audit process	132-135, 144 Social Audit Process: https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement		Page 410	
	AF8 Number of audits conducted and percentage of workplaces audited	132-135, 142, 274, 279		Page 410 and 412	
OTHER INDICATORS: GRIEVANCE PROCEDURES					
	AF4 Policy and procedures for receiving, investigating, and responding to grievances and complaints	270-271		Page 410	
OTHER INDICATORS: NON–COMPLIANCE FINDINGS					
	AF9 Incidents of non-compliance with legal requirements or collective bargaining agreements on wages	134		Page 410	
	AF10 Incidents of non-compliance with overtime standards	134		Page 410	
	AF11 Incidents of non-compliance with standards on pregnancy and maternity rights	134		Page 410	
	AF12 Incidents of the use of child labour	134		Page 410 and 412	
	AF13 Incidents of non-compliance with standards on gender discrimination	134		Page 410 and 412	

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	AF14 Incidents of non-compliance with code of conduct	134		Page 410 and 412 ☑	
	AF15 Analysis of data from code compliance audits	134-136		Page 410	
OTHER INDICATORS: REMEDIATION					
	AF16 Remediation practices to address non-compliance findings	132, 134-136, 143, 279		Page 410 and 412 ☑	
RESPECTING HUMAN AND LABOUR RIGHTS IN THE SUPPLY CHAIN					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	99, 296		Page 410	
	103-2 The management approach and its components	41, 44-45, 99-128		Page 410	
	103-3 Evaluation of the management approach	134, 277		Page 410	
GRI 408: CHILD LABOR 2016					
	408-1 Operations and suppliers at significant risk for incidents of child labor	134-136 Inditex's Code of Manufacturers and Suppliers Compliance Programme assesses the level of compliance with prohibition of child labour, as stated in said Code. The Code is applicable to all of the Group's operations and suppliers.		Page 410	Principle 5
GRI 409: FORCED OR COMPULSORY LABOR 2016					
	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	134-136 Inditex's Code of Manufacturers and Suppliers Compliance Programme assesses the level of compliance with prohibition of forced labour, as stated in said Code. The Code is applicable to all of the Group's operations and suppliers.		Page 410	Principle 4
OTHER INDICATORS: CODE OF CONDUCT					
	AF1 Code of conduct content and coverage	134 Code of Conduct and Responsible Practices: https://www.inditex.com/en/how-we-do-business/right-to-wear Code of Conduct for Suppliers and Manufacturers: https://www.inditex.com/en/our-commitment-to-people/our-suppliers Compliance Programme: https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement		Page 410	
	AF7 Number and location of workplaces covered by code of conduct	90, 132 The Code of Conduct for Manufacturers and Suppliers applies to 100% of Inditex's suppliers and manufacturers. For further supply chain identification information, please visit Inditex's website: https://www.inditex.com/en/how-we-do-business/our-model/sourcing		Page 410 and 412 ☑	
PROTECTION OF BIODIVERSITY					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	149, 296		Page 410	
	103-2 The management approach and its components	41, 153-154 Inditex's Biodiversity Policy (https://www.inditex.com/documents/10279/242165/Biodiversity+Strategy_Inditex.pdf/b1954ead-d283-43f2-acff-31329f56879a) sets out its goals in the biodiversity protection and conservation arena. The policy was designed bearing in mind the principles established in the United Nations Convention on Biological Diversity and acknowledging the work of the International Union for Conservation of Nature (IUCN). To guarantee application of this strategy, these principles are layered into the master plans of each of the key areas comprising the business model.		Page 410	
	103-3 Evaluation of the management approach	153-154		Page 410	
GRI 304: BIODIVERSITY 2016					
	304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Not applicable. The lands owned by Inditex are neither adjacent to nor located within protected areas or areas of high biodiversity value, so that the Group does not generate significant impacts on biodiversity.	Page 410	Principle 8
	304-2 Significant impacts of activities, products, and services on biodiversity	153-154		Page 410	Principle 8
	304-3 Habitats protected or restored		Not applicable. Inditex's business is to distribute fashion garments (clothing, footwear, accessories and homewear) which it procures as finished products from its suppliers; as a result there are no habitats protected or restored as a result of its business activities.	Page 410	Principle 8

