INDITEX

ANNUAL REPORT 2016



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ABOUT THIS REPORT

The purpose of the Annual Report is to communicate to all stakeholders how Inditex creates value in the short, medium and long term. It is therefore presented as an Integrated Report, which is supplemented with the information from the corporate webpage: www.inditex.com.

In compiling the Annual Report, Inditex has always positioned itself at the forefront of reporting techniques, with the maxim of always adopting best practices. This year, it should be noted that the Annual Report has taken the new Global Reporting Initiative standards as benchmark. These standards were launched on 19 October 2016 and replace the previous GRI-G4 reporting guide. Inditex has not only followed the principles and guidelines of the new standards, but also actively participates in the GRI Standards Pioneers Programme, sharing the process of learning to use the new standards with companies from other sectors.

In light of all of the foregoing, this Report presents issues that reflect the significant economic, environmental and social impacts of Inditex and which may influence the evaluation and decision-making of stakeholders. These issues are identified and evaluated from a materiality process that involves the main stakeholders.

Materiality Matrix, on page 229

INTERNATIONAL REPORTING INITIATIVES SUBSCRIBED TO BY INDITEX

Global Reporting Initiative
- This Report has been prepared in accordance with the GRI Standards: Comprehensive Option.
- Member of Gold Community and Pioneers Programme
- Adhering to its criteria since 2002.

Integrated Reporting
- In line with the principles established in the Integrated Reporting Framework.
- Member of the Business Network of the International Integrated Reporting Council (IIRC).

Global Compact
- The Communication on Progress for this Annual Report is included in the GRI index.
- Advanced level (maximum level awarded by the Global Compact) in its last Communication on Progress.
- Participant in the United Nations Global Compact since 2001.

Best reporting practices

OBJECTIVE
To provide information that is

TRUTHFUL

RELEVANT

ACCURATE

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In this Report, Inditex also provides information on its contribution to the United Nations Sustainable Development Goals (SDG) which, as this is of recent creation, does not yet have consensual best practices for reporting. Aware of the need for a benchmark framework that guarantees transparency and comparability, Inditex is part of the Corporate Action Group for Reporting on the Sustainable Development Goals, jointly organized by the United Nations Global Compact and the Global Reporting Initiative. The objective of this multidisciplinary group, involving companies from different sectors as well as other entities of reference, is to outline the future of the corporate report on SDG and to bring together best practices in this matter.

Accordingly, the preparation of this Annual Report is based on the principles of the UN Global Compact, the principles and indications of the Global Reporting Initiative standards, the International <IR> Framework and those principles included in the AccountAbility AA1000 APS (2008) norm.

EXTERNAL VERIFICATION

Inditex's 2016 Annual Report has been verified by SGS ICS Ibérica, S.A., in accordance with ISO 19011 and in line with the principles established in the standards of the Global Reporting Initiative (GRI), the principles established in the International Reporting Framework, and AA1000 Accountability Principles Standard 2008 (AA1000APS).

A selection of twenty relevant indicators has been reviewed by KPMG Asesores, in accordance with ISAE3000 standard. Since the start of this review in 2010, Inditex has been expanding the number of revised indicators, in line with the company's philosophy of ongoing improvement also in terms of reporting and in order to continue to progress in the level of ensuring transparency and truthfulness of the data.

The selection of the twenty indicators to be reviewed by KPMG was based on Inditex's annual materiality analysis, carried out in conjunction with stakeholders.

The result of the verifications demonstrate that the application level (In Accordance - Comprehensive Option) is appropriate.



Zara Home employees at the Arteixo offices (Spain).

YEAR REVIEW



INDITEX IN FIGURES, MAIN INDICATORS

TURNOVER

(in billions of euros)	2016	2015	2014	2013	2012
Sales	23.311	20.900	18.117	16.724	15.946

SALES BY GEOGRAPHICAL AREA

(in percentages)	2016	2015	2014	2013	2012
Europe (excluding Spain)	43.9%	44.0%	46.0%	45.9%	45.4%
Asia and the Rest of the World	23.9%	23.5%	21.1%	20.4%	19.7%
Spain	16.9%	17.7%	19.0%	19.7%	20.7%
America	15.3%	14.7%	13.9%	14.0%	14.2%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

RESULTS AND CASH FLOW

(in billions of euros)	2016	2015	2014	2013	2012
Operating profit (EBITDA)	5.083	4.699	4.103	3.926	3.913
Operating profit (EBIT)	4.021	3.677	3.198	3.071	3.117
Net profit	3.161	2.882	2.510	2.382	2.367
Net profit attributable to the parent company	3.157	2.875	2.501	2.377	2.361
Cash flow	4.406	3.897	3.349	3.232	3.256

FINANCIAL STRUCTURE

(in billions of euros)	2016	2015	2014	2013	2012
Equity attributable to the parent company	12.713	11.410	10.431	9.246	8.446
Net financial position	6.090	5.300	4.010	4.055	4.097

FINANCIAL AND MANAGEMENT RATIOS

	2016	2015	2014	2013	2012
ROE (Return On Equity)	26%	26%	25%	27%	30%
ROCE (Return On Capital Employed)	33%	34%	33%	35%	39%

OTHER RELEVANT INFORMATION

	2016	2015	2014	2013	2012
Number of stores	7,292	7,013	6,683	6,340	6,009
Net openings	279	330	343	331	482
Number of markets with commercial presence	93	88	88	87	86
Number of markets with an online store	41	29	27	25	22
Number of employees	162,450	152,854	137,054	128,313	120,314
Percentage of women/men	76% / 24%	76% / 24%	78% / 22%	78.1% / 21.9%	78.7% / 21.3%
Global energy consumption (GJ)	6,675,375	6,543,195	6,357,960	6,095,030	5,869,456
Relative energy consumption (MJ/garment)	4.83	5.56	6.24	6.42	6.75
Investment in social programmes (in millions of euros)	40	35	25	23	21
Number of suppliers with purchase during the year	1,805	1,725	1,625	1,592	1,490

102-7, 103-3

STOCK MARKET PERFORMANCE

Inditex shares experienced a 1.2% gain in 2016, closing at 30.535 euros per share on 31 January 2017 compared with a 15.5% rise in 2015. The average volume traded in 2016 was about 5.7 million shares a day.

Inditex's stock market capitalization stood at 95.167 billion euros at the end of the year, 939% higher than when the company was floated on the stock exchange on 23 May 2001.

A total dividend of 0.60 euros per share corresponding to the 2015 financial year was paid out in May and November 2016.

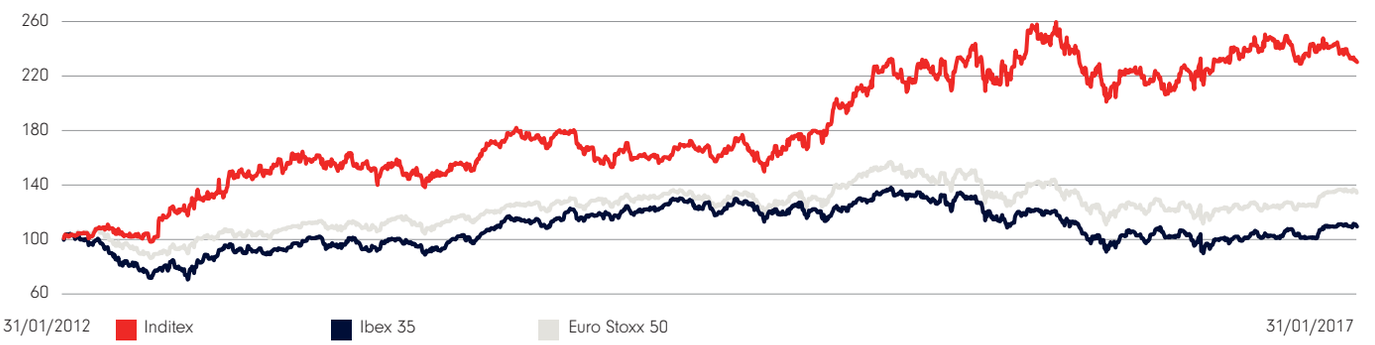
SHARES DURING 2016

Inditex vs Indexes



SHARES OVER THE LAST 5 YEARS

Inditex vs Indexes



AWARDS RECEIVED BY THE INDITEX GROUP IN 2016 (*)

INDITEX

Award	Entity	Score/ Position
Dow Jones Sustainability Index	DOW JONES	80/100
The Most Innovative Companies	Forbes	77
MercoEmpresas	merco	1

ZARA

Award	Entity	Score/ Position
Best Global Brands	Interbrand	27
The World's Most Valuable Brands	Forbes	53
BrandZ Top 100. Most Valuable Global Brands	WPP (Millward Brown)	35

(*) A complete list of these awards can be found on page 209 of the Sustainability Balance Sheet.



LETTER FROM THE CHAIRMAN

Dear friends,

2016 provided further evidence of our company's ability to create value and not only economic value but, all-importantly, value for society and the enviroment. Inditex continues to fine-tune its customer-centric creative fashion proposition, underpinned by its seamlessly integrated offline-online store model.

The key factor enabling the sustained and sustainable development of this model are the people who populate our company: a diverse universe of professionals who have in common creative talent, modesty, a passion for fashion, the ability to work hard as a team and in a responsible manner, an entrepreneurial spirit and a tireless quest to innovate. Some 162,450 people of 99 different nationalities who embrace the business ethics and culture that define our work philosophy which is in turn articulated around daily, multi-cultural engagement with and learning from our customers in the 93 markets in which we do business.

Thanks to their dedication, we are in position to report another year of growth, fuelled unquestionably by the €1.43 billion invested in expansion plans, technological innovation, logistics upgrades, as well as social sustainability and environmental policies. The Group ended the year with 279 more physical stores, to put the total at 7,292, having opened establishments in 56 markets, five of which new. In parallel, it lifted its online presence to 41 markets, thanks to inauguration of the online platform in 14 new geographies in 2016. In parallel, we refurbished or expanded 462 stores, thereby bringing 4,519 of the total store count within the eco-efficient store programme, delivering average water and energy savings of 40% and

"AT INDITEX, EACH OF OUR 162,450 EMPLOYEES AROUND THE WORLD ARE COMMITTED TO THE STRONG ETHICAL VALUES THAT UNDERPIN OUR BUSINESS. THE BUSINESS MODEL WE FOLLOW IS BASED ON A SUSTAINABLE INTEGRATED PLATFORM, BRINGING TOGETHER BOTH STORES AND ONLINE IN ORDER TO GENERATE SOCIAL AND ENVIRONMENTAL VALUE"

20%, respectively. As announced, 100% of our stores will fit this profile by 2020.

We also earmarked capex to our central facilities and logistics platforms. Here it is worth highlighting the new Pull&Bear and Oysho headquarters, both of which have earned LEED Gold certification, one of the world's most stringent green building standards. As for logistics platforms, the Bershka platform in Tordera (Barcelona) and the Zara facility in Arteixo (La Coruña) introduced new multi-shuttles, making the management of dispatch times more efficient and precise.

Staying on the technology investment front, we completed the rollout of radio frequency identification technology (RFID) at Zara and started work on its implementation across the other brands. This system will be operative in most of our format and stores by 2020, translating into better customer experience.

Inside the Annual Report we specify the progress made on the 17 United Nations Sustainable Development Goals (SGDs) for tackling climate, change, poverty and inequality and evidence our commitment to the United Nations Global Compact and its Guiding Principles on Business and Human Rights. We work shoulder to shoulder with the ILO and play an active and catalysing role in the Ethical Trading Initiative and Sustainable Apparel Coalition.

On the labour rights front, it is worth highlighting the tenth anniversary of the Framework Agreement between Inditex IndustriALL Global Union, which represents over 50 million workers worldwide. The expansion in 2016 of this Framework Agreement, pioneering in the sector, has the effect of introducing union representatives in the 12 geographies or clusters around which Inditex articulates the sustainability -and the meticulous traceability and monitoring- of its production chain.

In the chapter on environmental management, we overview our Plan for 2016-2020, which lays down our company's specific commitment to achieving a circular economy. Since its rollout it has already implied the deployment of garment collection containers in Spain (with an at-home pick-up option available), Portugal, the UK, the Netherlands, Denmark, Ireland and the main Chinese cities, for recovery and/or recycling. This initiative is managed in collaboration with charitable organisations such as Caritas, the Red Cross and Oxfam, cutting-edge players in the sustainable fabric field such as Austria's Lenzing and Spain's Hilaturas Ferré, and prestigious international research centres such as the Massachusetts Institute of Technology (MIT), via the MISTI initiative, and multiple Spanish universities.

Thanks to this innovative thrust we have made our collections even more sustainable, introducing new fibres such as the exclusive Refibra™Lyocell, developed together with Lenzing, and our novel *Join Life* collections.

We are embracing recycled materials and best practices in this field. Processes aligned with the *Zero Discharge Policy* and *Detox Commitment* which imply constant monitoring of all the wet processing supply chain to deliver top quality processes coupled with best environmental practices. The fact that Greenpeace ranked Inditex as *Avant Garde* for its *Detox 2020* efforts last year has spurred us to step up our commitment, raise the bar and redouble our efforts to stay ahead of the curve in adopting increasingly sustainable policies and systems.

Throughout last year, we also continued to work with organisations specialised in the promotion of community well-being and education, the employability of vulnerable people and the provision of emergency relief, earmarking over €40 million to our community work in 2016 and directly benefitting over one million people.

Turning to taxation, our global contribution topped €5.6 billion. We are proud to say that our corporate income tax contribution in Spain accounts for more than 2% of the state's total corporate income tax receipts.

This fiscal responsibility is multiplied by the knock-on impact on the suppliers and auxiliary enterprises needed to facilitate our growth. Most notably in Spain, where one in four of the 9,491 new jobs generated globally in 2016 was created. The same multiplier effect applies to the jobs sustained by Inditex indirectly: in Spain, some 7,500 suppliers invoiced us €4.6 billion in 2016, up €500 million from 2015, which translates into some 50,000 indirect jobs.

We hope that our refusal to conform is palpable on the following pages. We want to continue to do better and plan on retaining a 360-degree vision in order to help improve our surroundings. We are working for our customers with the clear mandate of continuing to generate value beyond the realm of the purely economic.

Pablo Isla

Chairman



THIS YEAR'S HIGHLIGHTS

February

Expanded online reach in Europe

Inditex rounded out its online presence in Europe with the **launch of all of its brands' online platforms in 11 markets** (Bulgaria, Croatia, Czech Republic, Slovakia, Slovenia, Estonia, Hungary, Finland, Latvia, Lithuania and Malta).



March

Zara opens its doors in SoHo (NY)

Zara set up shop in the heart of New York's SoHo district with a **4,400 square meters flagship store** in one of the finest examples of the district's late nineteenth century retail architecture.



April

IndustriALL Agreement / Chair for Refugees at Comillas University / Employee profit-sharing plan / Massimo Dutti for&from store

Inditex and IndustriALL reinforced their commitment to





September

DJSI / New head office and for&from store for Pull&Bear / Zara Compostela / Mobile payments

The Dow Jones Sustainability Index (DJSI) named **Inditex the most sustainable retailer**.

Pull&Bear inaugurated its new **eco-efficient head offices in Narón (A Coruña)**, which have earned LEED Gold certification, and opened its **first for&from store**, under COGAMI's management, in Ferrol (A Coruña).

Inditex rolled out mobile payments in all of the Group's brands and stores in Spain.

Zara opened one of its most emblematic stores on **calle Compostela**, in the heart of A Coruña's shopping district.



October

Entry into New Zealand / Online platform in Turkey / Agreement with Tsinghua University / InTalent Programme

Zara arrived in New Zealand (Auckland).

Inditex launched the online **platforms** of all of its brands with a presence in **Turkey**.

The Group announced an agreement with **Tsinghua SEM University** in Peking covering cultural and academic exchanges.

Inditex set up the **InTalent Programme** with the aim of attracting scientists to Coruña University.

raising supply chain standards worldwide.

Inditex and Comillas Pontifical University set up the **Chair for Refugees and Forced Migrants.**

Inditex paid out **37.4 million to employees** under its first extraordinary profit-sharing plan.

Massimo Dutti inaugurated a **for&from** store under Moltacte's management in Igualada (Barcelona).

June

Stradivarius Oxford Street / Newsweek Green Rankings Inditex

Stradivarius inaugurated its largest store worldwide in London's Oxford Street.

The 2016 Newsweek Green Ranking rated I**nditex as one of the world's most sustainable listed companies.**



July

2016-2020 Environmental Plan / Detox Catwalk

Inditex unveiled its **2016-2020 Environmental Plan** which delves further into the Group's unfolding circular economy model, tackling every link in its productive process.

Greenpeace ranked **Inditex as an Avant-Garde performer in its 2016 Detox Catwalk** for its use of sustainable chemicals.





November

Agreements with Caritas, Entreculturas and MSF

Inditex renewed its collaboration agreements with MSF and Caritas, earmarking **€9.7 million to charitable endeavours.**

It also renewed its **agreement with Entreculturas** in order to fund this NGO's educational, employment and humanitarian aid work in Latin America, South Africa and the Lebanon.



December

Uterqüe: new image and new stores in Poland and the Ukraine

Uterqüe entered the Polish and Ukrainian markets where it also unveiled its new store image, inspired by the Mid-Century movement of the 1950s.



January 17

Sustainability Yearbook 2017 / Agreement with Water.org / Completion of RFID rollout

Inditex took the **gold medal in the Dow Jones Sustainability Yearbook 2017** for its sustainability performance.

The Group **reinforced its agreement with Water.org** for bringing drinking and toilets to vulnerable communities.

Virtually all Zara stores worldwide fitted with **RFID garment identification technology.**

COMMERCIAL PRESENCE

At year-end 2016, Inditex had **7,292 stores** in **93 markets**, while its **online platform was live in 41**.

During the year, the Group opened **279 stores** (net of closures) **in 56 markets**.

AMERICA
743 stores

	stores	markets
Zara	309	21
Pull&Bear	86	11
Massimo Dutti	60	10
Bershka	101	11
Stradivarius	62	10
Oysho	56	6
Zara Home	57	13
Uterqüe	12	1

The number of **new markets** was particularly noteworthy in the Americas: in 2016, Inditex made its début in **Paraguay, Nicaragua and Aruba**. In the United States, we **opened and refurbished** flagship establishments in **New York and Chicago**.

EUROPE
4,990 stores

	stores	markets
Zara	1,351	44
Pull&Bear	700	39
Massimo Dutti	539	39
Bershka	765	37
Stradivarius	740	33
Oysho	451	23
Zara Home	390	25
Uterqüe	54	6

The online strategy took off in Europe with the launch of the e-commerce platform in **12 new markets, bringing the total to 20**. In parallel, all of the Group's brands opened flagship stores in A Coruña, Barcelona, Vienna, London and Cologne.

ASIA AND THE REST OF THE WORLD
1,559 stores

	stores	markets
Zara	553	28
Pull&Bear	187	20
Massimo Dutti	166	21
Bershka	215	23
Stradivarius	192	21
Oysho	129	16
Zara Home	105	20
Uterqüe	12	7

As well as penetrating **new markets** such as **Vietnam and New Zealand**, the Group enhanced its commercial proposition with **new flagship stores** in South Korea and high-profile refurbishments in Japan and China.

RETAIL FORMATS

The expansion and upgrade of the Group's sales floor area, coupled with development of an integrated offline-online store, determined the roadmap for Inditex's eight retail formats which ended the year with 7,292 establishments in 93 markets and an online presence in 41 countries. In parallel, the sustainable fashion collections and the launch of new product ranges, particularly in the cosmetics field, were the focal points of the main initiatives pursued by Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe in 2016.



Zara store on N State Street, Chicago (United States).

ZARA



15,394
net sales
(millions of euros)

2,213
stores

51
net openings

93
markets

39
online markets

New physical markets: 5

(Aruba, Nicaragua, New Zealand, Paraguay and Vietnam)

New online markets: 12

(Bulgaria, Croatia, Slovakia, Slovenia, Estonia, Finland, Hungary, Latvia, Lithuania, Malta, The Czech Republic and Turkey)

With 51 net store openings and 12 new online markets, Zara's global reach encompassed 2,213 physical stores (all of which fitted with the RFID system) and 39 national e-commerce stores at year-end. In addition to opening its doors for the first time in New Zealand, Vietnam, Aruba, Nicaragua and Paraguay, the brand inaugurated some of its highest-profile global stores during the year. Examples include the flagship stores opened in La Coruña and Barcelona (Spain) and in New York's SoHo district (US) and the re-opening and expansion of the store in the Shinjuku neighbourhood of Tokyo (Japan). Sustainability and environmental respect featured prominently thanks to the *Join Life* collections and the introduction of in-store used-garment recycling containers.

www.zara.com

PULL&BEAR



1,566
net sales
(millions of euros)

973
stores

37
net openings

70
markets

33
online markets

New physical markets: 2

(Luxembourg and Nicaragua)

New online markets: 12

(Bulgaria, Croatia, Slovakia, Slovenia, Estonia, Finland, Hungary, Latvia, Lithuania, Malta, The Czech Republic and Turkey)

The brand's début stores in Luxembourg and Nicaragua and the inauguration of flagship stores in Hong Kong (China) and Vienna (Austria) were the highlights of a year in which Pull&Bear increased its physical network to 973 stores and its online reach to 33 markets. Last year, this format also inaugurated its new corporate head offices which have been distinguished with LEED Gold certification for their sustainability credentials. Pull&Bear also made its initial foray into Inditex's for&from programme, opening a store managed by COGAMI in Ferrol (Spain). Motorcycling was another source of inspiration for Pull&Bear, which sponsors the Grand Prix in Germany and the Aspar Team. Indeed, the brand is going to feature the five-time world champion Marc Márquez as its ambassador and designer of special collections.

www.pullandbear.com

Massimo Dutti



1,630
net sales
(millions of euros)

765
stores

25
net openings

70
markets

37
online markets

New physical markets: 2
(India and Finland)

New online markets: 13
(Bulgaria, Croatia, South Korea, Slovakia, Slovenia, Estonia, Finland, Hungary, Latvia, Lithuania, Malta, The Czech Republic and Turkey)

Massimo Dutti's 2016 was peppered with technological milestones designed to enrich the shopping experience, such as the easy check-out option, the shoppable window dressings and the exclusive online collections recreated in virtual stores, such as the Soft Collection. The brand also opened flagship stores on Barcelona's Paseo de Gracia, located in an architectural gem of a building from the Catalan Art Deco movement, the house of Ramón Casas, which was refurbished for the opening, and on Calle Presidente Masaryk, 431 in Mexico City, a building whose lattice façade reinterprets the district's traditional iron bars. Massimo Dutti, which opened 25 new stores, including its maiden stores in India and Finland, also added its fourth *for&from* Programme establishment, in Igualada (Barcelona), under the management of Moltacte.

www.massimodutti.com

Bershka



2,012
net sales
(millions of euros)

1,081
stores

37
net openings

71
markets

32
online markets

New physical markets: 1
(Nicaragua)

New online markets: 12
(Bulgaria, Croatia, Slovakia, Slovenia, Estonia, Finland, Hungary, Latvia, Lithuania, Malta, The Czech Republic and Turkey)

The refurbishment of the brand's flagship stores on London's Oxford Street (UK), Milan's Corso Vittorio Emmanuele (Italy), Shanghai's Nanjing East (China) and Madrid's Gran Via (Spain) provided Bershka with the perfect backdrop for presenting its new store concept - Stage - in 2016. Inspired by music concerts and the backstage scene, the new look is more industrial and light in order to facilitate the shopping experience. This commercial format also launched the *Bershka Festival Tour*, a digital platform in which music and fashion blend together to create content articulated around the most famous festivals. Bershka opened 37 new stores in a range of markets and introduced its online store in 12 new markets. Its e-commerce platform was home to some of its key initiatives, such as its first sports clothing collection for men, *Start Moving Man*.

www.bershka.com

stradivarius



1,343
net sales
(millions of euros)

994
stores

44
net openings

64
markets

32
online markets

New physical markets: 4
(Holland, Algeria, Israel and Nicaragua)

New online markets: 12
(Bulgaria, Croatia, Slovakia, Slovenia, Estonia, Finland, Hungary, Latvia, Lithuania, Malta, The Czech Republic and Turkey)

The opening of new flagship stores on London's Oxford Street (UK), Amsterdam's Kalvestraat (Netherlands), Belfast's Donegall Place (Northern Ireland) and the Italian cities of Milan, Arezzo and Modena punctuated a year which closed with nearly 1,000 Stradivarius establishments in 64 markets and an online presence in 32 countries. The brand also committed to the world of cosmetics with new fragrances, body and bath products and make-up ranges. On 1 February 2017 it launched its long-awaited men's fashion range which is on sale in the brand's physical and online stores. The new line is articulated around three well-differentiated styles: *Smart*, *Denim* and *Cotton*.

www.stradivarius.com

OYSHO



509
net sales
(millions of euros)

636
stores

29
net openings

45
markets

32
online markets

New physical markets: 3
(Belgium, Indonesia and Algeria)

New online markets: 12
(Bulgaria, Croatia, Slovakia, Slovenia, Estonia, Finland, Hungary, Latvia, Lithuania, Malta, The Czech Republic and Turkey)

The commitment to the world of sport and healthy living, coupled with the launch of its first fragrance and line of cosmetics, marked Oysho's key strategic lines of initiative in 2016. Drawing on its various gymwear product lines, the brand dressed the Spanish rhythmic gymnastics team which won the silver medal at the Río de Janeiro Olympic Games and launched its Olympics Collection. It also inaugurated two flagship stores on Avenue Louise in Brussels (Belgium) and Avenida Diagonal in Barcelona (Spain); these stores participate in the Weare The Change sustainable project, which involves the placement of containers for used garments. As a result, Oysho ended 2016 with 636 stores in 45 markets and an online reach in 32 markets.

www.oysho.com

ZARA HOME



774
net sales
(millions of euros)

552
stores

50
net openings

58
markets

37
online markets

New physical markets: 5
(Estonia, Denmark, Paraguay, Serbia and South Africa)

New online markets: 13
(Bulgaria, Croatia, U.A.E., Slovakia, Slovenia, Estonia, Finland, Hungary, Latvia, Lithuania, Malta, The Czech Republic and Turkey)

The focus on cosmetics, with a notable line of unisex fragrances named The Perfume Collection, and the Laundry Collection of detergents, fabric conditioners and ironing water featuring Zara Home's iconic fragrances, marked the brand's key line of initiative in a year that was also very active in terms of new openings. Specifically, Zara Home opened a flagship store on Garosu Street in Seoul (South Korea), relocated its store on Avenue Louise in Brussels (Belgium) and opened new establishments in Nice (France) and Copenhagen (Denmark). With 50 net new openings and entry into five new markets, Zara Home ended the year with 552 stores in 58 markets and an online reach in 37 markets.

www.zarahome.com

UTERQÜE



83
net sales
(millions of euros)

78
stores

6
net openings

14
markets

30
online markets

New physical markets: 2
(Poland and Ukraine)

New online markets: 11
(Bulgaria, Croatia, Slovakia, Slovenia, Estonia, Finland, Hungary, Latvia, Lithuania, Malta, and The Czech Republic)

Art lies at the heart of the new Uterqüe store concept, which is inspired by the *Mid-Century* movement of the 1950s. This concept was unveiled in its new flagship stores in Braga (Portugal), Monterrey (Mexico) and Granada (Spain). In harmony with this strategic line of initiative, the brand also unveiled a new logo featuring a more refined and minimalist font. The new stores, with their restrained fittings, natural materials such as stone, wood and metal, and welcoming and environmentally-friendly lighting, will be home to the contemporary artists who have been commissioned by experts to put together exhibitions which are already beginning to pop up in the Uterqüe store windows.

www.uterque.com

Inditex's eight brands each individually cultivated their personalities, images and commercial propositions with a host of initiatives designed to enhance the customer experience.

One line of initiative all eight chains had in common was the strategic commitment to technology, on- and offline. The RFID system is currently up and running in all Zara stores and is scheduled for rollout across the rest of the Group's brands in the years to come.

The circular economy model is inspiring a strategy which has so far materialised in used-clothing collection containers and collections made using sustainably-made fabrics and recycled materials.

Mobile payments have been enabled in all the Group's brands and stores in Spain. This new service can be used from the brands' individual online apps or a Group-wide app called InWallet.



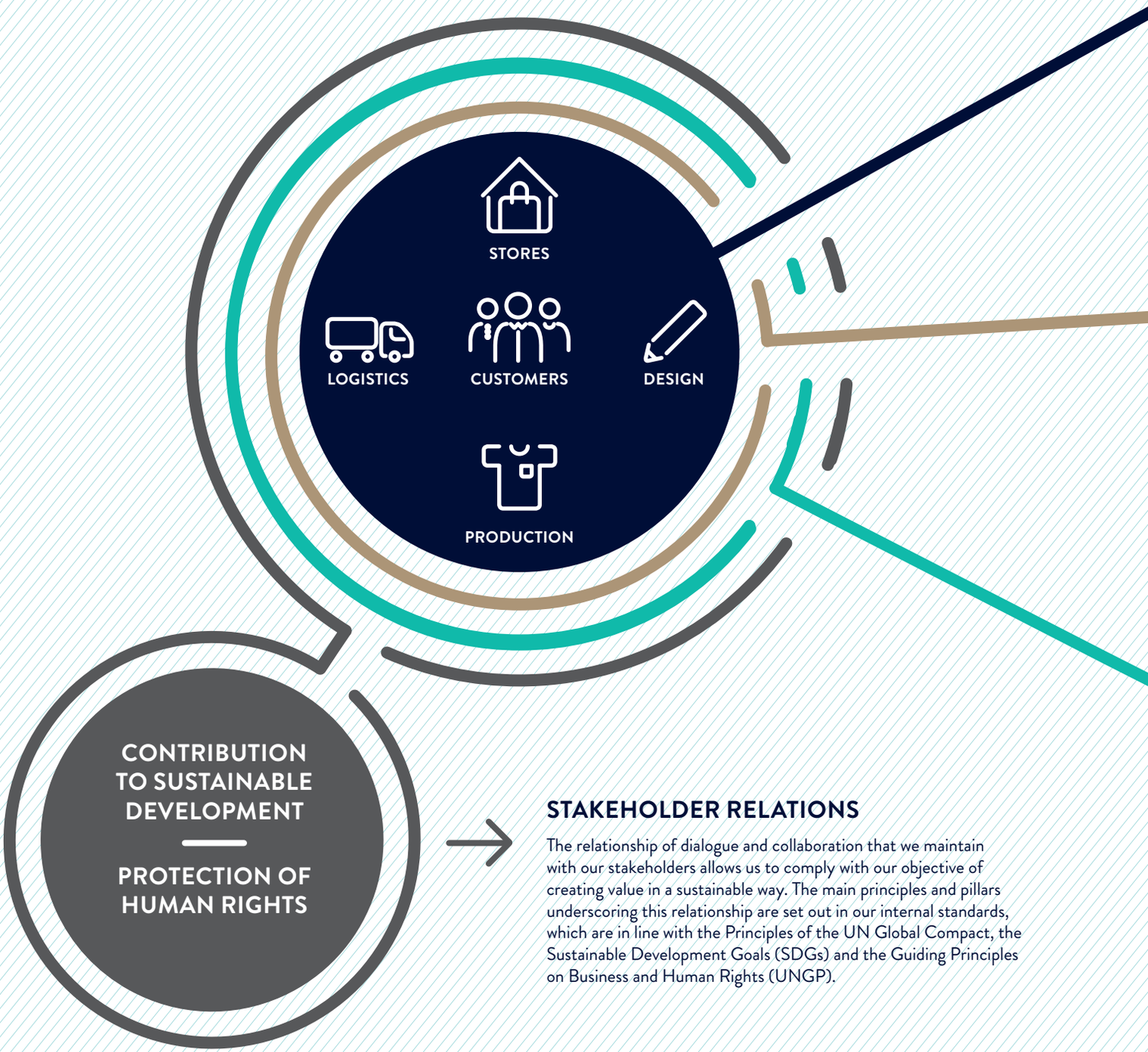
Zara Home employees at the Arteixo offices (Spain).

SUSTAINABLE STRATEGY



SUSTAINABLE STRATEGY

Inditex aims to offer fashion that complies with the highest environmental, health and safety standards. Sustainability underpines all our business decisions based on respect and promotion of Human Rights, transparency and ongoing dialogue with our stakeholders.



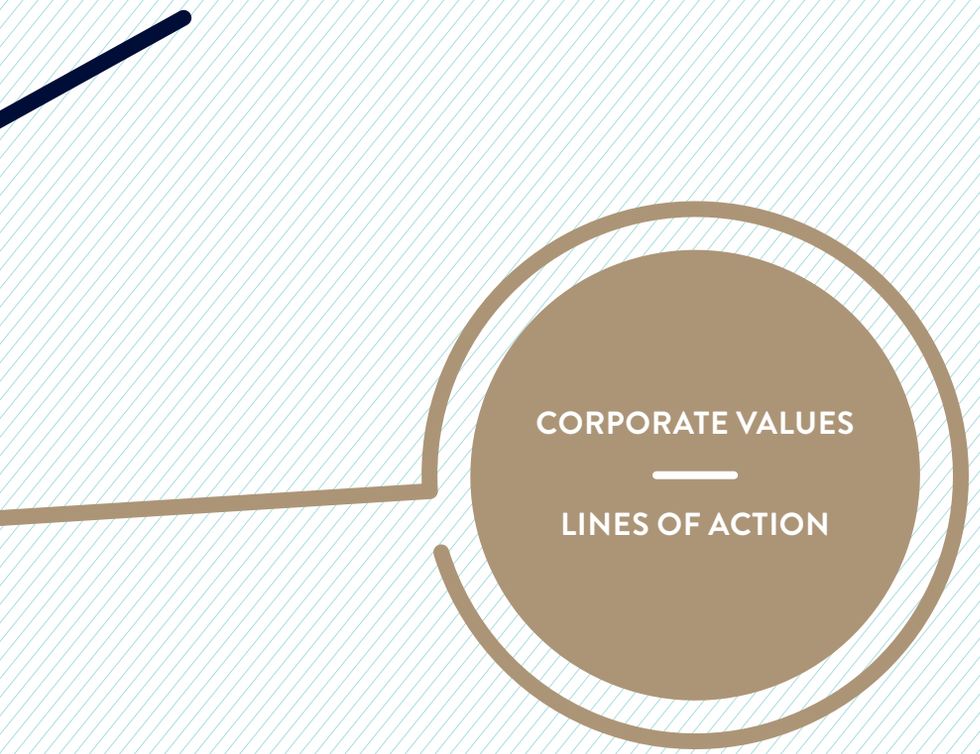
STAKEHOLDER RELATIONS

The relationship of dialogue and collaboration that we maintain with our stakeholders allows us to comply with our objective of creating value in a sustainable way. The main principles and pillars underscoring this relationship are set out in our internal standards, which are in line with the Principles of the UN Global Compact, the Sustainable Development Goals (SDGs) and the Guiding Principles on Business and Human Rights (UNGP).

ABOUT US

Inditex is one of the world's largest fashion retailers, with eight retail formats and more than 7,200 stores in 93 markets and 41 online markets. More than 162,000 people from 99 different nationalities are integrated in this team and work in environments where innovation, creativity, challenging oneself and non-conformism go hand in hand, helping us to offer our customers responsible products that are environmentally friendly.

ZARA PULL&BEAR Massimo Dutti Bershka stradivarius OYSHO ZARA HOME UTERQÜE



- Strong customer focus
- Modesty
- Self-reliance
- Non-conformism
- Innovation
- Team work
- Creativity
- Diversity
- Eco-efficiency

- Policy on Human Rights
- Code of Conduct and Responsible Practices
- Code of Conduct for Manufacturers and Suppliers
- Right to Wear guiding principles
- Lines of action in each area to achieve sustainable, responsible products of the highest quality



People
Page 34

Sustainable management of the supply chain
Page 56

Our customers
Page 94

Commitment to the excellence of our products
Page 102

Recycling and efficient use of resources
Page 124

Improving community welfare
Page 140

Corporate governance
Page 164

STAKEHOLDER RELATIONS

We maintain a relationship of transparency and dialogue with our stakeholders which allows us to create sustainable value, and constitutes a fundamental tool for facing the challenges and opportunities that arise in the course of our activities.

We follow global and specific policies that guide our relations with our stakeholders. The Board of Directors has approved policies concerning human rights and corporate social responsibility, among others. We also follow a Code of Conduct and Responsible Practices and a Code of Conduct for Manufacturers and Suppliers, all of which bring together the values and principles that guide our activities and ensure accountability for our supply chain.

Inditex regularly identifies and reviews its stakeholders. Once identified, these stakeholders are classified and prioritized according to our own business model.

Based on this prioritization, for each set of stakeholders we develop a relation strategy and set of dialogue tools, which are constantly under review. The partnerships created with our stakeholders allow us to progress our compliance with the SDGs, which identify *Partnerships for the Goals* as Goal 17.

Inditex also has at its disposal a Social Advisory Board that advises the Group on sustainability issues. Advisory Board's members are external individuals or institutions independent from the Group. The Social Advisory Board has a key role in Inditex's relations with stakeholders, as the Advisory Board is responsible for formalizing and institutionalizing dialogue with key players across communities in which we operate.

MAIN TOOLS FOR DIALOGUE WITH STAKEHOLDERS

STAKEHOLDERS	TOOLS FOR DIALOGUE	FREQUENCY	GOALS	MAIN COMMITMENT	EXAMPLES OF STAKEHOLDERS
OUR PEOPLE	- Ethics Committee - Agreement with UNI Global Union - Training and internal promotion - Internal communications - Volunteer programmes	On request Constant Constant Constant Constant	- Motivate human resources - Strengthen commitment to the Code of Conduct and Responsible Practices	- Respect for human and labour rights - Fair and decent treatment	- Store staff - Office staff - Logistics staff - Trade union
CUSTOMERS	- Specialized customer service teams - Brick-and-mortar and online stores - Social networks - Product Quality, Health and Safety teams	Constant Constant Constant Constant	- Rapid response to customer demands - Customer services segmented by country and service to achieve a more personalized care	- Integration into the entire business model	- Brick-and-mortar store customers - Online store customers - Potential customers
SUPPLIERS	- Supplier clusters - Ethics Committee - Commercial and sustainability teams - Framework Agreement with IndustriALL	Constant On request Constant Constant	- Ensure compliance with the Code of Conduct for Manufacturers and Suppliers	- Promotion and protection of Human Rights, fundamental labour rights and international standards	- Direct suppliers - Manufacturers - Workers - Trade union
COMMUNITY	- Social Advisory Board - Cooperation with NGOs - Sponsorship and Patronage Committee	Biannual Constant Constant	- Achieve maximum scope and impact of the programmes developed	- Contribution to social and economic development	- NGOs - Government and public administration - Academic institutions - Civil society - Media
SHAREHOLDERS	- General Shareholders' Meeting - Sustainability indexes - Investors relations	Annual Annual Constant	- Consolidate position on sustainability indexes - Corporate transparency	- Social interests and the shared interests of all shareholders	- Institutional investors - Private investors
ENVIRONMENT	- Social Advisory Board - Commitment to NGOs	Biannual Constant	- Apply the Strategic Environmental Plan	- Respect for the environment - Protecting biodiversity - Sustainable management of natural resources	- Environmental protection organizations - Governments

102-21, 102-29, 102-33, 102-40, 102-42, 102-43, 102-44, 103-2, 103-3

MATERIALITY ANALYSIS

Inditex sets priorities to advance the creation of economic, social and environmental value, and to meet the needs of its stakeholders while ensuring that the business can grow and generate value.

One of the most important tools the Group uses to set priorities is the materiality analysis, which tells us which issues most concern our stakeholders and how these impact our business model, and viceversa. We decide on our priorities based on the materiality analysis to ensure that Inditex's sustainability strategy is in line with their expectations.

The result of the process undertaken in 2016 to review our priorities was a materiality matrix featuring 32 relevant topics that Inditex will concentrate on to develop and implement its sustainability strategy.

When identifying material topics and their boundaries, we have followed the recommendations contained in the Global Reporting Initiative (GRI) guidelines and the Integrated Reporting Framework. Materiality is one of the GRI Reporting Principles, which Inditex has adhered to when drafting its Annual Report. The materiality principle establishes that the Annual Report needs to reflect the organization's significant economic, environmental and social impacts, as well as any aspects that substantially influence the evaluations and decisions of stakeholders.

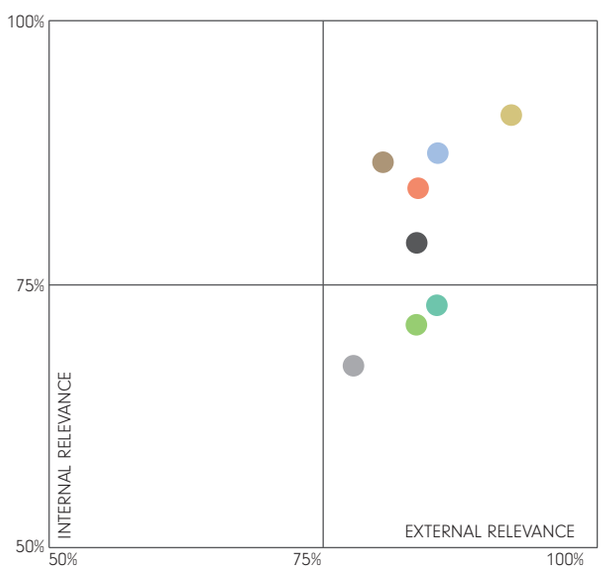
GRI REPORTING PRINCIPLES

STAKEHOLDER INCLUSIVENESS | **SUSTAINABILITY CONTEXT** | **MATERIALITY** | **COMPLETENESS**

PROCESS OF PREPARING THE INDITEX MATERIALITY MATRIX

IDENTIFICATION	DEFINITION OF PRIORITIES	VALIDATION	REVIEW
Analysis of overarching trends and identification of relevant issues throughout the value chain	Presentation of the issues considered important by stakeholders to assess their relevance and influence on decisions	Internal validation of the results of the materiality matrix by Inditex's management, and external validation by the Social Advisory Board	The internal and external conclusions of the review of the matrix have been applied

MATERIALITY MATRIX BY PRIORITIES



The complete matrix is available on the Sustainability Balance Sheet (p. 229) along with an analysis of each relevant issue, including its boundary.

- People
- Sustainable management of the supply chain
- Our customers
- Commitment to the excellence of our products
- Recycling and efficient use of resources
- Improving community welfare
- Corporate governance
- Other business aspects

102-44, 102-46



CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Inditex has always been fully committed to sustainability and the protection of human rights throughout its value chain. In this respect, following the approval of the 2030 Agenda for Sustainable Development in September 2015, we have committed to the 17 Sustainable Development Goals (SDGs), embracing the route to sustainability charted by these goals.

Cooperation with our different stakeholders is vital, as joining forces with a range of different partners is how we are able to maximise our contribution, adopting the SDGs as our own and making progress in a collaborative way on the route to sustainability set out in the goals.

Based on the alignment of Inditex's priorities with the SDGs, we have created qualitative and quantitative indicators that measure our contribution to the fulfilment of the SDGs. To this end, we have made use of the indicators set out in the guide developed by the UN Global Compact, the Global Reporting Initiative (GRI) and World Business Council for Sustainable Development, which establishes links between the SDGs and the GRI standards.

In fact, Inditex forms part of the *Corporate Action Group for Reporting on the Sustainable Development Goals* organized jointly by the UN Global Compact and the GRI with the aim of shaping the future of corporate reporting on the SDGs and compiling best practices in this area. The table of indicators is available on p. 224 of the Sustainability Balance Sheet.

INDITEX AND HUMAN RIGHTS

Inditex recognizes that respect for Human Rights, as enshrined in the UN Guiding Principles on Business and Human Rights, is a vital part of sustainable development. That's why our human rights strategy focuses on decision-making and value creation. In this regard, the strategy:

- is integrated into the entire business model;
- is developed through continual improvement;
- promotes and systematizes opportunities for dialogue;
- promotes internal training and involvement at all levels of the Group.
- its implementation is assessed based on measurable indicators.

On 12 December 2016, Inditex's Board of Directors approved the Group's Policy on Human Rights, which forms a fundamental pillar and cornerstone of Inditex's human rights strategy. This policy has not been created from scratch; rather, it is an updated reflection of all the values that were already reflected in the Group's guiding principles, as set out in the Code of Conduct and Responsible Practices, and Code of Conduct for Manufacturers and Suppliers.

In its Policy on Human Rights, Inditex makes a commitment to play a conscientious role in promoting Human Rights, working proactively in this area. The Group also undertakes to avoid or mitigate the negative consequences on human rights of its own activities.

The second of the fundamental pillars of this strategy – apart from political commitment – is due diligence. This means identifying Human Rights related to each of the areas or processes that the company is involved in throughout the value chain. Conclusions are incorporated and integrated into the company's strategies and processes. The involvement of all areas of the Group and external stakeholders is particularly vital. In 2016, Inditex embarked on a review and update of its due diligence processes, using best practices identified both within and outside the company to create a global due diligence model that will be applied to the whole organization throughout 2017 and beyond.

As a third pillar of our strategy, grievance mechanisms strengthen due diligence processes as they help in identifying and providing timely solutions to any potential negative impacts on Human Rights while strengthening relations with our stakeholders. Inditex's main grievance mechanism is the Whistleblowing Channel managed by the Ethics Committee, which is available to all employees and third parties with a legitimate interest.

HUMAN RIGHTS

THE UNITED NATIONS UNIVERSAL DECLARATION OF HUMAN RIGHTS
GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

REGIONAL AND SPECIFIC STANDARDS

- California Transparency in Supply Chains Act of 2010
- UK Modern Slavery Act 2015
- OECD Guidelines for Multinational Enterprises
- OECD Due Diligence Guidance for Responsible Supply Chains in the Garment and Footwear Sector

INDITEX'S HUMAN RIGHTS STRATEGY

- Policy on Human Rights
- Due Diligence
- Grievance mechanisms

INDITEX'S HUMAN RIGHTS POLICY WAS APPROVED IN DECEMBER 2016 BY THE BOARD OF DIRECTORS

INDITEX IS COMMITTED TO PLAYING AN ACTIVE ROLE IN PROMOTING HUMAN RIGHTS AND WORKING PROACTIVELY IN THIS AREA.

THE POLICY IS BASED ON

- UN International Bill of Human Rights
- Fundamental Conventions of the International Labour Organization (ILO)
- ILO Declaration on Fundamental Principles and Rights at Work
- The 10 Principles of the UN Global Compact
- United Nations Guiding Principles on Business and Human Rights
- Organisation for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises

POLICY CONTENTS

- Commitment to respect and promote all internationally recognized Human Rights
- Principles applicable to stakeholder relations
- Identification of the rights most closely linked to our business model

NON-LABOUR HUMAN RIGHTS

- Respect for the rights of minorities and communities
- The right to privacy
- The right to health
- The right to freedom of opinion, information and expression
- The right to safety
- Contribution to the fight against corruption
- The right to environment and water

HUMAN LABOUR RIGHTS

- The rejection of forced and compulsory labour
- The rejection of child labour
- The rejection of discrimination and the promotion of diversity
- Respect for freedom of association and collective bargaining
- Protection of worker health and safety
- Fair, equitable and favourable working conditions



Zara Fifth Avenue, New York (USA).