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations		Not applicable. Inditex's business is to distribute fashion garments (clothing, footwear, accessories and homewear) which it procures as finished products from its suppliers; as a result there are no habitats affected by its business operations.	Page 410	Principle 8

SUSTAINABLE PRODUCTS

GRI 103: MANAGEMENT APPROACH 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1 Explanation of the material topic and its Boundary	149, 296		Page 410	
	103-2 The management approach and its components	149-154 In its Code of Conduct, Inditex commits to minimize the environmental impact throughout the life cycle of its products.		Page 410	
	103-3 Evaluation of the management approach	151-153		Page 410	

GRI 301: MATERIALS 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	301-1 Materials used by weight or volume	152-153 Inditex's business is to distribute fashion garments (clothing, footwear, accessories and homewear) which it procures as finished products from its suppliers. However, Inditex strives to promote the efficient use of materials in its production chain. Its policies in this area range from the use of more sustainable fibres, the packaging and distribution of its products in keeping with applicable legislation and the management of its waste under the scope of its Waste Minimisation Plan. The product packaging materials placed on the market are recovered at the end of their useful lives for recycling by authorised waste handlers in the countries in which integrated waste packaging management systems exist.		Page 410 and 412 ☑	Principle 7
	301-2 Recycled input materials used	153		Page 410 and 412 ☑	Principle 8
	301-3 Reclaimed products and their packaging materials	172, 174, 186-187		Page 410 and 412 ☑	Principle 8

MANAGEMENT OF CHEMICAL SUBSTANCES AND SUSTAINABLE PROCESSES IN MANUFACTURING

GRI 103: MANAGEMENT APPROACH 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1 Explanation of the material topic and its Boundary	155-156, 296		Page 410	
	103-2 The management approach and its components	155-157 , 159 Inditex has developed a technical training project for its supply chain (https://www.wateractionplan.com/en/training-materials). This project consists of assessing its suppliers' environmental records and their technical capabilities with a view to helping them improve their environmental performance and, thus, build a more sustainable production chain and move towards zero discharges by 2025.		Page 410	
	103-3 Evaluation of the management approach	161-163, 280-281		Page 410	

GRI 306: EFFLUENTS AND WASTE 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	306-1 Water discharge by quality and destination	289 www.inditex.com/en/our-commitment-to-the-environment/water			Principle 8
	306-2 Waste by type and disposal method	287-288 None of the waste generated is disposed of through deep-well injection or stored in-situ.		Page 410 and 412 ☑	Principle 8
	306-3 Significant spills	There were no significant spills during the reporting period. With the aim of preventing them in the supply chain, the Inditex Group has committed with the Zero Discharge of Hazardous Chemicals and has joined the Changing Markets Foundation initiative whose aim is to manufacture a viscose that is responsible and sustainable at every step of the value chain. This will improve the management of waste and yield greater control over the productive process. Similarly, Inditex also supports the Roadmap towards responsible viscose & modal fibre manufacturing championed by this organisation.		Page 410	Principle 8
	306-4 Transport of hazardous waste	Inditex does not transport, import or export any of the waste classified as hazardous in the Basel Convention in any of the countries in which it operates.		Page 410	Principle 8