OUR PRIORITIES





Zara employee at the store in London (UK).

our priorities

PEOPLE

Inditex's growth is sustained by 162,450 people that work every day to bring responsible fashion products to our stores. That's why we promote the professional growth of our employees with working environments that prioritize diversity, equal opportunities, creativity and teamwork.

INTRODUCTION

At Inditex, diversity, multiculturalism, sustainability and respect are values of our DNA: at the end of 2016, our 162,450 employees represented 99 nationalities and spoke 45 different languages.

Inditex is committed to guaranteeing that all its employees enjoy safe and healthy working environments where equal opportunity, work-life balance and professional development are a reality. We are also aware that the Group's growth goes hand-in-hand with the growth of our people. That's why in 2016 we continued to offer training programmes and give our employees the possibility of developing a professional career.

During the year, we also worked to ensure that Inditex offers stable, quality employment. With 80% of employees globally on permanent contracts in 2016, we placed an emphasis on guaranteeing shared criteria for action in all areas of our business, as well as specific improvements designed for each country. All of our work streams are aligned with the United Nations Sustainable Development Goals (SDGs) established in the 2030 Agenda for Sustainable Development.

Without a doubt one of the most notable features of our workforce is that women are the majority of our employees. More than three quarters of our employees worldwide are women (76% versus 24% men), although the gap has slowly been reducing since 2010.

The gender ratio across the Group's areas of activity (stores, logistics, manufacturing, and central services) also favours women – except in logistics, where the proportions are inverted (60% men compared with 40% women). In the case of stores, women account for 79% of our employees and men, 21%. And in central services, women account for 62% of the workforce, while 38% are men.

Examining the composition of our workforce by area of activity, proportions in 2016 remained the same as in the previous year. Store staff is by far the biggest professional group within Inditex, representing 87% of our total workforce. Meanwhile, central services accounted for 7% of the Group's employees, with logistics staff standing at 5% and manufacturing at 1%.

The other defining feature of our people is their youth. A little over 60% of Inditex's workforce is aged under 30: a total of 100,089 employees. By region, almost a 30% of our staff is located in Spain, a total of 48,589 people. The rest of Europe accounts for 46% of the Group's workforce with a total of 74,093 employees. Meanwhile, Asia and the rest of the world account for 13% of the workforce, which translates into 21,423 people. America has a total of 18,345 Inditex employees, or 11% of our workforce.

RELATED SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
 **Goal 3**: Ensure healthy lives and promote well-being for all at all ages.	Inditex continues to be committed to safe and healthy working environments. This commitment, which is set out in our Code of Conduct and Responsible Practices and our Health and Safety Policy, has led us to move forward on implementing OHSAS 18001 certification in our work centres. In our day-to-day work, this takes the form of preventative action, training activities and initiatives to promote healthy habits among our employees.
 **Goal 4:** Ensure inclusive and quality education for all.	At Inditex, we believe that each and every one of the people that in our company is the driving force behind what we do. That's why one of our main priorities is to give our employees training opportunities so that they can acquire new skills and develop their talent. All of Inditex's areas of activity offer specific technical or skills-based training programmes tailored to the range of roles that exist in the Group.
 **Goal 5:** Achieve gender equality and empower all women and girls.	Women account for 76% of the Group's total workforce. Gender equality, equal opportunities and work-life balance are basic pillars of our relationship with our employees. In this respect, and in line with our Code of Conduct, we do not tolerate any form of discrimination. Moreover, we create policies that favour maternity and breastfeeding, as well as developing Equality Plans and initiatives to raise awareness of gender equality.
 **Goal 8:** Promote inclusive and sustainable economic growth, employment and decent work for all.	Continual improvement of the quality of employment we offer is one of Inditex's priorities. That's why we set pay policies that support and adapt to the needs of our employees. We also promote staff training and the development of their talents, and we have developed a range of programmes to improve the quality of employment we offer. As part of the strategy, since 2009 Inditex has been a part of a Global Agreement with the UNI Global Union Trade Union Federation to guarantee workers' labour rights, and sustainable growth.

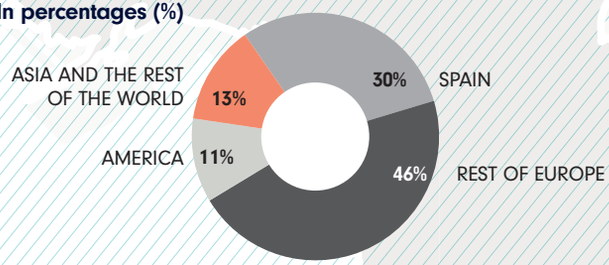


Inditex employee at the New York (USA) offices.

OUR PEOPLE IN 2016

DISTRIBUTION OF THE WORKFORCE BY GEOGRAPHICAL AREA

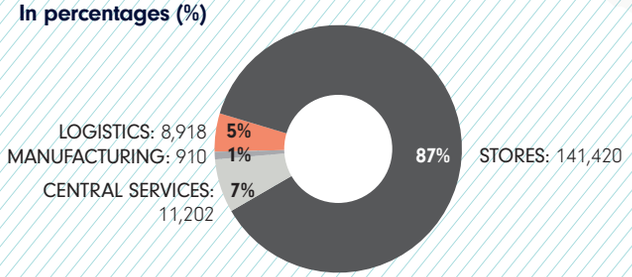
In percentages (%)



Overall figures	2016
Spain	48,589
Rest of Europe (excluding Spain)	74,093
America	18,345
Asia and the rest of the world	21,423

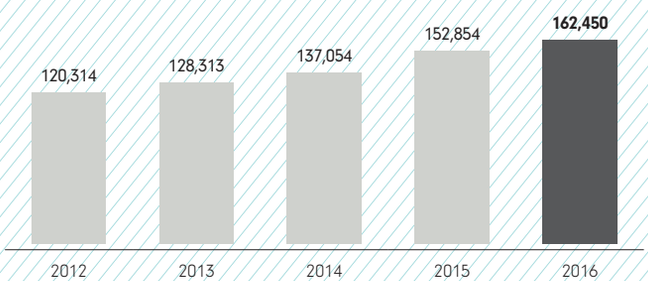
DISTRIBUTION OF THE WORKFORCE BY ACTIVITY

In percentages (%)



Overall figures	2016
LOGISTICS	8,918
STORES	141,420
CENTRAL SERVICES	11,202
MANUFACTURING	910

EVOLUTION OF THE WORKFORCE IN THE LAST FIVE YEARS



TOTAL EMPLOYEES IN 2016: 162,450

AMERICA

18,345 employees

ARGENTINA	789
BRAZIL	2,789
CANADA	2,216
CHILE	862
UNITED STATES	5,168
MEXICO	6,208
URUGUAY	313

102-8, 405-1

EUROPE

122,682 employees

ALBANIA	178	ITALY	7,388
GERMANY	5,420	LUXEMBOURG	178
AUSTRIA	1,428	MACEDONIA	155
BELGIUM	2,378	MONACO	35
BELARUS	24	MONTENEGRO	113
BOSNIA AND HERZEGOVINA	350	NORWAY	241
BULGARIA	583	POLAND	4,417
CROATIA	955	PORTUGAL	6,129
DENMARK	285	UNITED KINGDOM	5,476
SLOVAKIA	214	CZECH REPUBLIC	480
SPAIN	48,589	ROMANIA	2,743
FINLAND	226	RUSSIA	10,368
FRANCE	8,450	SERBIA	511
GREECE	3,707	SWEDEN	797
HOLLAND	2,243	SWITZERLAND	1,421
HUNGARY	896	TURKEY	4,254
IRELAND	926	UKRAINE	1,124

ASIA AND THE REST OF THE WORLD

21,423 employees

AUSTRALIA	1,588	KAZAKHSTAN	544
BANGLADESH	56	MOROCCO	5
CAMBODIA	3	NEW ZEALAND	152
CHINA	11,269	SINGAPORE	3
SOUTH KOREA	1,441	SOUTH AFRICA	428
INDIA	909	TAIWAN	691
JAPAN	4,325	VIETNAM	9

DURING THE LAST FOUR YEARS, WE HAVE CREATED 42,136 JOBS WORLDWIDE

1. EQUALITY AND DIVERSITY



Bershka employees at the store in London (UK).

Conscious that growth begins when we develop each of the professionals that work for us at Inditex, we focus on creating working environments that allow our employees to develop and give the best of themselves. These are working environments where they will be accepted as they are, regardless of their race, ethnicity, gender, gender identity, sexual orientation, age, religion, and nationality, among any other characteristics.

At Inditex we are particularly committed to promoting gender equality through initiatives that also include flexible and part-time working hours. In addition, we create policies that favour maternity and breastfeeding, as well as promoting a work-life balance for workers with specific needs. Inditex's Equality Monitoring Committee is in charge of analysing the effectiveness of these measures.

One proof of these efforts and the effectiveness of the measures we have implemented to ensure a work-life balance is the rate of employees that return to work after maternity or paternity leave. A total of 2,378 Inditex employees in Spain were on maternity or paternity leave in 2016. From the group, 98% returned to their job following that leave, a very high rate that was similar among women and men, as well as among temporary and permanent employees.

Our employees are also supported by our commitment to labour rights and the defence and promotion of human rights in general. In this area, we work with the global trade union federation UNI Global Union, which represents workers in service sectors throughout the world. In 2009, we signed a framework agreement with UNI Global Union which supports all of the labour rights set out in the Conventions of the International Labour Organization (ILO), and which forms the foundations of labour relations with our employees.

103-2, 103-3, 401-3, AF23, AF24, AF27, AF32



INDITEX IS A MEMBER OF *OPEN FOR BUSINESS*

In February 2016 we joined *Open for Business*, a coalition of 22 leading global companies that are comitted to the inclusion of the LGBTQ (lesbian, gay, bisexual, transgender, queer) community. Inditex, together with the other members of the coalition, works to stop the spread of anti-LGBTQ sentiment in many parts of the world and shares a deep-rooted commitment to diversity and inclusion in the workplace.

www.open-for-business.org

AT INDITEX, WE DO NOT TOLERATE ANY FORM OF DISCRIMINATION, WORKING TO ENSURE EQUAL OPPORTUNITIES FOR ALL CANDIDATES AND EMPLOYEES

PROMOTING EQUALITY

At Inditex we strive to create a working environment that focuses on equality, acceptance and understanding, where people are free to voice their ideas and are listened to. Additionally, in line with our Code of Conduct and Responsible Practices, we do not tolerate any form of discrimination, working to ensure equal opportunities for all candidates and employees. Likewise, we have put specific systems in place so that our employees are able to report any incident so that it can be properly dealt.

In 2016, we implemented awareness-raising and training activities on equality, a vital task given that more than three quarters of Inditex's staff worldwide are women (76% versus 24% men). The use of new tools that facilitate the dissemination of and access to information has made it possible to reach all of our employees with the contents of the Equality Plans created for the Group's brands, which are made available to staff on Inditex's intranet, INet.

In Spain, the implementation and application of these Equality Plans has been an ongoing task for the last 10 years. In 2016, we made further progress in this direction with the approval of the Equality Plan for the logistics centre located in Cabanillas and in all of our own factories. We also started negotiations to renew the Zara and Massimo Dutti Equality Plans, which are due to be approved during 2017. Similarly, the brands Oysho and Pull&Bear have signed various protocols to prevent sexual and gender-based harassment. In the other countries where we operate, we have also developed a range of initiatives and protocols in this sphere.

In 2006, Inditex ratified the *EQUAL Diversidad Activa* (Active Diversity) project co-financed by the European Commission and directed by the Spanish Coordinator of the European Women's Lobby and Fundación Carolina.

Raising awareness is an integral part of labour relations with Inditex, which starts during initial training and for as long as that link lasts. To achieve this, we celebrate a range of activities on significant dates, such as the International Day for the Elimination of Violence Against Women on November 25th. On that day, there are videos, photography competitions, and courses on discrimination and sexual harassment. We also promote *Equality Week* in our stores, among other activities.

Inditex's commitment to supporting victims of gender violence is highlighted by our collaboration agreement with the Ministry for Equality and the incorporation of staff trained through the *Salta* project. Moreover, and with the help of specialized foundations, our objective is to support a new life project through which victims can become survivors, enjoying a security at work that affords them emotional stability and improves their self-esteem.

103-2, AF32

DIVERSITY AND INCLUSION IN THE UNITED STATES



Zara SoHo employees at the store in New York (USA).

In May 2016, Inditex launches its first *Diversity and Inclusion Policy* in the United States. The policy has the aim of establishing a firm commitment to these values in everything the company does.

Based on this document, Inditex rejects all forms of discrimination. The company also works to guarantee equal opportunities for candidates and employees, regardless of their race, colour, creed, age, religion, gender, nationality, ascendancy, citizenship, marital status, sexual orientation, gender identity/expression, disability, pregnancy, veteran status, genetic information, or any other legally protected status. This policy is applied to any practice we engage in linked to recruitment and selection, pay and benefits, promotion, mobility, professional development and training, demotion, dismissal, disciplinary action and any other employment condition.

Our Diversity and Inclusion Policy is included in the Employee Handbook, which contains the range of Inditex policies and procedures in the country, including a guide that deals with situations that can be considered sexual and other forms of harassment. The Manual also sets out the protocol that should be applied in such cases by management, both in stores and business areas, as well as the confidentiality of any investigations or corrective actions that are applied.

Our achievements in the United States during 2016 are accompanied by other initiatives designed to increase social awareness of diversity and inclusion among our employees. Additionally, we can highlight the creation of a *Diversity and Inclusion Calendar* that brings together cultural, ethnic or religious observances and events celebrated throughout the year that can be shared with all staff in order to promote inclusion, mutual respect and awareness among employees.



ZARA USA diversity manual

Also in the United States, in the sphere of gender transition initiatives we have established the foundations to ensure that any employee undergoing a process of gender reassignment finds that their workplace provides them with the support they need to feel fully accepted in their working environment.

We have also created training materials for our sales staff in order to ensure that all people – and in particular transgender people – are always treated with maximum respect in our stores. Our aim is for all of our customers to enjoy an excellent shopping experience, regardless of their gender identity or expression and their sexual orientation.

2. ATTRACTING, DEVELOPING AND PROMOTING TALENT

Our people are the driving force behind Inditex. A team of more than 160,000 people that are passionate about responsible fashion, highly motivated and who take pride in a job well done. To make the most of this wealth of talent, we promote a culture in which collaboration, humility, diversity and commitment are key.

Furthermore, attracting talent and ensuring professional growth are fundamental to our relations with our employees. That is how 17.4% of our workforce was promoted in 2016. Our staff help us to strengthen our determination as a company to sustain constant growth and evolution.

ATTRACTING TALENT

INDITEX CAREERS

To recruit the best professionals to our workforce, we created *inditexcareers.com*, which aims to centralize and channel all of the job offers available in all of the Group's areas of activity. This site is also a window into our world, to offer a more precise image of who we are and what it is like to work in our business.

In 2016, *Inditex Careers* has become a key source of talent in many of our markets through social media. By creating content that people can identify with and find interesting on our social media, we have strengthened relations with candidates and positioned ourselves as an attractive company to work for. Moreover, our social profiles are the first online point of contact with our candidates which allow us to have personalized contact every day with people who are interested in working for Inditex.



Inditex employee at the New York (USA) offices.

INDITEX CAREERS IN 2016

- We have published more than **7,000 job advertisements** for the whole Group
- More than **500,000 candidates** have used our website to get information on vacancies
- *Inditex Careers* has more than **800,000 followers** on Social Media
- We have attracted candidates in **23 countries** via our social networks
- In order to optimize the smooth running of *Inditex Careers* we have implemented our **NRT** *(New Recruiting Tool)*, a selection tool that brings together the tasks of attracting and identifying external and internal talent via a back-office system
- More than **800 workers** in our Human Resources Department use *Inditex Careers* in their work when selecting staff

THE DRIVING FORCE BEHIND INDITEX IS MORE THAN 160,000 PEOPLE THAT INTEGRATE ITS TEAM TO MAKE THE MOST OF THIS WEALTH OF TALENT, WE PROMOTE A CULTURE IN WHICH COLLABORATION, HUMILITY, DIVERSITY AND COMMITMENT ARE KEY

103-1, 103-2

TALENT CENTRES: ATTRACTING TALENT IN STORE

Our stores are the central axis of our business model, and account for 87% of the Group's total workforce worldwide. In order to seek out the best candidates, Inditex has developed a well-honed *employer branding* strategy that positions us as good employers.

A decade ago, we implemented our *Talent Centres,* a network of centres that form a meeting point with potential candidates in ten key cities for the company in terms of commercial presence. At these centres, our team works every day to improve candidates' recruitment experience, offering them an easy and simple process and the option of receiving a clear response to their application.

In 2016 we also developed the *24h Candidates* system, which ensures a 100% response rate to all spontaneous applicants that we receive in store, as well as including their CV on our database.

2007	2011	2012	2013	2015	2016
Madrid Barcelona	London	Milan Moscow Paris	New York Mexico Istanbul	Shanghai	*24h Candidates* programme

ATTRACTING CREATIVE AND PRODUCT PROFESSIONALS

Our eight commercial formats have more than 2,400 professionals working on the creation and development of the collections that fill our stores in 93 different markets. Over 700 of them are designers. The team is also made up of people from the Purchasing, Commercial and Pattern Design areas of each brand, all based in Spain.

It is key for these teams to be able to attract designers from all over the world. That is why we are exploring new forms of recruitment, making use of a methodology that was first created in 2011 with the Cantera Project, whose aim was to hire young professional recent graduates that could be incorporated into our creative teams following a made-to-measure training process.

Thanks to this initiative to select young, creative candidates, in 2016 we have maintained close and regular contact with 30 design schools worldwide. We have also explored new channels for contacting such candidates, including the fashion competition *Shape the invisible*:



Zara designs at its head offices in Arteixo (Spain).

SHAPE THE INVISIBLE

Shape the Invisible was first designed as a collaborative project involving Zara and four international fashion schools (the Royal Academy of Antwerp, Les Arts Decoratifs in Paris, Parsons School of Design in New York and Kingston University in London), to promote recycling and creativity. The aim is to produce new designs, reinterpreting old patterns and reusing fabrics from garments that formed part of previous Zara collections.

The competition has allowed Inditex to get to know new generations of designers, sharing our challenge of sustainable fashion with them.

PHASE 1: Launch with fashion schools
Materials issued
173 participants

PHASE 2: Collection of the selected 72 garments

PHASE 3: Selection of the 12 finalists
School & Students Zara visit

PHASE 4: Competition closing event
Award of prizes to the two winners

PROFESSIONAL DEVELOPMENT

At Inditex we are committed to internal promotion as the best way of promoting the growth of our employees and of the company. Our commitment to internal promotion systems is vital to our constant growth and evolution, and has been a key to our success since we began. Some 17.4% of our workforce was promoted in 2016. Of that number, 75.6% were women.

This commitment to internal promotion is particularly evident in our stores, one of the most important starting points for a professional career in our Group and the source of more than half of our retail and product management jobs. The other pillar of our activity are logistics, where our professional development programmes are to be found. In both areas, we can highlight the Go! and InTalent projects to identify and promote internal talent.

INTALENT

2010	InTalent Spain is founded
2011-2012	InTalent is launched in the UK, Portugal, Greece, Italy and Germany
2013	Staff can see job openings within the organization for the first time
2014	Mexico and Brazil join InTalent
2015	InTalent is launched in China, and the Job Finder tool is created
2016	InTalent reaches 23 countries and more than 45,000 employees

With the aim of reaching our store staff and centralizing the information on their CVs in the most efficient way, in 2010 we implemented the InTalent initiative, a tool that allows us to communicate directly with our staff and get to know their interests in order to help them define their next professional steps within Inditex. Once the potential of these candidates has been identified, they are offered an internal training and development programme.

In 2016, InTalent covered a total of 23 countries and more than 45,000 employees who have registered their data in this tool, specifying their career expectations and interests within Inditex. Thanks to InTalent, more than 1,600 people participated in development and promotion programmes in 2016

INDITEX GO!

Inditex Go! was created in 2013 as a way to identify, select and develop promising young talent in Zara in order to maximize promotion from stores to other areas of the company. The programme has become a way of training our future management staff.

Zara *Go!* was originally developed in response to the needs of the Zara product teams. But it was so swiftly accepted and so successful that it has been expanded to other brands including Zara Home, Massimo Dutti and Oysho, as well as other areas and departments including purchasing, distribution and management control. In 2016, we launched the first version of Go! for the areas of imports, exports, transport and logistics.

Go! currently allows us to employ 144 people in different teams, all working under a personalized development plan. The plan includes an initial training period of six months in the range of business areas, from product to distribution centres, central services and country subsidiaries, with training in store as the main focus.

One new feature introduced last year was the extension of the programme to the United Kingdom and Germany to strengthen Zara store teams. This is the aim of the *Zara Go! Stores* programme. This version of the programme is designed to identify talent at the major universities of those countries and offer career plans to them with the idea of covering store management roles in our subsidiaries.

AT INDITEX WE ARE COMMITTED TO INTERNAL PROMOTION AS THE BEST WAY OF PROMOTING THE GROWTH OF OUR EMPLOYEES AND OF THE COMPANY

INDITEX GO!

As a result of our commitment to internal promotion, the Inditex Go! Programme has allowed 144 people in our store teams to join other areas of the company via a personalized professional development plan.



Teresa

"I started out in stores in a temporary position, and when I had been working only six months I saw the leaflets for Zara Go! and I thought I'd apply to take part.

***Zara Go! allows you to learn a great deal from being in contact with all store areas** and the work of central offices. You start out with a great deal of responsibilities, **which means adapting to the new job happens very fast.**"*

Zara Go! in 2014 /
In store since 2014
Job: International Product Manager Man
Nationality: Spanish



Anabel

"I had been working for seven years in store when I saw the poster for Zara Go! in the canteen. It seemed very far-fetched that I would be able to work in central offices, but my manager encouraged me to take part.

Thanks to Zara Go! you arrive in A Coruña with a group of friends and adapting is much easier.

***I never imagined that I would be given so much responsibility from the start:** I started with 53 stores and I am **delighted to have come so far.**"*

Zara Go! in 2014 /
In store since 2007
Job: International Product Manager Woman
Nationality: Spanish



Sabrina

*"I was happy working in store but I wanted to try something beyond that. With **Zara Go! I have come much further than I could have imagined**, although I still want to keep growing in my department!"*

Zara Go! in 2013 /
In store since 2012
Job: International Product Manager Kids
Nationality: Polish



Raymond

*"My job has changed a great deal since I started in Zara, and **and I've been promoted every three years: first as a store manager and later to central offices** in Spain. Life in A Coruña is very different to China but the adaptation has been easy and I love it."*

Zara Go! in 2014 /
In store since 2008
Job: International Product Manager Woman
Nationality: Chinese

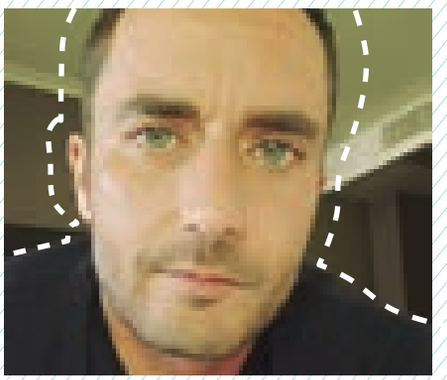


Lide

*"While I was in university I worked at Zara on weekends and full-time during the summer. When I finished my degree I heard about the programme Inditex Go! Logistics thanks to my Human Resources manager and **I saw an opportunity to develop a career that combines my passion for fashion and logistics.***

During my training, I had the chance to work in Zara's flagship store in Copenhagen, and I loved the multicultural atmosphere that characterized the store."

Zara Go! in 2016 /
In store since 2014
Job: Imports, Exports and Corporate Transport
Nationality: Spanish



Rodrigo

*"**I started out as warehouse staff in León** and was involved in the launch of the centre in 2006. During the next two years I was promoted to team manager and section manager.*

Later I started providing overseas support, and in 2012 I joined the corporate operations team. I have implemented logistics solutions in countries including Japan, the United States, Russia, Mexico, the United Kingdom, Italy, Taiwan, Korea, China and Australia.

Now I'm the Head of Logistics for the West Coast of the United States."

In stockrooms since 2006
Job: Logistics, United States
Nationality: Spanish

TRAINING

Training our employees is key to our business, which is based on a business model that requires constant innovation and teamwork. All of Inditex's areas of activity offer specific technical or skills-based training programmes tailored to the range of roles that exist in the Group. Our network of internal trainers incorporates the contents of training programmes into everyday work, including service in stores and customer orientation as key pillars of this activity.

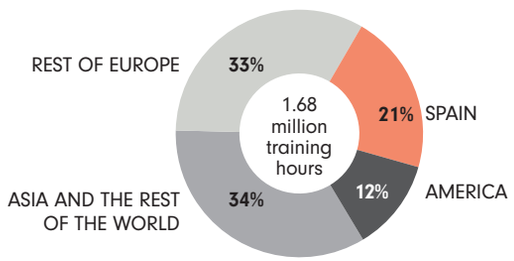
In 2016, Inditex provided more than 1.6 million hours of training, of which 200,000 were training programmes on skills, languages or IT. We have also included environmental training and awareness raising through workshops that have been attended by 3,418 employees across all our areas activities, stores, logistics and central services in Spain, Portugal, China, India and Germany. More than 89,000 attendees in 43 countries participated in the range of training programmes during this period.

EMPLOYEE TRAINING IN 2016

	OFFICE TEAMS	STORE TEAMS	
		MANAGERS	SALES STAFF
INITIAL TRAINING ON THE JOB	INITIAL TRAINING ON THE JOB	TALENT DEVELOPMENT PLAN	MENTORSHIP PROGRAMME
INITIAL TRAINING IN THE CLASSROOM		INTRODUCTORY COURSES AT OUR TALENT CENTRES	
TECHNICAL/ SPECIALIZED TRAINING	PRODUCT: e.g. visual merchandising PROCESSES: e.g. RFID PEOPLE: e.g. labour law		CUSTOMER SERVICES
SKILLS	COMMUNICATION, ORGANIZATION, PERSONAL EFFICIENCY, DEVELOPMENT CENTRES, ETC.		
LANGUAGES	CHINESE, SPANISH, FRENCH AND ENGLISH		
IT	OFFICE SOFTWARE, SPECIFIC PROGRAMMES E.G. pattern software		
HEALTH AND SAFETY	HEALTH AND SAFETY		
ENVIRONMENT	ENVIRONMENT		

TRAINING HOURS BY GEOGRAPHICAL AREA IN 2016 (*)

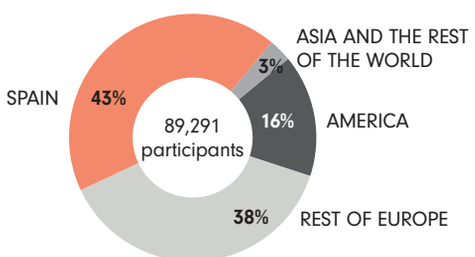
In percentages (%)



Total hours of training: 1,680,421

TRAINING PARTICIPANTS BY GEOGRAPHICAL AREA IN 2016 (*)

In percentages (%)



Total participants: 89,291

(*) Data for 43 countries.

103-2, 103-3, 404-2, AF5



Bershka employee at the store in London (UK).

eFASHION PROGRAMME

2012	2013	2015	2016
eFashion pilot	1st edition Spain 1st edition UK 1st edition France	2nd edition Spain 1st edition Italy	3rd edition Spain 2nd edition Italy

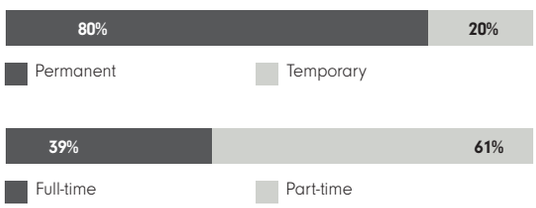
Since it started in 2012, the e-Fashion programme has allowed 702 students in Spain, the United Kingdom, France and Italy to train in the integrated management of the fashion business. Designed by Inditex in collaboration with the Instituto Europeo de Diseño de Madrid (IED), e-Fashion offers store teams online training lasting 220 hours structured into three blocks of contents – product, business and image and communication – seeking to improve professional skills and competencies among employees.

Meanwhile, since 2016 store management in eight countries (Italy, France, the United Kingdom, the United States, Russia, Austria, Germany and Switzerland) can make use of the *Manager Toolkit*. This is a tool installed in the app INet, the mobile app Inditex makes available to its employees which gives them access to training materials on store operations, staff recruitment techniques, identification and development of internal talent and staff management skills, all specifically tailored to their role.

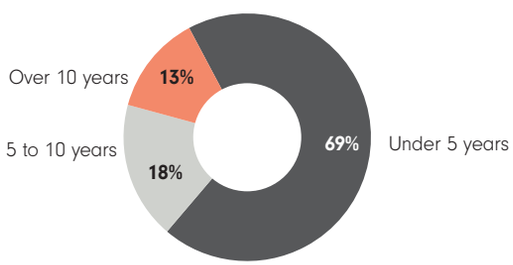
3. QUALITY EMPLOYMENT

Continually improving the quality of employment is a priority at Inditex. The diverse and international nature of our Group means that we are obliged to respond to the global and local needs of our employees. In 2016 we have worked to ensure this by strengthening projects already up and running and launching some new projects that contribute to enhancing our brand as an employer. Our aim is to guarantee decent, consistent, stable and quality working conditions in every country where we are present.

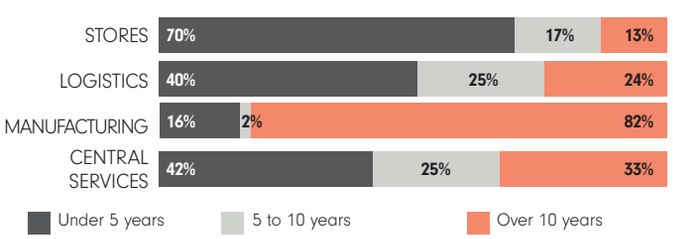
DISTRIBUTION OF THE WORKFORCE BY TYPE OF CONTRACT AND WORKING DAY (*)



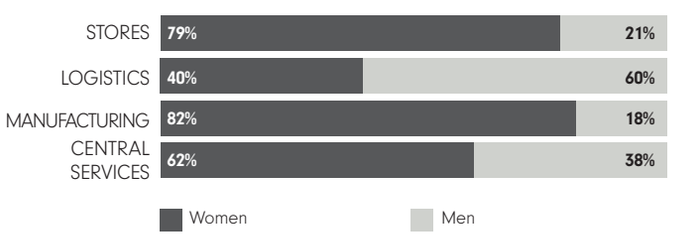
DISTRIBUTION OF THE WORKFORCE BY LENGTH OF SERVICE (**)



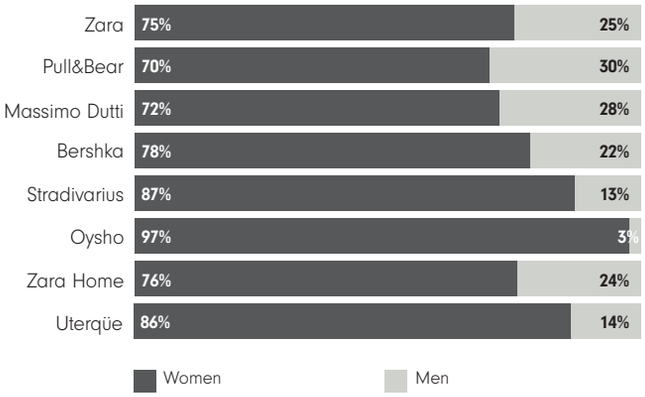
DISTRIBUTION OF THE WORKFORCE BY LENGTH OF SERVICE AND AREA OF ACTIVITY (**)



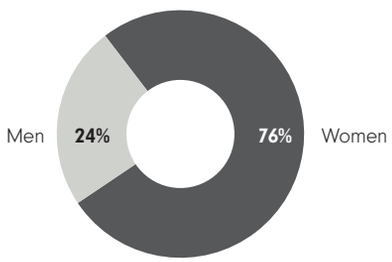
DISTRIBUTION OF THE WORKFORCE BY GENDER AND AREA OF ACTIVITY



DISTRIBUTION OF THE WORKFORCE BY RETAIL FORMAT AND GENDER



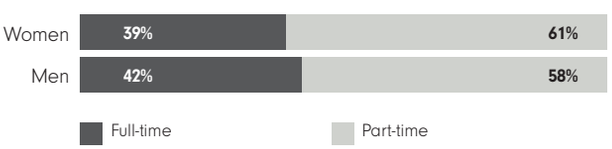
DISTRIBUTION OF THE WORKFORCE BY GENDER



DISTRIBUTION OF THE WORKFORCE BY TYPE OF CONTRACT AND GENDER (*)



DISTRIBUTION OF THE WORKFORCE BY TYPE OF WORKING DAY AND GENDER (*)



TOTAL EMPLOYEES BY AREA OF ACTIVITY, 2016

	GENDER		
CENTRE TYPE	**Women**	**Men**	**General total**
STORES	111,627	29,794	141,420
LOGISTICS	3,607	5,311	8,918
MANUFACTURING	745	165	910
CENTRAL SERVICES	6,940	4,262	11,202
General total	122,919	39,532	162,450

(*) The figures represent 82% of the Group's employees.
(**) The figures represent 92,5% of the Group's employees.

102-8, 405-1, AF22

INDITEX AS AN EMPLOYER IN 2016

Our position in the market as employers is reflected in the results we obtain in the Merco and Universum surveys. For the sixth straight year, Merco Personas has named us the *Best Company to work for in Spain*. Universum, another employer evaluation tool that ranks the *100 best companies to work for* based on university student surveys, awarded us third place in the Business and Sales category in 2016 for the second consecutive year.

PAY POLICY

The Inditex Group's wage-setting criterias are common across all areas of activity and specific for each of the markets and working environments where we operate. That's why one of our main aims is to extend flexible pay to employees in all areas of activity in our company, from stores to central services and logistics.

In 2016, Inditex's staff costs were over 3.6 billion euros including fixed and variable wages and social security contributions. Within this total, and with regards to 2016, we have distributed a total of 493 million euros among the workforce in bonuses and variable pay. These amounts were paid out monthly for sales commissions and stores, benefits and incentives, all of which were associated with specific targets.

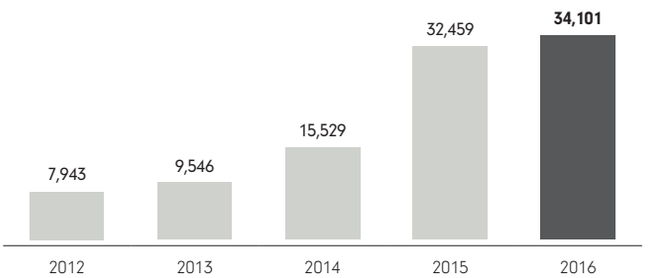
Another aspect where we have improved in the area of wages is in our search for formulas tailored to the interests and priorities of our employees within the framework of the labour law in force in each country. With this aim in mind, in 2009 we introduced flexible pay in Spain, allowing employees to choose products and services that provide them with tax savings such as medical insurance, restaurant cards or childcare services, among others. In 2016, more than 34,000 Inditex employees benefited from this system.

In terms of benefits, we have also developed the service *More 4 Less*, a discount club designed to help employees save on their shopping, thereby increasing their purchasing power. The service offered via a specialized web and mobile portal giving access to substantial discounts on global and local suppliers of travel, cars, insurance, banking or telephone services and more. *More 4 Less* is currently present in Spain, Portugal and Italy.

STAFF EXPENSES IN 2016

(in thousands of euros)	2016	2015
Fixed and variable wages	3,013,137	2,772,774
Inditex social security contributions Social	629,593	562,472
TOTAL	3,642,730	3,335,246

EMPLOYEES WITH FLEXIBLE PAY IN SPAIN



EMPLOYEE PROFIT-SHARING PLAN

Apart from variable pay, in 2016 Inditex completed its first employee profit-sharing plan, which we launched as an extraordinary initiative in 2015 for a duration of two years. Thanks to the hard work of all our employees, the company achieved exceptionally positive results in 2015 and 2016, which made it possible for the Group to share out more than 79 million euros among more than 84,000 people in 50 countries.

In order to continue to recognize the contribution made by all of our employees to achieving results, the Inditex Group will extend this initiative with a second extraordinary profit-sharing plan to be paid out in 2018 and 2019. The plan is still targeted at staff working at stores, factories, logistics centres, brands and subsidiaries worldwide that have been working for Inditex for more than two years as of 31 March 2018 and 2019. The Group will once again distribute 10% of the increase in net profits over the previous year to these employees, up to a ceiling of 2% of total profits. All employees in each country will receive the same amount, regardless of their working hours or job type.

INET: THE INTRANET FOR INDITEX EMPLOYEES

INet is the intranet for Inditex employees, available as a website format and mobile application. Designed as a space for interaction between employees and the company, the aim is to make it easier for workers to access corporate or personal information linked to their job contract, such as their wage slip, letters setting out targets for variable pay, or products that they have contracted via the flexible pay system.

INet also provides access to other services linked to the everyday operation of the company, such as booking rooms, a tool for providing evidence of expenses and allowances, or even viewing canteen menus. It features news on the company and benefits for employees.

INET IN FIGURES, 2016

- INet is available in **50 countries** where Inditex operates, covering 95% of the Group's employees.
- **Audience data**(*):
  webpage visits: 27,057,560
  log ins: 634,000
- **Mobile application:** a total of 27 countries and 90,000 users also have the INet app on their smartphone, following its introduction during 2016 to Turkey, Portugal, Brazil, Poland, Holland, Norway, Sweden, Finland, Denmark, Uruguay, Chile, Argentina and other countries.

(*) Source: Google Analytics

INDITEX IS COMMITTED TO GUARANTEEING ITS EMPLOYEES SAFE AND HEALTHY WORKING ENVIRONMENTS WHERE EQUAL OPPORTUNITY, WORK-LIFE BALANCE AND PROFESSIONAL DEVELOPMENT ARE A REALITY

OCCUPATIONAL HEALTH AND SAFETY

Our commitment to achieving the highest standards of Occupational Health & Safety Management has led us to continue implementing the OHSAS 18001 accreditation system in our subsidiaries and brands. Internationally renowned in its sphere, the OHSAS standard facilitates full integration of occupational risk prevention, complying with legal obligations and improving the health and safety conditions experienced by workers. Achieving this accreditation requires the involvement of all of the company's brands and departments.

Portugal achieved certification in 2016, while certification was also renewed for Italy, the United Kingdom and Ireland. These newly certified countries complete the range of store, logistics and factory businesses in Spain.

INCIDENT AND FREQUENCY RATES FOR WORK-RELATED ACCIDENTS IN SPAIN, 2016 (*)

Activity area	**2016**
STORE	
Incident rate of accidents requiring leave (**)	24.47
Frequency rate (**)	13.60
CENTRAL SERVICES	
Incident rate of accidents requiring leave	4.81
Frequency rate	2.67
LOGISTICS	
Incident rate of accidents requiring leave	138.44
Frequency rate	76.91
MANUFACTURING	
Incident rate of accidents requiring leave	71.19
Frequency rate	39.55

(*) Data corresponds to the tax year 2016 and covers 100% of the workforce in Spain.

(**) Incident rate = (Number of accidents resulting in leave*1,000) / average number of workers

Frequency Rate = (Number of accidents resulting in leave*1,000,000) / (number of hours worked in a specific period * average number of workers)

103-2, 403-2



Pull&Bear employees at the Narón head office (Spain).

ENCOURAGING HEALTHY LIFESTYLES

At Inditex we encourage and promote different "Healthy Company" activities that range from campaigns encouraging people to look after their heart and cardiovascular health or anti-smoking campaigns to the promotion of sporting activities at our work centres. In 2016 we also made progress on expanding medical care to employees in the workplace. This means that we have renewed all of our medical services and expanded our medical exams as part of health surveillance activities in all of Inditex's companies in Spain.

Moreover, for World Day on Safety and Health at Work on 28 April in 2016 we have held various informative and awareness raising activities in 47 countries where the Group is present as part of the campaign *How to Enjoy a Healthy Day*.

Also in 2016, Inditex developed a range of initiatives to promote the health of our employees, in particular in the areas of stores, manufacturing and logistics. These initiatives included the installation of defibrillators for public use in all buildings measuring more than 700 m² in the Basque Country, with specific training on how to use that equipment.

There were also courses to improve musculoskeletal disorders in all of Inditex's and factories, in Zara Logistics and Bershka Design. Various voluntary seasonal flu vaccination campaigns were also implemented for all employees in central offices in Spain.

Meanwhile, employees in Massimo Dutti and Oysho stores in Spain receive training on the measures required when working standing up, advice on posture, and sleep guidelines. In Germany, store employees were able to take part in activities to promote physical activity, including the issue of *Thera-Band* elastic exercise bands, head massages, and a book of exercises.

INHEALTH: THE HEALTHY LIFESTYLE PLATFORM

INhealth is our **platform dedicated to promoting worker health** both in the workplace and outside work. Its features and content include a newsletter published every two weeks, which workers can subscribe to for information about health, physical activity and healthy eating; a blog; and a platform for health management and sports challenges.

Following its launch in 12 countries in 2015, during 2016 INhealth was launched in Germany, the United Kingdom, Mexico, Turkey and Italy, **reaching more than 35,000 users**. The platform will be launched in Russia, Belgium, Greece and Portugal during 2017.



Training classroom of the Jeunes Project in France.

4. SOCIAL ACTION

Our commitment to our environment is one of the pillars of Inditex's activity, in particular when it comes to improving the inclusion in the area of work of vulnerable people or groups with special needs that make it more difficult for them to find employment. Moreover, our contribution has two angles: the projects Inditex promotes in the business sphere; and the initiatives promoted by our own employees.

A few years ago, we began to implement various actions in which both our experience in the business and the contribution of our people in the form of economic contributions, donations and voluntary hours are an active and vital part of what we do for society. The network of stores *for&from*, the *Jeunes* and *Salta* projects, *The Big Idea Project* and *Solidarios* programme were some of the key elements of the strategy in 2016.

SALTA PROJECTS

The *Jeunes* project was created in France in 2008 with the aim of improving the employability and labour integration of vulnerable collectives. It works to promote the employment of at-risk youth in the Paris metropolitan area.

The concept was also launched in Spain in 2010 as the *Salta* project. Its objective is to provide job opportunities within our stores, factories and logistics centres, for people who live in situations of social exclusion. The *Salta Mundo* version of the project is present in 10 countries and cities: Spain, Mexico, Brazil, New York, Lisbon, London, Milan, Athens, Paris and Warsaw.

Salta would not be possible without the direct and voluntary involvement of our employees, who play a fundamental role both in the implementation and development of the project, participating directly as trainers, tutors and mentors. Since it began, the *Salta* project has integrated more than 650 people into the labour market, assisted by a total of 800 employees who have participated voluntarily as trainers, tutors and mentors. In 2016 alone, more than 220 people participated in this initiative, supported by a total of 460 employees.

THANKS TO THE *SALTA* PROJECT, MORE THAN 650 PEOPLE HAVE JOINED THE LABOUR MARKET, ASSISTED BY A TOTAL OF 800 EMPLOYEES WHO HAVE PARTICIPATED VOLUNTARILY AS TRAINERS, TUTORS AND MENTORS



Pull&Bear and for&from employees in Ferrol (Spain).

FOR&FROM PROJECT

FOR&FROM IN 2016

	2016	2015	Change
Sales (in euros)	7,091,581	5,322,380	33%
Profit (in euros)	732,280	472,610	55%
Number of employees with disabilities	92	75	23%
Number of stores	11	9	18%

The *for&from* Project is a programme run by Inditex to provide jobs for people with disabilities, based on the concepts of social innovation and shared value. The initiative is founded on the creation of a network of social franchises managed by non-profit organizations and staffed by people with disabilities.

This *outlet* model works on supplying clothing and accessories from past seasons, which are sold at reduced prices by the social organizations involved. Following an initial donation from Inditex to fund the store's construction, the model then becomes self-sustaining based on the sale of the products.

During 2016, Inditex opened three new *for&from* establishments in collaboration with the non-profit cooperative Moltacte, the Galician Confederation of People with Disabilities (Confederación Galega de Persoas con Discapacidade, COGAMI), and the Fundación Molí d'en Puigvert. These stores are Massimo Dutti Igualada, Massimo Dutti Palafolls and Pull&Bear Ferrol, respectively. The programme currently involves 11 retail stores that generate 126 jobs and a turnover of more than 7 million euros in 2016.

With the aim of quantifying the social profits gained from the *for&from* project, the Fundación Ecología y Desarrollo (ECODES) carried out a study to identify and analyse the social and socio-economic returns from the project entitled "Identification and analysis of the social and socio-economic return of *for&from* through application of the Social Return on Investments (SROI) methodology".

The study found that *for&from* creates social, economic and socio-economic value approximately seven times greater than the investment made by Inditex to implement the programme. In particular, it found that for every euro (€1) invested by Inditex to purchase and adapt *for&from* stores, the programme returned approximately €6.23 (present net value at 10 years from the initial investment) in social and socio-economic benefits linked to its main objective, that of providing people with severe disabilities decent work that enables their inclusion in the labour market.

OTHER INITIATIVES

In 2011, the constant involvement of our employees in social initiatives led Inditex to create *Inpulse,* an internal platform that has channelled the social and voluntary actions of our employees. In 2016, *Inpulse* has evolved into *Solidarios*. The platform is available on the corporate intranet, INet. It aims to become a global platform to host all of our social actions.

THE BIG IDEA PROJECT

The year 2016 saw the launch of the third edition of *The Big Idea Project,* whereby employees apply for **sponsorship of social and environmental initiatives promoted by non-profit entities**. The charitable activities submitted for implementation in 2017 are then provided with support in the form of a donation and voluntary hours contributed by our employees.



Zara SoHo employee at the store in New York (USA).

our priorities

SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN

Our strategy for supply chain sustainability aims to create sustainable production environments in which the Human and Labour Rights of the workers of our suppliers are promoted and respected.

INTRODUCTION

Our work in the supply chain seeks to create a sustainable production environment in the countries where we operate, one that stands for the promotion and respect of human rights, as established by the UN Guiding Principles on Business and Human Rights. Thus, at Inditex, we work to contribute to the Sustainable Development Agenda, especially in those Development Goals (SDGs) that most affect our supply chain, such as the protection of good health and well-being (SDG 3), the achievement of gender equality and the empowerment of all women and girls (SDG 5), the promotion of decent work and economic growth (SDG 8), or the establishment of partnerships for the Goals (SDG 17).

Production traceability is essential in ensuring that our programmes reach all phases and processes of the supply chain. In 2016, the Inditex Group worked with 1,805 suppliers in 53 countries; these suppliers used 6,959 factories for our production. Each of these countries has different social, cultural, and developmental circumstances. And although Inditex's ability to influence them is, in most cases, very limited, our involvement in contributing positively is absolute.

The Code of Conduct for Manufacturers and Suppliers, and the Compliance Programme that ensures its implementation, are the cornerstone on which all programmes are based.