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	306-5 Water bodies affected by water discharges and/or runoff	162 The water consumed at Inditex is discharged through the sewage networks and this is done with all the corresponding permits. In the event of incidents, Inditex analyses their root causes and searches for appropriate solutions. As a result, the organisation's water discharges and runoffs do not have a significant impact on water bodies and their habitats. As for its suppliers, and framed the pledge made in November 2012 to attain zero discharge of unwanted chemical substances by 2025, Inditex is working together with its suppliers under the scope of its 'Water in the Supply Chain Master Plan' in order to promote the sustainable use of this vital resource. Since 2016, we have been working on the provision of technical training in this supply chain, a project which consists of assessing our suppliers' environmental records and their technical capabilities with a view to helping them improve their environmental performance and, thus, build a more sustainable production chain and move towards zero discharges by 2020. To learn more, please visit www.wateractionplan.com, specifically the "Detox commitment" tab. Also please see www.inditex.com/en/our-commitment-to-the-environment/water		Page 410	Principle 8
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016					
	308-1 New suppliers that were screened using environmental criteria	132-133		Page 410 and 412	Principle 8
	308-2 Negative environmental impacts in the supply chain and actions taken	162		Page 410 and 412	Principle 8
OTHER INDICATORS: MATERIALS					
	AF18 Programmes to replace organic-based adhesives and primers with water-based adhesives and primers	155-157, 161- 163		Page 410	
	AF19 Practices to source safer alternative substances to those on the restricted substances list, including description of associated management systems	161, 280		Page 410	
	AF20 List of environmentally preferable materials used in apparel and footwear products	152-154		Page 410	
PRODUCT QUALITY, HEALTH AND SAFETY					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	155-156, 296		Page 410	
	103-2 The management approach and its components	155-157		Page 410	
	103-3 Evaluation of the management approach	161-164		Page 410	
GRI 416: CUSTOMER HEALTH AND SAFETY 2016					
	416-1 Assessment of the health and safety impacts of product and service categories	161-164, 274, 280-281		Page 410 and 412	
	416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	281		Page 410 and 412	
PRODUCT INFORMATION AND LABELLING					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	150, 296		Page 410	
	103-2 The management approach and its components	150		Page 410	
	103-3 Evaluation of the management approach	151, 274		Page 410	
GRI 417: MARKETING AND LABELING 2016					
	417-1 Requirements for product and service information and labeling	150 The Group's product health and safety standards are compulsory across the entire production chain (100%).		Page 410	
	417-2 Incidents of non-compliance concerning product and service information and labeling	No incidents of non-compliance with the requirements or voluntary codes concerning product information and labelling were recorded through any of the channels available to this end in 2017.		Page 410	
	417-3 Incidents of non-compliance concerning marketing communications	The Inditex Group did not record significant incidents of non-compliance concerning marketing communications through any of the channels available to this end in 2017.		Page 410	

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle

CIRCULARITY

GRI 103: MANAGEMENT APPROACH 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1 Explanation of the material topic and its Boundary	171, 296		Page 410	
	103-2 The management approach and its components	171, 172, 174, 176-177, 186-187 Inditex has a designed long-term strategy for the integration of its take on the circular economy into its business model. Against the backdrop of our Sustainability Strategic Plan, we are working towards circularity by means of the detox objective set for 2025: the idea is that by then none of the waste deriving from our activities will end up in a landfill. We promote circular systems for the recovery of packaging materials such as tubes, pallets, boxes, garment alarms and clothes hangers, using recycled materials as often as possible. We also pursue end of product life cycle management initiatives such as our 'Closing the Loop' programme. www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop Inditex has assumed during 2018 the commitments of the Global Fashion Agenda, that includes that all the designers of the group have been trained in the Principles of Circular Eonomy by 2020.		Page 410	
	103-3 Evaluation of the management approach	172, 186-187, 274		Page 410	