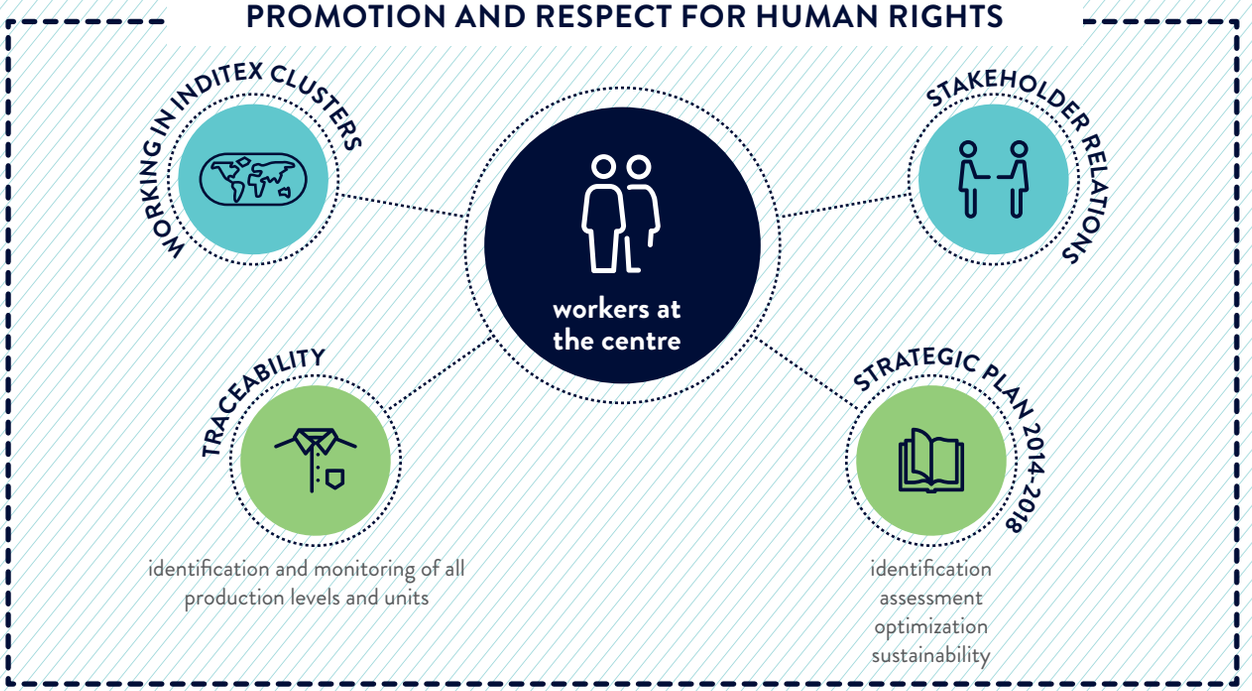
Throughout its execution we have developed our Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018, which in 2016 has passed its mid-way point with a high level of compliance.

Our programmes share a fundamental premise: they are by and for the worker, who is at the centre of everything we do. We have designed programmes in areas such as health and safety, women empowerment or living wages, among others, inspired by our proximity to suppliers and factories through supplier clusters. The clusters offer spaces for cooperation and are designed to promote a sustainable and productive environment in geographic areas that are strategic to the development of Inditex's business model. We currently have twelve supplier clusters: Spain, Portugal, Morocco, Turkey, India, Bangladesh, Vietnam, China, Cambodia, Brazil, Argentina and, since 2016, Pakistan.

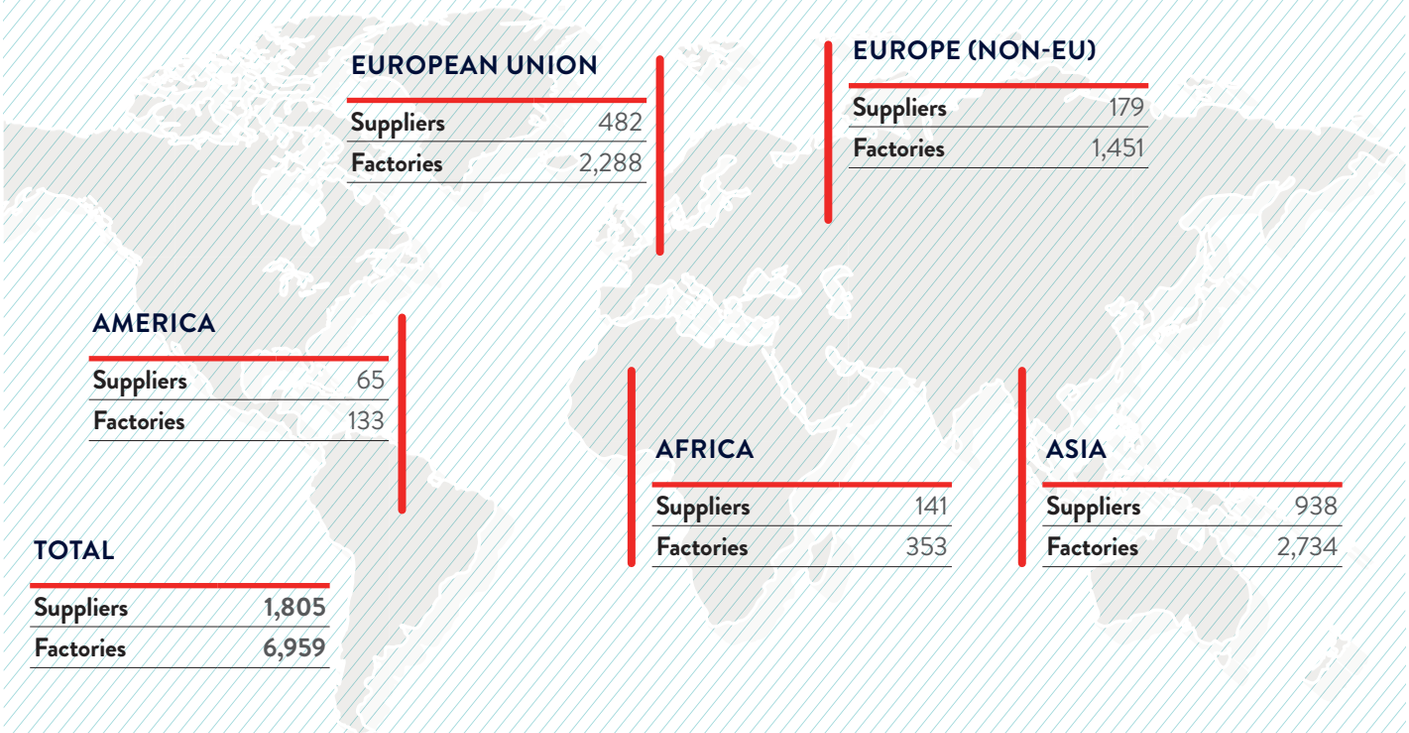
We firmly believe in the need for networks and cooperation for creating greater positive impact and, above all, sustaining it over time. We would highlight our collaboration since 2007 with the International Federation of Trade Unions "IndustriALL Global Union", through a Global Framework Agreement which in 2017 will have been in force for ten years. We also collaborate with other organizations and initiatives, such as the International Labour Organization (ILO), the UN Global Compact or the Ethical Trading Initiative (ETI), among others.

INDITEX AND THE SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
Goal 3: Ensure healthy lives and promote well-being for all at all ages.	The commitment to ensure safe and healthy work environments to promote the health and well-being of workers is key to Inditex's supply chain management. This commitment can be seen in our Code of Conduct and its compliance is evaluated by different audits. Moreover, we develop specific programmes to ensure health and safety in factories.
Goal 5: Achieve gender equality and the empowerment of all women and girls.	Gender equality and women's empowerment are particularly important in a sector such as textiles, as workers in the supply chain are mostly female. Inditex not only verifies that all the workers in the factories with which it collaborates have the same opportunities and working conditions regardless of gender, but that the factories also conduct programmes for women's empowerment.
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Inditex's supply chain comprises over 6,900 factories which employ over 1.5 million people. Inditex's positive impact on promoting decent work for them is highly relevant. On the one hand, Inditex has a Code of Conduct for Manufacturers and Suppliers that is binding for its entire supply chain, which establishes standards such as the prohibition of child labour, prohibition of forced labour or freedom of association, among others. On the other hand, all the programmes and projects are developed by and for the workers.
Goal 17: Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development.	Cooperation with each and every player of the supply chain is the cornerstone of Inditex's sustainability strategy. In this sense, we collaborate and maintain strategic alliances not only with our suppliers and manufacturers, but also with stakeholders such as unions, governments, NGOs and relevant international platforms such as the International Labour Organization (ILO), the United Nations Global Compact and the Ethical Trading Initiative, among others.

PROMOTION AND RESPECT FOR HUMAN RIGHTS



NUMBER OF SUPPLIERS AND FACTORIES IN 2016 (*)



EUROPEAN UNION

Suppliers	482
Factories	2,288

EUROPE (NON-EU)

Suppliers	179
Factories	1,451

AMERICA

Suppliers	65
Factories	133

AFRICA

Suppliers	141
Factories	353

ASIA

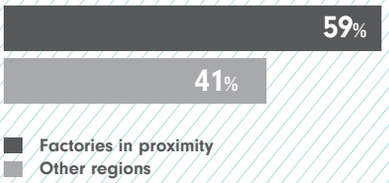
Suppliers	938
Factories	2,734

TOTAL

Suppliers	**1,805**
Factories	**6,959**

PRODUCTION IN PROXIMITY

Production is mainly concentrated in countries such as Spain, Portugal, Morocco and Turkey. The number of factories does not represent the actual percentage of production.



(*) Suppliers of fashion items, mainly clothing, footwear and accessories, producing over 20,000 units/year for Inditex. Suppliers with smaller production account for 0.29% of the total production.
Textile, footwear and accessory factories declared by suppliers in the manufacturer management system for orders in 2016.

1. TRACEABILITY OF THE SUPPLY CHAIN

Each and every one of the suppliers in the Inditex supply chain is subject to policies and standards such as:

- Inditex Policy on Human Rights
- Inditex Code of Conduct for Manufacturers and Suppliers
- Inditex product health and safety standards *Clear to Wear* (CtW) and *Safe to Wear* (StW)
- Global Environmental Sustainability Strategy, including Water, Energy and Biodiversity strategies

This is integral to our business model and compliance requires the cooperation of all areas, which is why Inditex's sustainability teams work closely with all suppliers and factories. Knowing and identifying all the links in our supply chain is the basis for being able to control and improve it.

R&D IN TRACEABILITY

In recent years, the technology and systems developed at Inditex have grown exponentially in quantity and quality and we now have specific programmes for sustainably managing the supply chain. These internal developments have allowed us to adapt management systems to our business model and to stay in constant contact with suppliers and their factories. They have also allowed the purchasing team to be involved in order to promote responsible purchasing practices. This means we can be sure that only suppliers that meet sustainability criteria are part of our chain.

Inditex has specific mechanisms for analizing the supply chain in depth, even before starting a business relationship with a supplier.

In 2016, the pre-assessment audit system, which constitutes the first evaluation of the conditions of each factory, was fully integrated into our corporate systems. This ensures traceability from the start and guarantees that both supplier and purchasing teams are aware of the result and the access, or non-access- to our supply chain.

Our next objective will be the integration of traceability audits used to verify the traceability of the supply chain, based on the analysis of information gathered through the manufacturer management system. This progress makes it possible to integrate all audits into a single, more efficient system.

1,805
Suppliers with purchase in 2016

Suppliers of fashion items, mainly clothing, footwear and accessories, producing over 20,000 units/year.

All suppliers are required to register the factories involved in production, allowing Inditex to verify their production capacity. This affords Inditex comprehensive control of its entire supply chain, and minimizes the possibility of unauthorised outsourcing.

6,959
Factories declared by suppliers in 2016 *

932 fabric
306 cutting
4,296 sewing
573 dyeing and washing
216 printing
636 finishing

IDENTIFICATION	ASSESSMENT			OPTIMIZATION	SUSTAINABILITY
TRACEABILITY	CODE OF CONDUCT COMPLIANCE PROGRAMME		ENVIRONMENTAL STANDARDS, CtW AND StW COMPLIANCE	CONTINUAL IMPROVEMENT OF THE SUPPLY CHAIN	WORK IN SUPPLIER CLUSTERS
Online manufacturer management system Traceability audits	Pre-assessment audits	Social audits Special audits	RtM Audits Picking Programme RtW audits GtW audits	Corrective Action Plans Training and capacity building for suppliers and manufacturers Awareness-raising for design and purchasing teams	Collaboration with stakeholders, such as: NGOs Local governments Trade unions International platforms Universities

(*) Textile, footwear and accessory factories declared by suppliers in the manufacturer management system for orders in 2016. For those factories involved in more than one process, figures refer to the main process performed.

Social · Environmental · Product health and safety

102-9, 102-43, AF1, AF3, AF6, AF7



Workers at one of our textile suppliers in Portugal

TRANSPARENCY OF OUR SUPPLY CHAIN

- **Communication to IndustriALL Global Union of the Inditex supply chain.** We regularly share the complete list of our supply chain at all levels and processes with IndustriALL, including purchasing volumes and sustainability compliance levels. Inditex is the only company in its sector that provides this information to a union and facilitates union access to all suppliers, which is a sign of commitment to transparency and respect for freedom our association and collective bargaining.

- **Publication of wet process factories** We publish the list of direct and indirect wet process plants (dyeing, tanning, washing, printing) declared by our suppliers, in line with the *Right to Know* Principle to provide the public with access to information on environmental protection. [Available at www.wateractionplan.com]

- **Communication to the International Labour Organization (ILO).** Inditex regularly provides the ILO with information on its supply chain in countries where the Better Work Programme operates, such as Vietnam, Cambodia and Indonesia. We work with them on advising and improving the conditions of the factories in these countries.

- **Communication with clients.** As part of our commitment to transparency, we inform our customers –on request– of the place where the garments were made. In this regard, in 2016 we answered 110 customer queries regarding the source of our products. In this field we also have specific projects in some countries, such as *Fabricado no Brasil* (Made in Brazil); these will increase in the future.

This commitment has been acknowledged by various non-profit organizations. Among the most relevant are:

Ethical Consumer and Fashion Revolution. Inditex is one of the top three companies in the Fashion Transparency Index; this index evaluates the transparency of the supply chain of the 40 largest global retailers.

Know the Chain. Inditex has been named as 'Leader' in the Know the Chain 'Transparency Snapshot: A Pilot Benchmark Report', in which different companies are evaluated in terms of transparency.

Baptist World Aid Australia. The Australian Fashion Report 2016 shows the valuation of different retailers in several aspects, including transparency. The report places Inditex in category 'A', the highest level, achieved by only seven of the 87 companies evaluated worldwide.



Employee of one of our textile suppliers in Portugal.

2. SUPPLY CHAIN PROGRAMMES: WORKERS AT THE CENTRE

The more than one and a half million workers in the Inditex supply chain are our priority when designing programmes and initiatives that aim to ensure their well-being. At Inditex we want these factories –in over 50 countries and with diverse social and cultural circumstances– to be places of work where the highest labour, health and safety standards are guaranteed. We also want these factories to be spaces where human rights are respected and promoted.

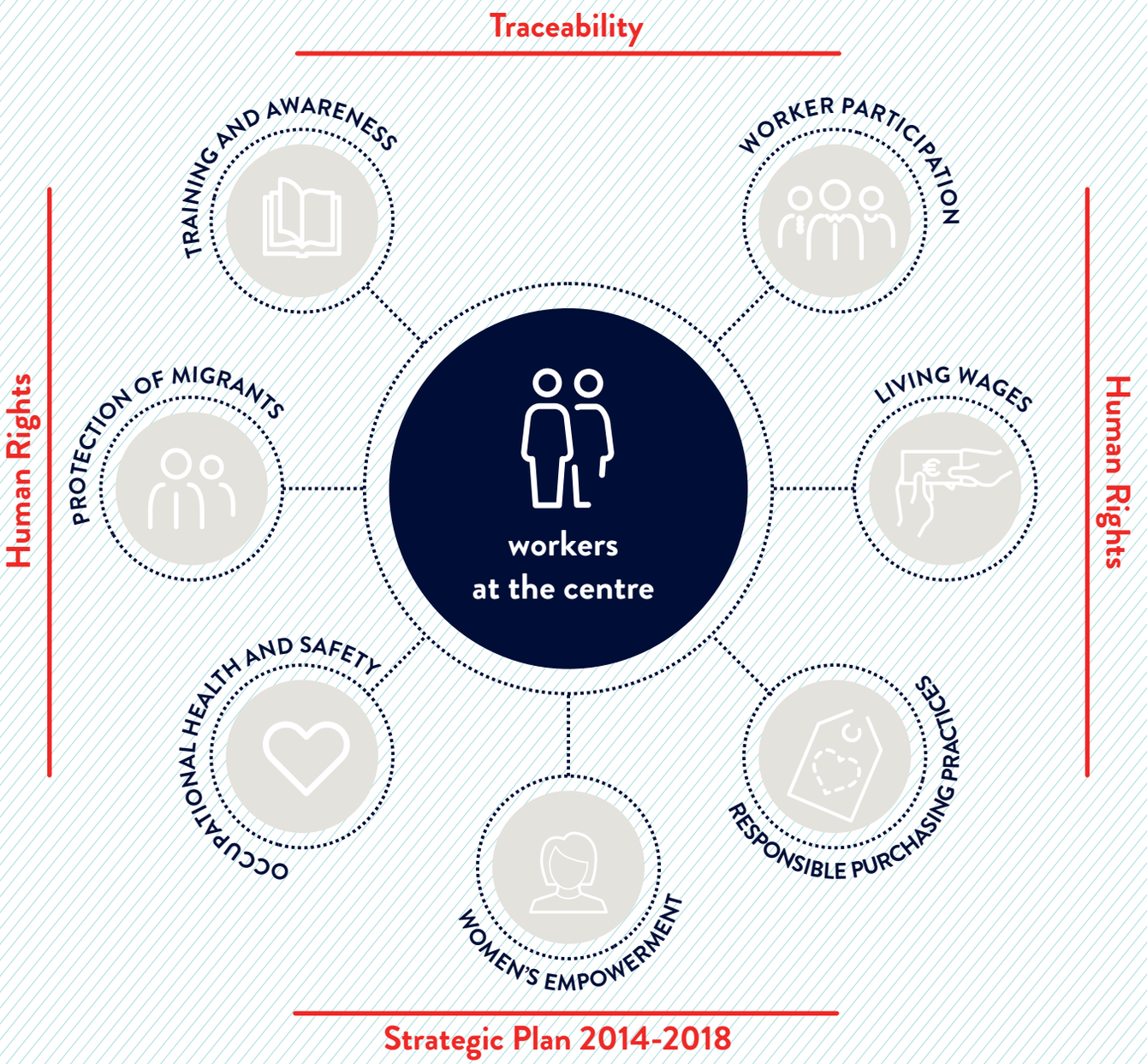
To this end, we design programmes in the different clusters that cover aspects as diverse and important as training, representation, occupational health and safety or wages. These projects and lines of work are in areas we believe need to be strengthened, once the results obtained in the Compliance Programme have been analysed.

In turn, all projects are related to relevant Human Rights and allow us to focus our efforts on the most vulnerable groups in the supply chain.

The different programmes have been created with the aim of covering 100% of the supply chain and covering all the workers that form part of it, although the implementation is progressive and is carried out taking into account each country's specific needs. To this end, the local circumstances, strengths and areas of improvement are analysed in detail through due diligence processes, in order to develop, as a priority, the most relevant programmes for each community.

Below are the most relevant programmes of 2016, as well as the performance of the initiatives that make up the Strategic Plan for a Stable and Sustainable Supply Chain 2014 - 2108. Each programme's most representative indicators are included.

WORKERS AT THE CENTRE

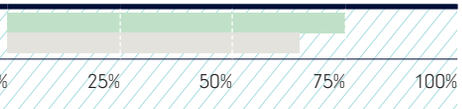


I. WORKER PARTICIPATION

STRATEGIC OBJECTIVE 2014-2018

Workers freely chosen as representatives throughout the supply chain

DEGREE OF COMPLIANCE 2016 2015



WORKER PARTICIPATION IN NUMBERS

TRAINING AND AWARENESS	Vietnam: 4 trade-union training seminars
PARTICIPATION	Bangladesh, China, Morocco, Turkey, Vietnam: 21 factories and 18,634 workers
IMPROVEMENT OF MANAGEMENT SYSTEMS	Vietnam: Creation of a union network

One of our most valuable mechanisms for workers' participation is the Global Framework Agreement (GFA), signed in 2007 with the international union federation IndustriALL Global Union, which in October 2017 will have been established for 10 years.

During these years, collaboration and dialogue with IndustriALL has been constant, a fundamental factor to contributing to a better balance of labour relations in the supply chain. This has also favoured the objective established by Inditex in its Strategic Plan 2014-2018 to maintain a stable and sustainable supply chain.

The Framework Agreement, which covers the entire supply chain, is intended to protect the interests of workers in the factories with which Inditex works and ensure compliance with trade union rights and other labour rights. During this time, Inditex and IndustriALL have developed numerous joint initiatives in the clusters. The relationship between Inditex's local teams and IndustriALL's delegations is continuous, which allows us to approach the workers and learn their needs and expectations.

The main collaborative tools and lines of work of the Framework Agreement are:

- **Supply chain transparency.** Inditex shares all the information related to its supply chain and its degree of compliance with the Code of Conduct with IndustriALL and facilitates the access by the unions to all its suppliers' facilities, allowing both parties to evaluate the conditions of the factories and suppliers.
- **Implementation of programmes at the local level**. Since the Agreement was signed, over 80 factories have been the subject of specific training and worker representation programmes.
- **Promotion of initiatives that favour decent wages.** At Inditex, we work with IndustriALL and other brands on initiatives such as ACT (Action, Collaboration, Transformation) whose objective is to address the issue of living wages in the textile and clothing sector by improving the conditions for dialogue and collective bargaining.
- **Joint interventions to address labour issues** that may arise in the supply chain.

THE RELATIONSHIP BETWEEN INDITEX'S LOCAL TEAMS AND INDUSTRIALL'S DELEGATIONS IS CONTINUOUS, WHICH ALLOWS US TO APPROACH THE WORKERS AND LEARN THEIR NEEDS AND EXPECTATIONS



2007 Signing of the Global Framework Agreement with IndustriALL Global Union. This was the first agreement for the entire supply chain of a company in the textile sector. Its primary objective is to ensure compliance with international labour standards derived from ILO, the UN and the OECD, as well as Inditex's Code of Conduct for Manufacturers and Suppliers. It also underlines the essential role of freedom of association and collective bargaining.

2012 Launch of the 'Protocol for the materialisation of union participation with a view to strengthening integration of the Global Framework Agreement in Inditex's supply chain'. This Protocol increased the local and international trade unions' capacity to act.

2014 Inditex and IndustriALL renew their Framework Agreement and establish that the freedom of association and the right to collective bargaining are at the heart of a sustainable supply chain.

2016 The framework was expanded and it was agreed that trade union experts would be integrated into Inditex's 12 clusters to monitor, supervise and accompany suppliers around the world. In addition, Inditex and IndustriALL will develop specific agreements for each of these clusters to address the characteristics of the suppliers of each region. The first of these agreements is that of the Turkey cluster.

The goals established by Inditex are constantly being renewed and improved, to strengthen the relationship with local unions and facilitate coordination with other brands through global agreements.

CREATION OF A UNION NETWORK OF INDITEX SUPPLIERS IN VIETNAM

The collaboration between Inditex and IndustriALL through the Global Framework Agreement has led to outstanding initiatives such as the creation of an Inditex supplier union network in Vietnam. The network was launched in late 2015 and consolidated and expanded nationwide in 2016.

As a result of the cooperation between trade union representatives from factories in the country, local unions, IndustriALL and Inditex, this trade union network is a great step forward in the defence of workers' rights. It is the first created by a textile company anywhwere in the world and also the first to encompass the entire supply chain of a multinational industrial sector.

In October 2015, representatives of factories, leaders of the Vietnam Trade Union Confederation (VGCL), IndustriALL and the Friedrich Ebert Stiftung Foundation (FES) met in the country. In addition to collective bargaining, issues related to length of working hours, wages, security and training were all addressed. Days later the union network of the north of Vietnam was launched and, later, in April 2016, the networks of the central and southern areas were created; the three integrate the country's union network.

During 2016, four trade union training seminars were conducted by IndustriALL and FES for representatives of Inditex's supplier factories in the country. Moreover, they have designated their coordinators, in this case four women, one each for the north and south of the country, a third representing the textile and clothing union federation in Vietnam and the fourth representing the Vietnamese trade union confederation.

The creation of this network is evidence of our responsibility and commitment to the supply chain by supporting global and local unions; these play a vital role in creating a more fair and participatory environment for workers in the defence of their rights. At the same time, it highlights the importance of global framework agreements as a basis for ensuring working conditions, occupational health and safety throughout the supply chain.

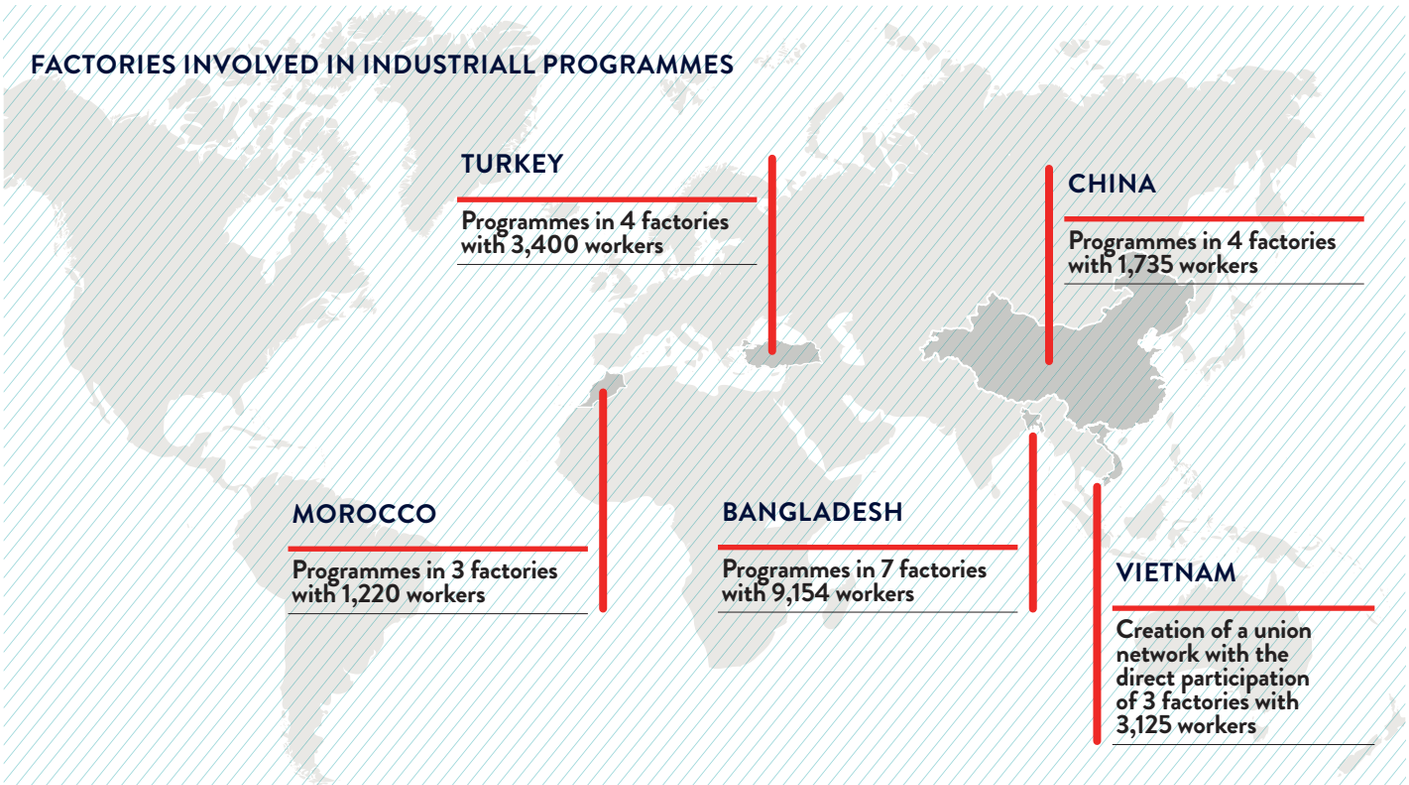
Finally, the union network will mobilize workers to increase union density, harmonize collective bargaining issues and train trade unions to deal with them. In this regard, with 2017 in view, we are working with IndustriALL on a concrete action plan that integrates strategies in supporting the rights of textile workers in Vietnam.

With regard to this union network and the Global Framework Agreement, the director of the textile and garment department of IndustriALL, Christina Hajagos-Clausen, stressed that "it gives the Vietnamese textile and garment unions a base to collectively organize their work. This is key to building sound and democratic industrial relations".

Throughout 2016, under the umbrella of the Framework Agreement, programmes have been implemented in 21 factories of our supplier clusters, involving 18,634 workers. The programmes have covered numerous initiatives of different kinds with the defence of workers' rights at its core and are organized around three main areas:

- Strategic projects to raise awareness of the rights and responsibilities of workers and employers.
- Programmes to improve working conditions and social dialogue.
- Remediation and accompanying actions.

FACTORIES INVOLVED IN INDUSTRIALL PROGRAMMES



21 FACTORIES WITH 18,634 WORKERS

PROTECTION OF THE RIGHTS OF WORKERS IN ASHULIA (DHAKA), BANGLADESH

Between December 2016 and January 2017, a series of incidents occurred in the industrial area of Ashulia, in the Dhaka province of Bangladesh. The situation resulted in mass dismissals of workers, detention of union leaders of the local federations and closures of the offices of these federations.

In a quick joint action, on 4 January several international brands with suppliers in Ashulia, including Inditex, sent a letter to Bangladesh's Prime Minister Sheikh Hasina urging her government to "take the necessary steps to ensure the protection of the rights of workers, with special attention to the legitimate representatives of the workers who have been arrested".

At the same time, Inditex sent communications to all its suppliers in the area reminding them of their commitment to the Code of Conduct in general and the right to freedom of association in particular.

In turn, IndustriALL, Inditex and other brands began to organize meetings to demand the release of the arrested trade union leaders, as well as the withdrawal of the charges and the readmission of the improperly dismissed workers.

Finally, the trade union leaders were released at the end of February 2017 and the conditions for social dialogue respectful of freedom of association, as well as of mature industrial relations between the parties, were restored.

II. LIVING WAGES

STRATEGIC OBJECTIVE 2014-2018	DEGREE OF COMPLIANCE 2016 2015
Ensure sustainable compliance with the Code of Conduct for Manufacturers and Suppliers	
Workers freely chosen as representatives throughout the supply chain	
Alignment and inclusion of the sustainability strategy in the Group's business model	

0% 25% 50% 75% 100%

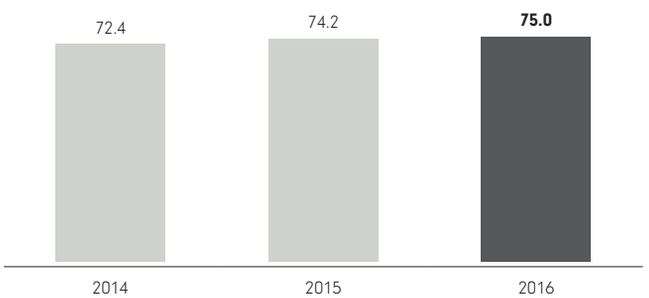
DECENT WAGES IN FIGURES

TRAINING AND AWARENESS	Training in 3 factories in Turkey 800 workers trained 729 trained internal buyers
PARTICIPATION	32 elected representatives of workers in Bangladesh 3,854 employees represented
IMPROVEMENT OF MANAGEMENT SYSTEMS	75% compliance with the Code of Conduct in wage issues 95% of the purchase in A or B suppliers 7 factories in LEAN project with 5,462 workers

Achieving decent wages for the more than one and a half million workers in our supply chain is a key goal of the textile industry as a whole. The actions that Inditex performs in this matter revolve around them.

At Inditex we conceive the living wage as an adequate remuneration that allows workers to cover their basic needs and the needs of their families. This concept is present in our Code of Conduct for Manufacturers and Suppliers. And it is mandatory for them to comply with it by virtue of Inditex's Minimum Requirements, which they sign as an indispensable condition when they join our supply chain.

EVOLUTION OF COMPLIANCE WITH THE CODE OF CONDUCT ON WAGES IN ACTIVE FACTORIES (%)



PROMOTING COLLECTIVE BARGAINING

The role of workers' representatives is essential for improving conditions in factories, not only in the area of wages but also in the different aspects of a collective agreement. As a result, a wage and, in general, decent working conditions are those that have been negotiated and agreed between employers and the freely-elected workers' representatives.

To achieve this, Inditex carries out training programmes for workers and facilitates the election of their representatives through the Framework Agreement with IndustriALL. In this regard, in 2016 training was carried out in three factories in Turkey with over 800 workers benefiting. The democratic election of 32 workers' representatives was also favoured at four factories in Bangladesh.

RESPONSIBLE PURCHASING PRACTICES

Inditex understands responsible purchasing practices as necessary for compliance with the Code of Conduct, so that they do not impair, not only this Code or applicable law, but also the necessary respect for Human Rights.

To this end, in recent years Inditex has trained buyers in internal regulation and regulatory compliance in sustainability; we have also given them practical tools to

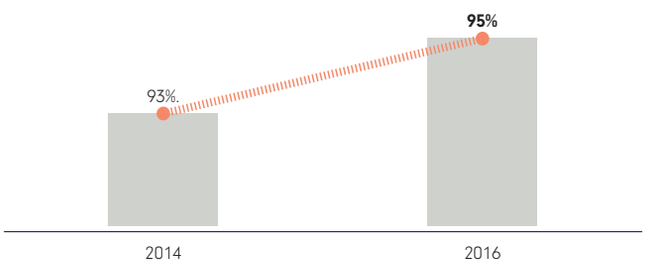
THE PURCHASE FROM SUPPLIERS WITH THE HIGHEST SOCIAL RATING (A OR B), IN 2016 ACCOUNTED FOR 95% OF THE TOTAL

make purchasing more sustainable and that favours those suppliers with the greatest degree of compliance in social and environmental issues.

In this regard, 729 buyers have received in 2016 the so-called *PrINciples* training, which continues in 2017 with the *IN Practice* workshops, designed *ad hoc* for the Inditex purchasing teams.

Thanks to this, the purchase from suppliers with the highest social ratings (A or B), in 2016 accounted for 95% of the total, which shows how the purchase has been oriented correctly in favour of suppliers with a hightest degree of sustainability compliance.

PERCENTAGE EVOLUTION OF PURCHASE IN SUPPLIERS A OR B



IMPROVED WORKING METHODS AND SYSTEMS

Improving working methods and systems is one way of improving the working conditions of workers. Taking part in the ILO *Score* Project in China (and soon in Turkey), as well as implementing the *Lean* Project in China, have yielded satisfactory results that highlight the scope for improvement currently existing in two of Inditex's key clusters.

COLLABORATION WITH OTHER STAKEHOLDERS

Collaboration with other stakeholders is essential for improving the conditions of workers in general and, in particular, for achieving decent wages in the industry.

The factories that work for Inditex also do so for other brands, making collaboration with them fundamental for ensuring that the worker is properly paid for his or her work.

In this regard, the ACT initiative is as an agreement between brands and workers' representatives to establish a cooperation that promotes the attainment of living wages in the industry.

Inditex's participation in ACT and its working groups is very active. During 2016, the initiative has become a foundation with the same objective: to transform the industry and achieve decent wages in the sector through collective bargaining. This objective is addressed from three parallel working groups, with collective bargaining as the central axis plus two other groups on productivity and good purchasing practices.

SUPPORT CAMPAIGNS

Finally, the public campaigns in favour of living wages are noteworthy; these evidence Inditex's commitment to this cause. The last and most notable of these campaigns in 2016 took place in Bangladesh, where, along with other brands, a letter was sent to the country's Prime Minister, Sheikh Hasina, on 4 January, urging, among other things, the adoption of a wage review mechanism that could give stability to the industry in the country.

Further information on page 66

LEAN PROJECT

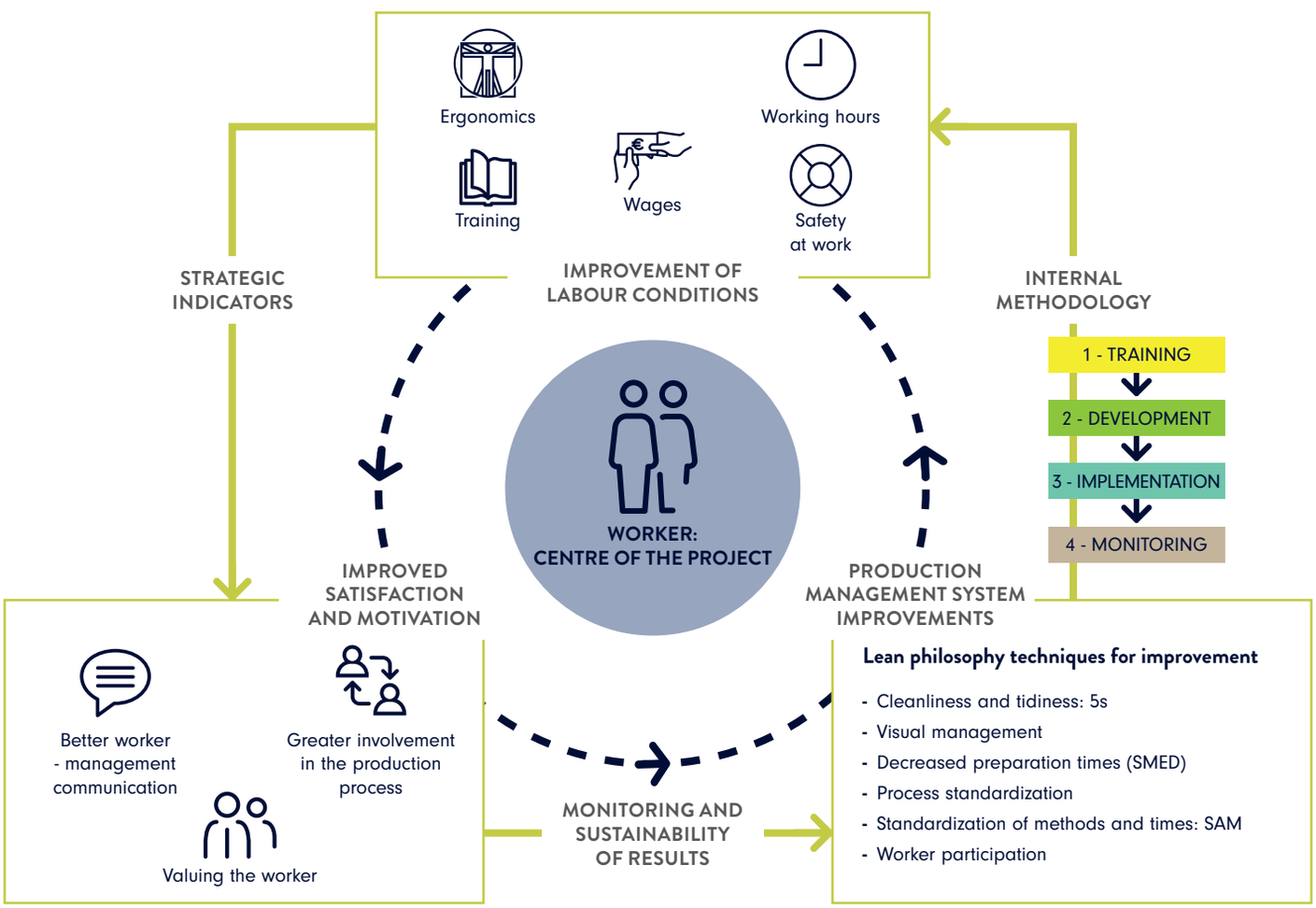
Following a first successful pilot in 2015, in 2016 the *Lean* Project was consolidated and extended to seven factories in our Chinese supply chain. This is an initiative carried out by Inditex's industrial engineers and it is based on the Lean production management methodology. The aim of the project is to improve working conditions, including their wages, by means of improved production management systems.

In the case of textile factories in the Inditex supply chain in China, and based on the knowledge acquired during the pilot phase, the internal methodology used was updated in 2016 and structured into four phases: training, development, implementation and monitoring.

In this context, workers' involvement is constant in all stages, which naturally favours participation and communication between workers and management. On the other hand, a series of strategic indicators or KPIs have been created to evaluate the improvement in factories both in an aggregated way (Lean Improvement, as it is described internally) and in a specific way, depending on the benefits achieved.

The result obtained in the seven participating factories has been positive, and the evolution in the production management systems has brought improvements to the working conditions of its workers. Therefore, the project will continue in 2017, consolidating the objectives achieved so far and extending them to new factories.

Another project that has been launched in China in collaboration with Ethical Trading Initiative and other industry brands is the development of training and awareness materials to ensure that the wages and benefits of workers are complied. Specifically, in 2016 an explanatory video on the protection of Chinese Social Security was produced, which will help workers to better understand the system and its benefits.



III. RESPONSIBLE PURCHASING PRACTICES

STRATEGIC OBJECTIVE 2014-2018

DEGREE OF COMPLIANCE 2016 2015

Alignment and inclusion of the sustainability strategy in the Group's business model

0% 25% 50% 75% 100%

RESPONSIBLE PURCHASING PRACTICES IN FIGURES

TRAINING AND AWARENESS

729 buyers trained in responsible purchasing practices
164 new employees trained in sustainability
112 employees of subsidiaries trained in sustainability

At Inditex, our purchasing practices include everything from purchasing planning to traceability of the supply chain. For this reason, developing responsible purchasing practices has a direct impact on our supply chain.

The responsible purchasing practices strategy is based on two fundamental premises: our corporate culture and the linking of purchasing decisions to sustainability criteria. With respect to our corporate culture, we foster sustainability in all our internal and external actions. And regarding purchasing decisions, if a supplier's performance does not meet our sustainability criteria, our systems do not allow us to assign orders to them. To ensure a responsible purchase we use different tools:

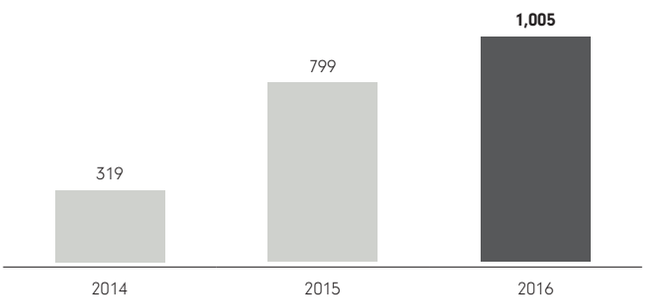
- Production traceability: Inditex is committed to the sustainability of its supply chain and for this reason it is essential to identify all those involved in it.
- Evaluation of potential suppliers *(Pre-Assessment)*: Inditex buyers are guaranteed that all suppliers receiving orders have passed a previous sustainability assessment.
- Visibility of the supplier ranking: The purchasing teams have complete sight of compliance with social, environmental and health of the product standards with the objective of placing orders with those with greater compliance in these areas.
- Supplier training: Continuous development of supplier training to improve factories is part of our commitment to stable relationships with ethical and responsible suppliers.
- Code of Conduct and Responsible Practices: The strict internal policy on conflicts of interest and corruption helps to foster ethical and transparent relationships and includes a Whistleblowing Channel.

These tools are complemented by a thorough and regular training process for the purchasing teams of each brand, given by the sustainability teams. In this regard, during the last year training sessions were held with 729 members of the purchasing teams and their managers, as well as 164 employees at headquarters and 112 from the subsidiaries.

This first phase of training sessions called *PrINciples* aims to promote values, behaviours and the principles of our responsible purchasing strategy. We also train sustainability teams in each brand of the group to ensure the continuity of training to any new purchase-related employee.

In addition to these internal initiatives, Inditex's active participation in ACT's responsible purchasing practices working group is enabling the development of responsible purchasing practices in the industry.

EVOLUTION OF EMPLOYEES TRAINED IN SUSTAINABILITY



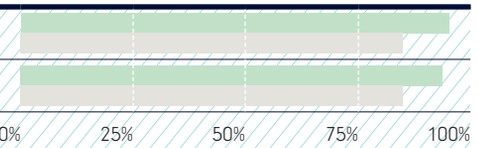
EMPLOYEES TRAINED IN AWARENESS OF RESPONSIBLE PURCHASING PRACTICES



103-1, 103-2

IV. WOMEN EMPOWERMENT

STRATEGIC OBJECTIVE 2014-2018	DEGREE OF COMPLIANCE 2016 2015
Ensure sustainable compliance with the Code of Conduct for Manufacturers and Suppliers	
Establish and maintain stable relationships of trust with suppliers	



WOMEN EMPOWERMENT IN FIGURES

TRAINING AND AWARENESS	India: 5,951 schoolchildren have been trained in their rights India: 36 employment agencies have been trained in awareness to prevent abusive practices India: 327 volunteers have been trained to prevent abusive employment practices Turkey: Raising awareness in a factory with 250 workers
IMPROVEMENT OF MANAGEMENT SYSTEMS	Morocco: Access to health services for 577 women India: 6 factories and 4,290 workers in the Sakhi project India: 19,171 direct beneficiaries of the Sowbhagyam programme

THE INDITEX SUPPLY CHAIN COMPRISES MAINLY WOMEN. THEREFORE, ONE OF OUR KEY OBJECTIVES IS TO PROMOTE GENDER EQUALITY AND WOMEN'S EMPOWERMENT



Workers of one of our textile suppliers in Portugal.

The textile industry is a mainstay of the economy in many of the countries where we operate, and women occupy most of the jobs in all stages of production. For this reason, Inditex's supply chain is mostly female. And it is our duty and mission to contribute to all these workers having the best working conditions and enjoying the same opportunities as a man.

To ensure greater equality for women, we have developed a number of programmes aimed at eradicating gender inequality and strengthening women's empowerment. All seek to respond to the real needs and social context of women in the countries where we produce, as well as to develop and deepen the work of social audits, as our internal methodology includes tools to identify and evaluate issues related to equality of women in the work environment.

To this end, in 2016 we started a pilot project in Turkey with a factory of 250 workers. In this initial phase, analyses have been carried out to understand the possible causes of gender discrimination in this country. With the findings obtained, the second phase of the programme will be launched in 2017 with the aim of improving the quality of life and working conditions of working women and achieving a full awareness by the factories' managers.

Also, several years ago we launched a project in Morocco in collaboration with the NGO Medicus Mundi Andalucía, which has provided medical care and treatment to 577 women in Tangiers and has trained workers in health issues in six factories.

see more on this project on page 156 in the chapter Improving Community Welfare

Another priority country in this area is India. During 2016, we conducted our Sakhi Project (Sakhi means "friend" in Hindi) which is structured in two parts: Sakhi Health and Sakhi Gender Equity. Both cover two fundamental aspects of the situation of women in the Asian country: health and the prevention of situations of harassment or abuse.

The Sakhi Health Project is a women's health training programme on issues such as nutrition, hygiene, menstrual health, cancer, AIDS and ergonomics. Its objective is to sensitize workers, supervisors and factory management to avoid and prevent future health problems. The future focus of the programme will be to achieve lasting positive change in the lives of workers, with periodic conferences in which all factory educators can take part, discuss difficulties and share good practices in the search for collective solutions.

With the Sakhi Gender Equity Project we are working to identify and prevent situations that may lead to harassment, discrimination or abuse towards female workers. In collaboration with stakeholders, the first step is to develop a comprehensive guide to worker well-being, which will focus on migrant and women workers. Moreover, efforts will be made to create appropriate grievance mechanisms in factories, strengthen representative committees and strengthen systems for the prevention of violence against women at work.