ANIMAL WELFARE

GRI 103: MANAGEMENT APPROACH 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1 Explanation of the material topic and its Boundary	296 Inditex aims to protect, conserve and develop the wealth and diversity of species. In its work Inditex avoids purchasing products that represent a risk to species in danger of extinction, to animal welfare or to forest cover.		Page 410	
	103-2 The management approach and its components	The Inditex Group applies responsible production standards in relation to the use of products of animal origin. Inditex has a specific animal welfare strategy (https://www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop/sustainable-materials/animal-welfare) and a dedicated biodiversity strategy (https://www.inditex.com/documents/10279/242165/Biodiversity+Strategy_Inditex.pdf/b1954ead-d283-43f2-acff-31329f56879a) which stipulate the management criteria applicable across its value chain.		Page 410	
	103-3 Evaluation of the management approach	Inditex's environmental responsibility pledge includes ethical standards regarding the use of products of animal origin. To learn more: https://www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop/sustainable-materials/animal-welfare		Page 410	

ENERGY AND CLIMATE CHANGE

GRI 103: ENFOQUE DE GESTIÓN 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1 Explanation of the material topic and its Boundary	182, 297		Page 410	
	103-2 The management approach and its components	182 We have a dedicated Energy Strategy (https://www.inditex.com/documents/10279/242114/Inditex+Global+Energy+Strategy/606a5ac4-1381-4672-9ad0-a192032479a2) and we are working to minimise our impact on climate change by taking action all along the value chain. To this end we are streamlining our logistics processes, promoting energy efficiency in our facilities and making progress on our commitment to using renewable sources of energy. This year Inditex has signed the Fashion Industry Charter for Climate Action commitment, under the auspicies off the United Actions Climate Change Office. It contains the vision for the textiles industry to achieve zero net emissions on 2050 with an initial objective of reducing our emissions by a 30% before 2030.		Page 410	
	103-3 Evaluation of the management approach	274 By regularly measuring our energy consumption and GHG emissions we track quantitatively the progress we are making on reducing our use of energy and our generation of emissions, along with the efficiency performance of our facilities.		Page 410	

GRI 302: ENERGY 2016

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	302-1 Energy consumption within the organization	283-285		Page 410 and 412 ☑	Principles 7 and 8
	302-2 Energy consumption outside of the organization	286		Page 410 and 412 ☑	Principle 8

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	302-3 Energy intensity	274, 283-285		Page 410	Principle 8
	302-4 Reduction of energy consumption	283-285		Page 410 and 412 ☑	Principles 8 and 9
	302-5 Reductions in energy requirements of products and services	283-285		Page 410	Principles 8 and 9

OTHER INDICATORS: ENERGY

	AF21 Amount of energy consumed and percentage of the energy that is from renewable sources	176, 274, 284-285		Page 410 and 412 ☑	

GRI 305: EMISSIONS 2016

	305-1 Direct (Scope 1) GHG emissions	285-286		Page 410 and 412 ☑	Principles 7 and 8
	305-2 Energy indirect (Scope 2) GHG emissions	285-286		Page 410 and 412 ☑	Principles 7 and 8
	305-3 Other indirect (Scope 3) GHG emissions	286		Page 410 and 412 ☑	Principles 7 and 8
	305-4 GHG emissions intensity	285-286			Principle 8
	305-5 Reduction of GHG emissions	176, 285-286		Page 410 and 412 ☑	Principles 8 and 9
	305-6 Emissions of ozone-depleting substances (ODS)	182 There are plans in place to replace air conditioning units in existing stores with more efficient Class A units in order to ensure the non-emission of ozone-depleting substances. In addition, thanks to the eco-efficiency measures rolled out across our stores, we are attaining considerable savings in electricity. The main sources of efficiency resided in HVAC systems: an estimated 40%, with the attendant reduction in GHG emissions. We aim to have 100% of our stores eco-efficient by 2020.		Page 410	
	305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		Not applicable. This year we don't report other air emissions as they are deemed insignificant on account of the characteristics of the equipment and the frequency of the checks stipulated in prevailing legislation (controls are not required). The emission of particles deriving from transportation is generated by outsourced carriers so that this indicator is not applicable to the Group. Nevertheless, Inditex fosters enhanced emissions management and control in its value chain through the tool that enables calculation of emissions in accordance with the GHG Protocol, coupled with the definition of action plans.	Page 410	Principles 7 and 8