	SAKHI-HEALTH	**SAKHI-GENDER EQUITY**
GOALS	- Increase the level of women workers' knowledge in the area of health, nutrition and hygiene. - Provide workers with enough information to care for their family and themselves. - Reduce employee absenteeism caused by poor health and hygiene.	- Create appropriate systems in the factory to prevent exploitation, harassment and abuse of female workers. - Establish a system for reporting complaints. - Strengthen the mechanism of workers' representatives in factories and create a strong system to eradicate sexual harassment.
Involved stakeholder groups	St. John's National Academy of Health Sciences (Bangalore)	Swasti, Health Resource Centre
N° of factories involved	2	4
Number of workers reached	740	3,550
ACHIEVEMENTS 2016	The programme has been implemented in two factories with great success and its objectives have been achieved. It is scheduled to be fully implemented at the start of 2017.	A study was carried out on women workers in collaboration with other brands, as an example of a collective effort to discover and analyse the roots of the issue. The study allowed the implementation of new and improved practices in the factories. Moreover, a consultation was held with suppliers in Bangalore with the collective aim of creating an anti-discrimination and anti-harassment guide for female workers.



Employees of one Inditex supplier in the state of Tamil Nadu (India).

SOWBHAGYAM PROJECT IN INDIA

As part of Inditex's women empowerment projects in southeast India, in the state of Tamil Nadu we are working on specific actions against Sumangali, an abusive work practice that is deeply rooted in the region's rural culture. Currently, many young women are sent to work by their families to spinning mills for about three years. Only at the end of this period does the worker receive most of her salary, which is earmarked mainly for the payment of her dowry at the time of marriage.

To ensure that none of Inditex's suppliers in the region uses this abusive system, in addition to raising awareness in the community about its eradication and prevention, Inditex launched the *Sowbhagyam* ('Good luck' in Hindi) Programme in 2011. The programme takes specific actions in all areas where work to eradicate the system can be done, such as the factories themselves, the relationship with authorities and international organizations such as the Ethical Trading Initiative and, in the rural community, directly with families.

Given the strong rooting of this system in the culture of the region, the actions developed in the rural community are especially significant. Inditex collaborates with the local NGO SAVE (Social Awareness and Voluntary Education) providing training in Tamil Nadu villages and schools to raise awareness among families and adolescents of the importance of education and workers' rights. In addition, important work is done to raise awareness with employment agencies to recognize and respect working conditions. So far, the impact of these actions can be measured in the following terms:

- 19,171 direct beneficiaries
- 5,951 schoolchildren have been trained in their rights
- 327 volunteers have been trained
- 36 employment agencies have been trained in awareness

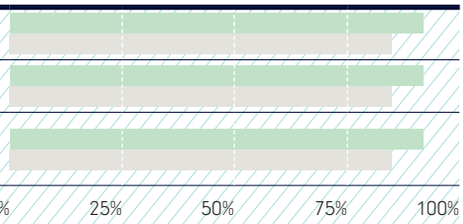
Inditex regularly performs specific audits to verify that its suppliers in India do not use the Sumangali system in their facilities. Among the actions carried out in this area are the identification of all the spinning mills used by our suppliers and the promotion of payment to the workers of Inditex's suppliers through bank accounts in order to increase transparency in the wage payment system.

Moreover, under the framework of the international Ethical Trading Initiative (ETI), Inditex has actively promoted and participated in the work of the organization's Sumangali Bonded Labour Group. Inditex is also one of the founding members of the Tirupur Stakeholder Forum, an initiative driven by the South Indian textile industry to eradicate these labour practices.

Moreover, Inditex is a member of the Amsterdam Coalition, an initiative that encompasses different stakeholders to help improve the employment situation of textile workers in this area. Inditex has been part of this initiative since its inception in 2015.

V. OCCUPATIONAL HEALTH AND SAFETY

STRATEGIC OBJECTIVE 2014-2018	DEGREE OF COMPLIANCE 2016 2015
Auditing system designed to evaluate and improve management methods	
Ensure sustainable compliance with the Code of Conduct for Manufacturers and Suppliers	
Corrective Action Plans targeted at improving management systems, with self-assessment and worker participation	



OCCUPATIONAL HEALTH AND SAFETY IN FIGURES

RISK ASSESSMENT.	Bangladesh, China, India, Morocco, Vietnam: 645 Inspections: Bangladesh, China, India, Morocco, Vietnam: 185 factories Bangladesh, China, India, Morocco, Vietnam: 180,184 workers
TRAINING AND AWARENESS	China, India, Morocco: 74 suppliers China, India, Morocco: 62 factories China, India, Morocco: 109,507 workers China, Turkey: 18 members of the sustainability team trained
PARTICIPATION	Bangladesh: 4 factories Bangladesh: 3,854 workers
IMPROVEMENT OF MANAGEMENT SYSTEMS	Morocco: 114 factories Morocco: 28,318 workers

At Inditex we guarantee safe and healthy working environments for all the workers who are part of our supply chain. This commitment can be seen in the design and implementation of specific programmes that complete the work to verify workers' health and safety conditions, as well as the establishment of Corrective Action Plans under the Code of Conduct Compliance Programme.

The sustainability teams consistently accompany suppliers and manufacturers to ensure the workers' welfare , for doing this internal capacity building in matters related to health and safety is fundamental. Indeed, the work of the engineers of our sustainability teams in each country, who provide knowledge and technical skills, is essential.

The programmes reached over 320,000 workers in five countries in 2016, ranging from training actions to specialized risk assessments and establishment of workers' committees. In this way, we address the health and safety of workers in a comprehensive manner.

The different programmes we describe below are a demonstration of our commitment to occupational health and safety in our supply chain, a discipline on which we work consistently with different stakeholders. These programmes complement the various monitoring, evaluation and optimization actions that our internal sustainability team perform in the different clusters.

AT INDITEX WE GUARANTEE SAFE AND HEALTHY WORKING ENVIRONMENTS FOR ALL WORKERS WHO ARE PART OF OUR SUPPLY CHAIN

103-1, 103-2

MOROCCO

PROJECT FOR EVALUATION, CONTINUOUS IMPROVEMENT AND TRAINING IN HEALTH AND SAFETY

IN FIGURES



36 Inspections
36 factories
6,272 workers



12 suppliers
56 factories
17,540 workers



114 factories
28,318 workers

Throughout 2016, our Moroccan sustainability team developed a project, which began at the end of 2015, for the continuous improvement of health and safety conditions in the Inditex supply chain in Morocco.

The initiative involves the main suppliers –who handle over 75% of our purchase in the country– and, as a first stage, involves the evaluation and identification of aspects of improvement of all the factories that they declare for Inditex productions.

The second phase begins after the evaluation, and action plans are defined, in which the involvement of suppliers is fundamental. At the same time, follow-up visits are regularly carried out to verify compliance with the action plans and, moreover, monthly reports of the progress of the factories are required from all suppliers.

In order to facilitate project progress, the local team has internally designed tools for information synthesis and reporting, allowing the generation of reports tailored to each stakeholder: factories, suppliers and sustainability team.

The main areas evaluated, monitored and optimized in the factories are:

- Workers' labour conditions
- Conditions of the building where the factory is located
- Facilities and materials: Electricity, machinery and boiler safety
- Chemical and physical agents
- Fire extinguishing equipment and escape routes
- Management system

This project has been carried out in 114 factories of 29 suppliers and has improved the health and safety conditions of 28,318 workers. During this time, the factories and suppliers involved have been in continuous contact with the sustainability team, receiving training on occupational health and safety and clarifying doubts.

Based on the good results obtained, by the end of 2016 the Moroccan sustainability team extended this project to the Inditex supply chain in Tunisia and Egypt, where the evaluation of the factories has already begun. The project continues in 2017.

BANGLADESH

MONITORING COMPLIANCE WITH ACCORD CORRECTIVE ACTION PLANS: FIRE PREVENTION AND ELECTRICAL SAFETY AND STRUCTURAL EVALUATION

IN FIGURES



523 Inspections
68 factories
106,560 workers

Inditex is a signatory of the Accord on Fire and Building Safety in Bangladesh, better known as the Accord, since its inception in 2013. Under this legally binding agreement, its members, (international brands, local and international trade unions and various NGOs) are committed to improving the health and safety conditions of the factories of the sector in the country.

In this regard, all the production units under the scope of the *Accord* that are part of the Inditex supply chain in Bangladesh have been inspected by this organization's engineers in matters relating to structural, fire and electrical safety. These inspections generate public Corrective Action Plans, drawn up by the *Accord* and the factory, and which must be implemented in collaboration with the international brands associated with these factories.

Inditex is firmly and actively committed to these plans as a fundamental aspect of the *Accord* inspection and remediation programme, since they guarantee compliance with this organization's health and safety standards and its implementation is officially verified by its teams of monitoring inspection engineers.

In collaboration with external structural, fire and electrical safety experts, Inditex's internal team of engineers completed a total of 523 monitoring inspections in 2016 to complement the *Accord* inspections and ensure the correct and timely implementation of the necessary measures in the factories.



Worker of an Inditex supplier in the state of Tamil Nadu (India).

GUIDE FOR THE CORRECT EVALUATION OF THE BUILDING STRUCTURES

IN FIGURES

6 Inspections
6 factories
12,300 workers

As part of the 2016 initiatives in Bangladesh, we have worked with an international engineering consultancy to develop a guide for evaluating building structures in depth.

Preparing this manual was part of a pilot project in six factories in our chain. Its objective is to develop an efficient methodology that takes into account the characteristics of the country in terms of the structural characteristics of its industrial buildings.

The guide was presented to the *Accord* and other relevant local and international entities in Bangladesh; this is the culmination of a project to facilitate structural evaluation through standard and comprehensive methodology.

PARTICIPATION COMMITTEES AS THE BASIS OF HEALTH AND SAFETY COMMITTEES

IN FIGURES

4 factories
3,854 workers

Workers' participation and representation in matters of health and safety is one of the fundamental aspects recognized internationally in this discipline. In particular, the establishment of health and safety committees in textile factories in Bangladesh is one of the main axes on which the *Accord* is based, as defined in its worker participation programme.

Inditex has worked actively with the *Accord* in this programme, which includes training sessions for health and safety of workers, the creation of a whistleblowing channel for these issues and the creation of health and safety committees to ensure the workers' participation in maintaining a safe and healthy environment in the factory.

At the same time, the Inditex sustainability team in Bangladesh undertook, as part of the Global Framework Agreement with IndustriALL, a pilot project to promote the effective formation of workers' participation committees through the free election of their representatives in a democratic vote. It is important to mention that, according to Bangladeshi legislation, members of health and safety committees are elected by the workers' participation committees of the factories. This project has been implemented in four factories in the Inditex supply chain and around 4,000 workers have taken part.

TECHNICAL EVALUATION FOR NEW SUPPLIERS AND MANUFACTURERS

IN FIGURES

47 Inspections
42 factories
39,979 workers

As part of the process of incorporating new suppliers and manufacturers into our supply chain in Bangladesh, we carry out strict technical assessments in occupational safety and health, to verify that all production is carried out in safe installations.

In this regard, the Inditex sustainability team's engineers in Bangladesh have developed a technical assessment methodology to perform standard inspections on these units. In this way, they identify and evaluate the potential associated risks and guarantee safe and healthy conditions in all the factories of the supply chain in the country, regardless of whether or not they are inspected by the *Accord*.

In 2016, 47 technical evaluations of factories were carried out, which allowed the verification of the work environments of around 40,000 workers.

INDIA

HEALTH AND SAFETY ASSESSMENT AND TRAINING PROJECT

IN FIGURES

6 Inspections
6 factories
3,040 workers

6 factories
3,040 workers

At the end of 2016, the Indian sustainability team started a project to assess occupational risks and training in Inditex's supply chain factories. In this way, the factories have the means and tools to carry out a complete and regular risk assessment. The willingness to complement the Indian legislative framework on occupational health and safety for industrial workers has been one of the aspects that has driven this project.

The project is divided into three modules that are conducted in the facilities of the manufacturer involved. These define the responsibilities of management on these issues and introduce analysis tools. Moreover, the risks present in the factory are evaluated and corrective actions are defined that reduce their severity and probability. The company's own health and safety officers then proceed to conduct a complete risk assessment and to define corrective actions in agreement with the sustainability team.

At present, this project involves three suppliers and six factories and benefits 3,040 workers. The goal is to extend it to a greater percentage of suppliers and manufacturers.

CHINA

INTERNAL AND EXTERNAL TRAINING IN HEALTH AND SAFETY AND RISK ASSESSMENT OF SUPPLIERS AT THEIR FACTORIES

IN FIGURES

21 Inspections
21 factories
6,552 workers

62 suppliers
88,927 workers
3 training sessions with 11 members of the Sustainability Team

In 2016, the EHSA Centre of the University of Ling'nan in Guangzhou (China), specializing in environment and occupational health and safety, gave various trainings to the China sustainability team in:

- Legislation on Occupational and Environmental Health and Safety
- Ergonomics and occupational health and safety management systems
- Electrical and machinery safety

A more ambitious project emerged from these sessions with the university to improve health and safety conditions in our supply chain in China. The starting point has been the training of suppliers according to an agenda developed from an analysis of the aspects with the greatest potential for improvement of the main suppliers in the country. According to this work, a group of 28 suppliers from Guangzhou and 34 suppliers from Shanghai have been trained in:

- Fire prevention
- Machinery safety
- Electrical safety

The next steps in the project have focused on involving suppliers to apply what they have learned to their factories. Subsequently, the Chinese sustainability team worked with the participants on identifying and assessing risks and designing Corrective Action Plans whose ultimate goal is to improve health and safety conditions in our supply chain.

VIETNAM

MONITORING OF THE STRUCTURAL SAFETY OF BUILDINGS

IN FIGURES

6 Inspections
6 factories
5,481 workers

The tasks of accompanying suppliers and manufacturers in all clusters of our supply chain to optimize the levels of compliance with aspects related to occupational health and safety led the Vietnam sustainability team to monitor the structural improvements made in six factories in 2016.

These monitoring tasks resulted in visits to factories to review progress. In this process, external engineering firms collaborated with the Inditex teams to verify and guarantee improvements in these facilities.

TURKEY

TECHNICAL TRAINING WITH THE FAIR LABOUR ASSOCIATION TURKEY

IN FIGURES

1 training session
7 members of the Sustainability team as attendees

In 2016, Inditex's Turkish sustainability team took part in advanced technical training, given by mechanical engineers linked to the Fair Labour Association Turkey, an organization that also participated in the design of content and the delivery of these trainings.

The content of this training was oriented towards themes such as physical risk factors, chemical risk factors, ergonomics or working at height, among others.



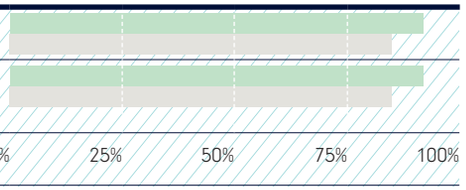
Worker of an Inditex supplier in Turkey.

Looking to 2017, we have launched new programmes to continue working for the continuous improvement of health and safety in our supply chain. In this regard, we have initiated a project in Cambodia in cooperation with 23 industry brands, the government of the country, the American Centre for International Labour Solidarity, the Better Factories Cambodia Programme and the Deutsche Gesellschaft für Internationale Zusammenarbeit. The aim of the project is to reduce *in-itinere* accidents suffered by textile workers.

VI. PROTECTION OF MIGRANTS

STRATEGIC OBJECTIVE 2014-2018

DEGREE OF COMPLIANCE 2016 2015



PROTECTION OF MIGRANTS IN FIGURES

IMPROVEMENT OF MANAGEMENT SYSTEMS

Turkey: 131 individual remediation cases

Inditex faces the complex challenge of migration by maintaining a Zero Tolerance policy towards any exploitation in its supply chain derived from this situation, as set out in the Code of Conduct that all manufacturers who work with us must meet. In 2016, we would highlight our programmes in Turkey and China.

The migratory flow of the more than five million people who have been forced to flee the armed conflict in Syria to Europe has generated a humanitarian drama unprecedented in recent history. The exodus of refugees has affected not only governments, supranational organizations and NGOs, but also businesses, which have the ethical duty to act and work as much as possible to improve the situation.

The Group gives special protection to all migrants, which includes refugee workers in connection with the conflict in Syria because of their situation of greatest vulnerability. Those in this situation may be exposed to irregular working conditions, discrimination, excessive hours or inadequate wages. In this scenario, Inditex carries out rigorous analyses to identify migrant workers and evaluate their employment status as an essential step in creating programmes and initiatives that protect them and have a real effect on their conditions.

Turkey is one of our main supplier countries and it is currently estimated that about three million displaced Syrian people live on its territory. In response to this humanitarian crisis, Inditex was the first company to launch a remediation plan dedicated to supporting Syrian refugee workers in Turkey to prevent any type of exploitation. Specifically, since 2013, when the crisis worsened, we have intensified our efforts to prevent any violation of their Human Rights in our supply chain. In addition, to ensure that refugees have fair working conditions and rights, we work with the non-profit Refugee Support Centre/MUDEM.

MUDEM helps us to treat each case individually, informing workers of their rights and advising them to legalize their employment status in Turkey. It also teaches them Turkish and translates the necessary documents for their adaptation: regulations, procedures and aspects of health and safety, among others.

The plans have been very effective in helping Syrian workers to legalize their work status, and to improve their living conditions and those of their families. In 2016, we initiated 131 individual remediation cases, addressing the needs of each worker and their families.

In 2016 we also established programmes for internal migrants in China, focused on ensuring that they understand and receive the social benefits to which they are entitled. In 2015 we helped prepare an information guide in this area and currently, we are taking part in a project that aims to provide training and awareness to suppliers and the workers themselves, with the Ethical Trading Initiative.

SINCE 2013, INDITEX HAS HAD A REMEDIATION PLAN IN TURKEY TO SUPPORT SYRIAN REFUGEES AND PREVENT ANY KIND OF EXPLOITATION

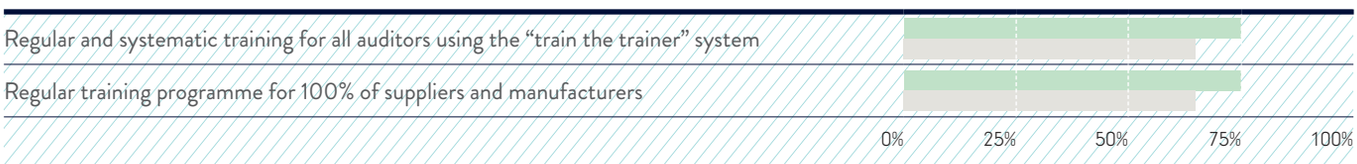


Worker of an Inditex supplier in the state of Tamil Nadu (India).

VII. TRAINING AND AWARENESS

STRATEGIC OBJECTIVE 2014-2018

DEGREE OF COMPLIANCE 2016 2015



TRAINING AND AWARENESS IN FIGURES

TRAINING AND AWARENESS

171 auditors trained
4 internal auditors accredited by Social Accountability International
729 purchasers trained in responsible purchasing practices
164 employees from head office trained in sustainability
112 employees of subsidiaries trained in sustainability
927 suppliers trained

The training and awareness of all the actors involved in the supply chain is fundamental to guarantee its sustainability. Inditex applies this maxim by training suppliers, manufacturers or auditors, whose relationship with the supply chain is more direct and evident, but also its employees, regardless of their area of work. The Group invests in training all the necessary people, adapting each type of training to the needs of the target group, as a fundamental step to ensure that sustainability and respect for Human Rights are fully integrated into the business model.

MAIN RECIPIENTS OF INDITEX TRAINING

INTERNAL AND EXTERNAL AUDITORS

EMPLOYEES

SUPPLIERS AND MANUFACTURERS

205-2, 412-2, AF5

INTERNAL AND EXTERNAL AUDITORS

In 2016, Inditex worked with 720 external auditors and 63 internal auditors to ensure that all suppliers and manufacturers in the supply chain comply with the Code of Conduct and establish Corrective Action Plans where cases of possible defaults are detected.

Continuous training is essential for auditors to carry out their work in the most effective and efficient way possible; through their audits, Inditex seeks verification of compliance with the standard, but it is also a tool to raise manufacturers' and suppliers' awareness of the need to comply with the Code of Conduct and how to correct any breaches.

To this end, we train our internal and external auditors in Inditex's own methodology and in best auditing practices. In 2016, training for external auditors addressed specific issues such as worker health and safety requirements, freedom of association and bargaining, auditing techniques focused on verification through non-documentary sources, traceability and continuous improvement of the audit itself.

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 standards such as those established in the Conventions of the International Labour Organization, the United Nations Universal Declaration of Human Rights, and UN Convention on the Rights of the Child.

EMPLOYEES

All employees participate in the Group's sustainability strategy, because at Inditex we are aware that, if sustainability is to be a maxim in the daily activity of each employee, we must convey the company's position and train them in the subject. Thus, all new employees at headquarters receive training on sustainability and company's strategy and key concepts such as the Code of Conduct for Manufacturers and Suppliers and what the Compliance Programme consists of.

Inditex emphasizes the training of purchasing teams among all employees, as their decisions affect the conditions of supply chain workers, and a Responsible Purchasing Practices training system has been developed.

Whenever a training need is identified with respect to a relevant sustainability and human rights issue, sustainability teams develop and deliver specific training.

171 external auditors trained

4 internal auditors accredited by SAI

729 buyers trained

164 employees from other areas of head office trained

112 employees of subsidiaries trained

GOOD PRACTICES:
Collaboration with stakeholders

In 2016, the local team in Argentina worked with the National Institute of Industrial Technology (INTI) to identify opportunities for improvement in adapting Inditex's own auditing methodology to the country's circumstances. The INTI professionals and the sustainability team undertook a joint review that allowed new criteria to be incorporated to detect nonconformities and build support indicators in order to achieve greater audit efficiency.

GOOD PRACTICES:
Specific training:

Within the framework of the UK Modern Slavery Act of 2015 and the California Transparency in Supply Chains Act of 2010, activities were carried out to sensitize and train internal teams on the prohibition of forced labour. Those are part of regular training in Human Rights that the Inditex purchasing team receives. In 2016, 64 buyers were specifically trained in the prohibition of forced labour.



Employee of an Inditex supplier in Portugal.

SUPPLIERS AND MANUFACTURERS

Continuous improvement is one of Inditex's fundamental approaches to its sustainability strategy which, in the case of manufacturers and suppliers, translates into a commitment to their training and preparation.

To strengthen compliance with the Code of Conduct for Manufacturers and Suppliers, it is an indispensable condition that they all know the Code's contents, understand and internalize them and assume them as their own before applying them. And training is a key tool for this.

Training activities are continuous in all clusters. Each training is tailored to the needs of each cluster, taking into account parameters such as local legislation, specific opportunities for improvement in each country, or their own situation whether as a new supplier or with a lengthy relationship with Inditex.

In 2016, training of suppliers in aspects such as freedom of association and collective bargaining, traceability, improvement of workers' conditions based on changes in factory production management systems, health and safety, children's rights or systems of self-monitoring of the supply chain by the supplier was noteworthy.

In addition to the group trainings, our sustainability teams conduct individual sessions with suppliers, maintaining a dialogue that enables joint and proactive supply chain management. This also facilitates working to remedy detected non-compliance and favours the continuous improvement of the workers' conditions.

30 trainings with groups of suppliers

384 individual sessions

927 suppliers trained

GOOD PRACTICES:
Collaboration between Clusters and purchasing teams

The sustainability team in Portugal holds meetings and individual training sessions for suppliers on a regular basis both in that country and in Spain in collaboration with the local cluster, taking advantage of their geographic proximity to the Inditex headquarters. The purchasing team also engages in individual sessions with Portuguese suppliers, supporting the sustainability team and reinforcing the awareness-raising work carried out.