USE OF WATER

GRI 103: MANAGEMENT APPROACH 2016

	103-1 Explanation of the material topic and its Boundary	289, 297		Page 410	
	103-2 The management approach and its components	182 Inditex's Global Water Management Strategy (https://www.inditex.com/documents/10279/241820/Inditex+Global+Water+Management+Strategy/a128125c-4874-47cf-beab-7e65385b923e) constitutes the roadmap towards the sustainable and rational use of water, with a view to working towards enhanced conservation of the environmental quality of the planet's freshwater and marine ecosystems. Inditex's detox commitment will similarly contribute to the sustainable use of water. For more information, please visit the dedicated website: http://www.wateractionplan.com/es		Page 410	
	103-3 Evaluation of the management approach	289		Page 410	

GRI 303: WATER 2016

	303-1 Water withdrawal by source	289		Page 410 and 412 ☑	Principles 7 and 8
	303-2 Water sources significantly affected by withdrawal of water	289 The water supplied at all our centres, whether for input into processes or consumption, comes from public, authorised supply networks, so that Inditex does not affect protected habitats. Moreover, all water supply comes from areas experiencing low or no 'water stress'.		Page 410	Principle 8
	303-3 Water recycled and reused	289		Page 410	Principle 8

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
PACKAGING					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	186-187, 297		Page 410	
	103-2 The management approach and its components	186-187		Page 410	
	103-3 Evaluation of the management approach	186		Page 410	
INVESTMENT IN THE COMMUNITY					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	195, 297		Page 410	
	103-2 The management approach and its components	195, 197-199		Page 410	
	103-3 Evaluation of the management approach	197-199, 274, 290-291		Page 410	
GRI 203: INDIRECT ECONOMIC IMPACTS 2016					
	203-1 Infrastructure investments and services supported	200-201, 274, 290-291		Page 410	
	203-2 Significant indirect economic impacts	202-217		Page 410	
GRI 413: LOCAL COMMUNITIES 2016					
	413-1 Operations with local community engagement, impact assessments, and development programs	102-131, 196-197		Page 410	Principle 1
	413-2 Operations with significant actual and potential negative impacts on local communities	162		Page 410	Principles 1 and 2
OTHER INDICATORS: COMMUNITY INVESTMENT					
	AF33 Priorities in community investment strategy.	195		Page 410	
	AF34 Amount of investment in worker communities broken down by location	198, 291		Page 410	
RELATIONSHIP WITH STAKEHOLDERS					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	297		Page 410	
	103-2 The management approach and its components	40-41		Page 410	
	103-3 Evaluation of the management approach	40-41		Page 410	
SOCIOECONOMIC IMPACT ON SOCIETY					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	297		Page 410	
	103-2 The management approach and its components	42-43, 84-85, 222-223		Page 410	
	103-3 Evaluation of the management approach	7, 80, 84-85, 222-223, 229		Page 410	
GRI 201: ECONOMIC PERFORMANCE 2016					
	201-1 Direct economic value generated and distributed	291		Page 410 and 412 ☑	
	201-2 Financial implications and other risks and opportunities due to climate change	176-177, 182, 186 The Enterprise Risk Management Policy establishes the basic principles, risk factors and the general framework for the management and control of the risks that affect the Group. This Policy has a framework of application that covers the whole Group and is the basis of an Integrated System of Risk Management . Within the Risks Management System, business units. represent the first line of defense, including those related to climate. Climate conditions influence, among other factors, on the availability and price of raw materials used in the productive processes of the Group. Furthermore, sharp changes in climate cycles can affect demand patterns.			
	201-3 Defined benefit plan obligations and other retirement plans	80		Page 410	
	201-4 Asistencia financiera recibida del gobierno	During fiscal year 2018, considering all markets where the Group operates, Inditex has received 0,7 millions of euros in concept of public grants.		Page 410 and 412 ☑	

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
FISCAL TRANSPARENCY AND TAX CONTRIBUTION					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	221, 297		Page 410	
	103-2 The management approach and its components	221-225		Page 410	
	103-3 Evaluation of the management approach	221-225		Page 410	
REGULATORY COMPLIANCE AND RESPONSIBLE PRACTICES					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	297		Page 410	
	103-2 The management approach and its components	235-237		Page 410 and 412	
	103-3 Evaluation of the management approach	235-237		Page 410	
GRI 206: ANTI–COMPETITIVE BEHAVIOR 2016					
	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	The Inditex Group did not record (firm) legal actions related with anti-competitive behaviour, anti-trust, or monopoly practices through any of the available channels in 2018.		Page 410	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016					
	307-1 Non-compliance with environmental laws and regulations	The Inditex Group did not receive any penalties or fines of significant amount for non-compliance with environmental laws or regulations through any of the channels available to this end in 2018.		Page 410	Principle 8
GRI 419: SOCIOECONOMIC COMPLIANCE 2016					
	419-1 Non-compliance with laws and regulations in the social and economic area	The Inditex Group did not receive any significant fines for non-compliance with laws or regulations applicable to it through any of the channels available to this end in 2018.		Page 410	
CORPORATE GOVERNANCE					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	297		Page 410	
	103-2 The management approach and its components	238-239		Page 410	
	103-3 Evaluation of the management approach	252-253		Page 410	
GRI 415: PUBLIC POLICY 2016					
	415-1 Political contributions	Inditex's Code of Conduct and Responsible Practices expressly stipulates that all dealings between Inditex and governments, authorities, institutions and political parties must be framed by the principles of lawfulness and neutrality. Any contributions made by the company, whether in cash or in-kind, to political parties, institutions or public authorities must be made in accordance with prevailing legislation. So as to guarantee transparency in this respect they must be preceded by a report from the legal advisory department certifying their absolute lawfulness.		Page 410	Principle 10
RISK MANAGEMENT AND CONTROL SYSTEMS					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	297, 381		Page 410	
	103-2 The management approach and its components	381, 383-385, 386-391		Page 410	
	103-3 Evaluation of the management approach	385		Page 410	
CORRUPTION AND BRIBERY					
GRI 103: MANAGEMENT APPROACH 2016					
	103-1 Explanation of the material topic and its Boundary	297		Page 410	
	103-2 The management approach and its components	269-270		Page 410	
	103-3 Evaluation of the management approach	270		Page 410	
GRI 205: ANTI–CORRUPTION 2016					
	205-1 Operations assessed for risks related to corruptionn	133, 269-270 Inditex's Code of Conduct and Responsible Practices covers the prevention of corruption in all its manifestations. The Code applies to 100% of the Group's business units and can be downloaded from the corporate website at: www.inditex.com/en/how-we-do-business/right-to-wear		Page 410	Principle 10

GRI Standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	205-2 Communication and training about anti-corruption policies and procedures	237 For more information consult the Statement for Non-financial information which is part of the Consolidated Annual Accounts of Inditex Group (p.70-71)		Page 410 and 412 ☑	Principle 10
	205-3 Confirmed incidents of corruption and actions taken	Inditex was not made aware in 2018, either through its Ethics Committee or any other channel, that any legal proceedings had been taken in the areas of corruption or bribery that could affect the company.		Page 410 and 412 ☑	Principle 10

The Annual Report 2018 provided information under the terms of the triple –economic, social and environmental- dimension.

The Annual Report 2018 is fully available on the corporate web site, www.inditex.com, where additional useful information may also be accessed.

The English translation of this report has been reviewed by the Centre for Business and Public Sector Ethics of Cambridge (United Kingdom).

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