205-2, AF2, AF5

3. STRATEGIC PLAN 2014-2018. 2016 REVIEW

The Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018 includes identifying and properly knowing suppliers and manufacturers, performing exhaustive assessments and helping them to improve and optimize the social and working conditions of their employees, thus ensuring their sustainability and adjustment to the standards required by Inditex, creating stable and long-term business relations. In 2016 we have reached the halfway of this roadmap, approaching its full implementation with worker-centred programmes.

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	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			

I. IDENTIFICATION OF THE SUPPLY CHAIN

STRATEGIC OBJECTIVE 2014-2018	DEGREE OF COMPLIANCE 2016 2015
Verification of the traceability of 100% of production	0% 25% 50% 75% 100%

In 2016, the Inditex supply chain was made up of 1,805 suppliers in 53 countries, working in 6,959 factories:

THE INDITEX SUPPLY CHAIN IN 2016*

Geographic area	Suppliers with purchase in 2015	Suppliers not used in 2016	New suppliers in 2016	Suppliers with purchase in 2016
Africa	130	13	24	141
America	74	19	10	65
Asia	836	159	261	938
Europe (non-EU)	185	49	43	179
European Union	500	83	65	482
TOTAL	1,725	323	403	1,805

(*) Suppliers of fashion items, mainly clothing, footwear and accessories, with a production of over 20,000 units/year. Suppliers with smaller production account for 0.29% of total production.



To correctly identify the supply chain we use complementary monitoring, verification and adaptation tools.

To this end, our sustainability team employs engineers specializing in production systems and processes, production planning methods, and so on. This way, the traceability management is enriched with a technical vision which, added to the social vision, increases the effectiveness of the traceability audits.

In 2016, a total of 2,776 traceability audits were carried out. In these audits, both the internal and external Inditex teams worked in situ to verify that production of the Group's brands was taking place in correctly declared and authorized factories. In 2016, the percentage of compliance was 89%. The 309 non-compliances that the internal and external teams detected relate, above all, to a lack of information. And they have been dealt with specifically by the sustainability and procurement teams.

TRACEABILITY AUDITS IN 2016

Geographic area	2016
Africa	388
America	1,313
Asia	617
Europe (non-EU)	418
European Union	40
Total	2,776

Year after year, our suppliers are more aware of the importance of transparency and traceability throughout the entire production process, and are committed throughout the factory declaration procedure. In cases of non-compliance or a lack of transparency, the sustainability and purchasing teams worked together with the supplier to obtain a commitment from them on implementing the measures required. Each case is analysed by sustainability teams, which apply a common maxim throughout the Strategic Plan: opportunity for improvement but zero tolerance for repeated non-compliance. Relations were severed with 17 suppliers on these grounds in 2016.

TRACEABILITY OF RAW MATERIAL

To ensure the sustainability, Inditex works on the identification of raw materials, developing a number of different projects and initiatives in this sphere. In particular, registration of fabric factories increased considerably as a result of the emphasis on ensuring traceability right up to the last link of the chain. In this way, control of raw materials will be one of the priorities of the sustainability strategy of the supply chain in the coming years.

In 2016 important advances were made in raw material traceability, with new initiatives specifically aimed at the traceability of cotton. In this regard, a pilot programme has been launched involving 50 strategic suppliers in five countries with the aim of gaining visibility and more knowledge about the production processes involved, from cotton growing to fabric manufacture.

We have also developed different programmes and initiatives with suppliers of raw materials (including cotton) to trace production and we cooperate with renowned international organizations such as Better Cotton Initiative, Textile Exchange or Organic Cotton Accelerator (OCA), a multisectoral initiative created to promote the prosperity of the organic cotton sector, of which we are founders.

See more from page 102 in the chapter Commitment to the excellence of our products

II. ASSESSMENT OF THE SUPPLY CHAIN

STRATEGIC OBJECTIVE 2014-2018	DEGREE OF COMPLIANCE 2016 2015
Auditing system designed to evaluate and improve management methods	
Ensure sustainable compliance with the Code of Conduct for Manufacturers and Suppliers	

0% 25% 50% 75% 100%

COMPLIANCE PROGRAMME

ALL MANUFACTURERS AND SUPPLIERS

VERIFICATION OF COMPLIANCE

CONTINUOUS IMPROVEMENT FOCUSED ON THE WORKER

Training

Specific programmes

Collaboration

BASIS FOR SUSTAINABILITY AND CONSOLIDATION OF THE SUPPLY CHAIN

AUDIT TYPES

Pre-assessment: Consists of a preliminary assessment of potential suppliers and factories performed by internal or external auditors without prior notice. Only those meeting the requirements established in the Code of Conduct can enter the supply chain. From that moment on they are subject to the Code of Conduct and to the standards set out in the document *Inditex Minimum Requirements.*

Social audits: The aim of social audits is to verify the degree of compliance with the Code of Conduct and to establish Corrective Action Plans (CAP) intended to ensure respect for fundamental labour rights.

Special audits: Consist of visits and inspections related to specific issues such as the health and safety of workers, and competence visits to verify the level of compliance with Corrective Action Plans. These audits also include inspections of laundry processes to ensure that processes banned by Inditex, such as sandblasting, are not in use.

Traceability audits:
Are used to verify the traceability of the supply chain, based on the analysis of information gathered through the manufacturer management system.

PROGRAMME ROLL-OUT

Pre-assessment audits → *Inditex Minimum Requirements* → Social audits / Special audits → Assignment of rating → A / B / C / CAP → Corrective Action Plan

Traceability audits

AUDITS IN 2016

Pre-assessment audits	Social audits	Special audits	Traceability audits
2,302	4,011	1,794	2,776

TOTAL AUDITS 10,883

More information in the Sustainability Balance Sheet from page 207

AF6

At Inditex, suppliers and manufacturers are first evaluated before they enter our supply chain through a Pre-Assessment audit. In 2016, some 2,302 pre-assessment audits were performed, of which 81% had a positive outcome. The number of such audits has declined compared to 2015, when we conducted 2,703. This fact that reveals the progressive consolidation of the supply chain, since each new factory registered by a supplier is audited.

PRE-ASSESSMENT AUDITS IN 2016

Geographic area	Pre-assessment audits	% Approved
Africa	71	85%.
America	19	63%
Asia	1510	75%
Europe (non-EU)	350	89%
European Union	352	98%.
Total	2,302	81%

In 2016, the Pre-Assessment Audit methodology was updated. The changes in methodology were based on the experience gained since the previous review, conducted in 2012. In order to carry it out, the best practices, experiences and proposals for improvement of all local sustainability teams have been collected and 39 representatives of external auditing companies were trained with the *train the trainer* methodology so that, in turn, they can train their respective teams. The result reinforces this first assessment, which increases the level of demand and maintains the maxim of ensuring that only suppliers and manufacturers that comply with our Code of Conduct enter the supply chain.

After the Pre-Assessment audit, all companies producing for Inditex face periodically social audits. With this we re-evaluate their degree of compliance with the Code of Conduct and assign them a rating based on it. In 2016, 4,011 social audits were carried out, 187 more than in 2015.

Social audits are conducted by external and internal auditors. The procedure is the same regardless of who performs them, since in Inditex we have our own social audit methodology. This methodology was developed jointly by Inditex, IndustriALL Global Union, the Cambridge Centre for Business and Public Sector Ethics and the University of Northumbria (UK). Its application allows a complete and detailed evaluation of the factories and suppliers and identifies their strengths and their improvement needs.

The time that elapses until the next social audit varies according to the ranking obtained. However, all factories and suppliers are socially audited on a regular basis, regardless of the performance of other audits or programmes to which they are subject. Moreover, after the social audit, the results are analysed to identify areas for improvement at both individual and aggregate levels in a geographic area in order to establish the necessary programmes.

SOCIAL AUDITS IN 2016

Geographic area	Total
Africa	191
America	288
Asia	2,022
Europe (non-EU)	685
European Union	825
Total	4,011

Social audits assess suppliers' compliance with each and every section of the Code of Conduct. In 2016, the requirement level of health and safety at work increased, which has led to an increase in health and safety-related programmes in a greater number of countries and factories. Our auditors are specialized in this aspect, which allows them to detect various breaches and go further in their evaluations.

In 2016, 95% of the production was carried out by suppliers with A or B qualification, the two highest compliance levels within Inditex's own rating methodology. Likewise, the percentage of suppliers with a C ranking, which fails to comply with one or more sensitive aspects of the Code of Conduct, fell by two percentage points compared to 2015, as a result of the continuous work with suppliers to improve working conditions.

WHAT IS A SOCIAL AUDIT?

- Interview with management
- Inspection of the premises
- Comprehensive documentation review
- Interviews with employees and their union representatives.

CONTINUAL IMPROVEMENT AND TRAINING

All non-compliances found as well as related corrective actions are shared and explained to the factory

103-3, 308-1, 412-1, 414-1, AF3, AF8

CLASSIFICATION OF SUPPLIERS WITH PURCHASE IN 2016(*)

	2016			2015		
Classification*	**Suppliers**	**% Suppliers**	**% Production**	**Suppliers**	**% Suppliers**	**% Production**
A	694	38%	40%	724	42%	41%
B	917	51%.	55%	794	46%	54%.
C	83	5%	1%	116	7%	3%
CAP	61	3%	3%	35	2%	1%
PR	50	3%	1%	56	3%	1%
Total	1,805	100%	100%	1,725	100%	100%

(*) Supplier A: complies with the Code of Conduct
Supplier B: breaches a non-material aspect of the Code of Conduct
Supplier C: breaches a sensitive aspect of the Code of Conduct
Supplier subject to Corrective Action Plan (CAP): breaches of the Code of Conduct, requiring the immediate implementation of a Corrective Action Plan
PR supplier: undergoing an auditing process.

PERCENTAGE COMPLIANCE WITH THE CODE OF CONDUCT IN ACTIVE FACTORIES (*) ASSOCIATED WITH SUPPLIERS WITH PURCHASE IN 2016

	Africa		America		Asia		Europe (non-EU)		European Union	
	2016	2015	2016	2015	2016	2015	2016	2015	2016	2015
Prohibition of forced labour										
Prohibition of work by youths or minors (**)										
Prohibition of discrimination										
Respect for freedom of association and collective bargaining										
Prohibition of abuse or inhuman treatment										
Occupational health and safety										
Wage compliance										
Working hours										
Environmental commitment										
Formal work										
Implementation of the Code (***)										

+90% compliance +70% +50% -50%

(*) Does not include factories rejected in 2016.
(**) Includes the lack of suitable systems for checking the age of workers.
(***) Includes the lack of suitable systems for registering and informing workers.

Special audits are other type of evaluations carried out and are focused towards a specific area of improvement. Examples of objectives addressed in these visits are structural technical assessments, the review of laundry processes to verify that practices prohibited by Inditex such as sandblasting are not carried out, or the assessment of workers' working conditions from an exclusively health and safety point of view. Also included in this category are competence visits to verify the progress of Corrective Action Plans.

Year by year the number of special audits increases progressively; this is also seen in a greater specialization of our sustainability teams, among which there is an increasing number of specialized technicians in each area. Thus, in 2016, 1,794 special audits were carried out, compared to 1,584 in 2015. Of these, 183 were specific audits to verify the conditions of workers from the health and safety perspective.

SPECIAL AUDITS IN 2016

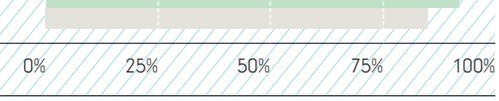
Geographic area	**Special**
Africa	127
America	26
Asia	1,418
Europe (non-EU)	141
European Union	82
Total	1,794

More information in the Sustainability Balance Sheet from page 207

103-3, 205-1, 406-1, 407-1, 408-1, 409-1, 412-1, 413-2, 414-2, AF1, AF3, AF8, AF9, AF10, AF11, AF12, AF13, AF14, AF15, AF17

III. OPTIMIZATION OF THE SUPPLY CHAIN

STRATEGIC OBJECTIVE 2014-2018	DEGREE OF COMPLIANCE 2016 2015
Establish and maintain stable relationships of trust with suppliers	
Corrective Action Plans targeted at improving management systems, with self-assessment and worker participation	



The evaluation of the supply chain must be accompanied by optimization actions to advance its sustainability and the improvement of working conditions. At Inditex we believe in continuous improvement as a key element in our daily relations with suppliers, so throughout the business relationship we help and collaborate to optimize their management systems to the workers' benefit.

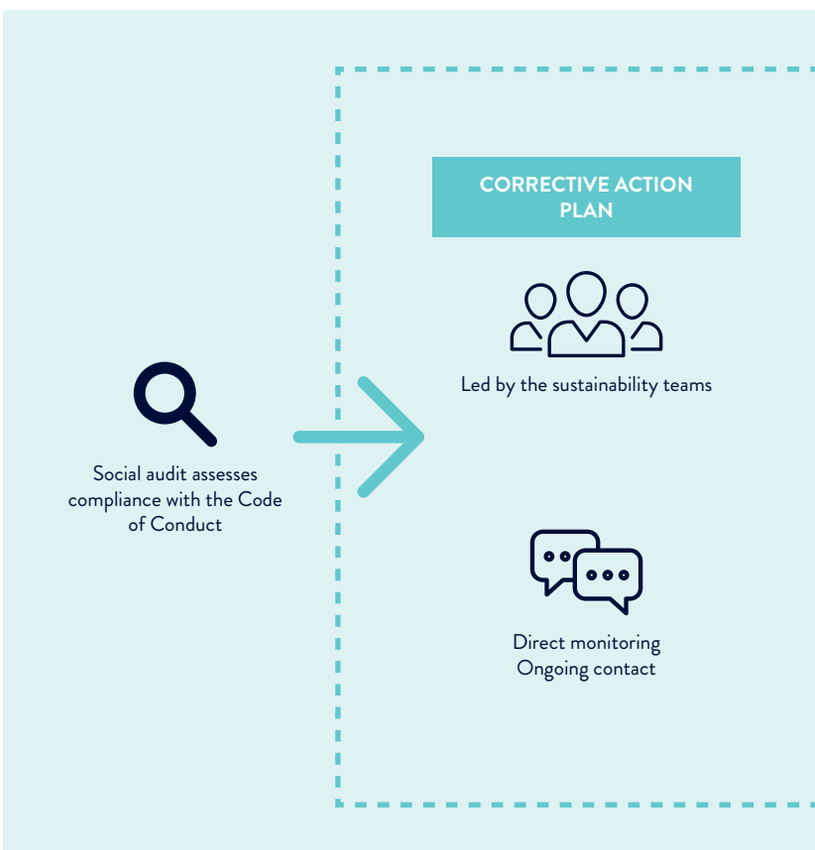
The detection of any type of non-compliance implies the immediate implementation of a Corrective Action Plan. This plan establishes all improvement actions that the factory or supplier must perform to correct the non-compliances detected in the audit, as well as the deadline for this, which will be more or less restrictive depending on the seriousness of the breach detected. In this regard, we firmly believe that helping factories to improve their conditions brings the best possible results for workers, as well as contributing positively to the consolidation of a stable and sustainable supply chain. And we leave rejecting a factory as the last option.

We constantly support our suppliers and manufacturers in the development of the Action Plans. The participation and support of the purchasing teams is very important in this process. As well as Inditex's internal teams, members of civil society such as unions or NGOs participate in Corrective Action Plans. As an example, in 2016, the participation of IndustriALL Global Union and its local affiliates, the *Refugee Support Centre* in Turkey or the NGO Pratham in India stand out.

A key milestone in the improvement of a factory is the competence visit, in which Inditex's internal team analyses *on site* the progress of the measures taken by the company and offers advice to progress towards the successful completion of the Plan. We made 619 competence visits in 2016.

Corrective Action Plans (CAP) focus on factories or suppliers where non-compliance with sensitive points in the Code of Conduct has been identified. In these cases, monitoring and follow-up is much stricter, limiting its duration to six months. After this period, a new social audit is carried out to ensure that the necessary corrections have been carried out. If the social audit proves that the Corrective Action Plan has not been fulfilled, the factory or supplier will be blocked.

In 2016, 453 factories with breaches at sensitive points in the Code of Conduct initiated a Corrective Action Plan. It should be noted that the number of factories involved in this type of Corrective Action Plan has been decreasing over the last four years, despite the increase in audits. This demonstrates how collaboration and daily work in close contact with suppliers and manufacturers result in a better level of compliance. And how suppliers are increasingly proactive in adapting their conditions to the Code of Conduct.

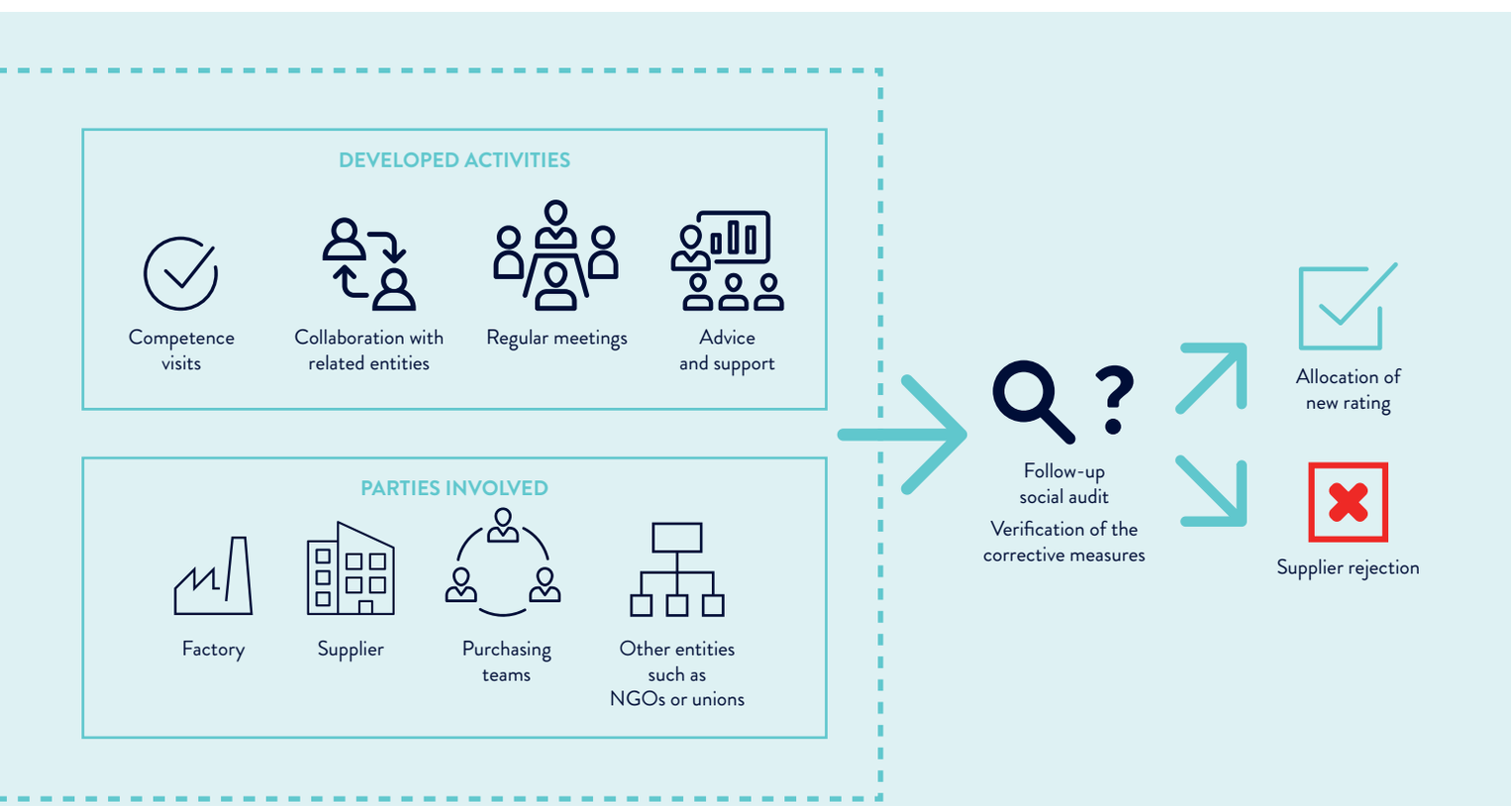


More information in the Sustainability Balance Sheet from page 207

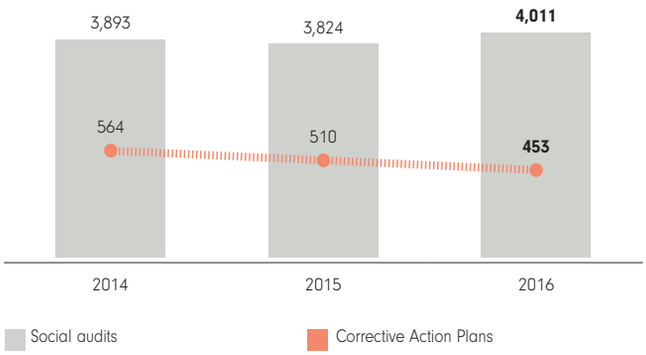
414-2, AF3, AF6, AF16, AF17



Employee of an Inditex supplier in Portugal.



TRENDS IN THE EVOLUTION OF SOCIAL AUDITS AND CORRECTIVE PLANS (*)



(*) Corrective Action Plans in factories with sensitive breaches of the Code of Conduct.

Inditex bases its relationships with suppliers on mutual trust and on a philosophy of continuous optimization whereby opportunities for improvement are encouraged. However, we also maintain a zero tolerance attitude towards those who do not take advantage of these opportunities and do not comply with the Code of Conduct or with the requirements for working with us. Thus, of the 1,805 suppliers used in 2016, 76 were rejected during the year for failing to comply with the conditions necessary to work with Inditex. This includes both business and sustainability-related reasons. In this regard, 41 suppliers were blocked due to some type of non-compliance with the Code of Conduct.

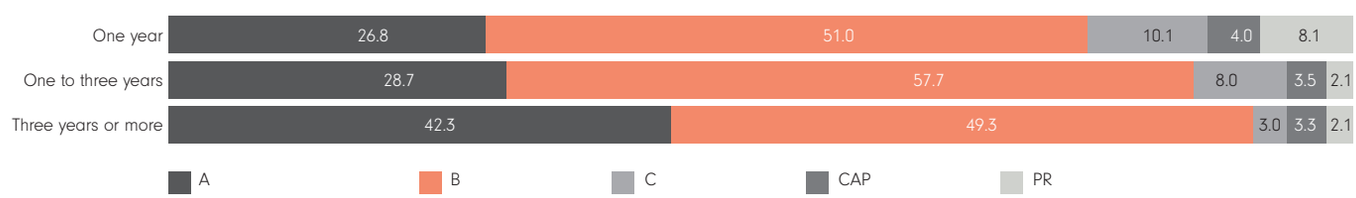
SUPPLIERS REJECTED IN 2016

Geographic area	Suppliers with purchase*	Rejected due to breach of the Code of Conduct	Rejected for commercial reasons	Active suppliers at 31/01/2017
Africa	141	2	0	139
America	65	3	6	56
Asia	938	15	25	898
Europe (non-EU)	179	15	2	162
European Union	482	6	2	474
Total	1,805	41	35	1,729

(*) Suppliers with purchase in 2016 of fashion items, mainly clothing, footwear and accessories, with Inditex production of over 20,000 units/year.

Inditex continuously works hand-in-hand with its suppliers, in line with the objective of establishing stable and lasting relationships. Therefore, we seek to cooperate closely with our suppliers with a constant dialogue where trust is mutual. The benefits of daily work from the outset with the supplier can be seen in how suppliers' classifications improve with the years of relationship with Inditex. Thus, the percentage of suppliers with ranking A and B is higher among those suppliers that have been collaborating with Inditex for over three years and taken part in several programmes under the 2014-2018 Strategic Plan.

SUPPLIER RATING ACCORDING TO YEARS OF COMMERCIAL RELATION WITH INDITEX (%)



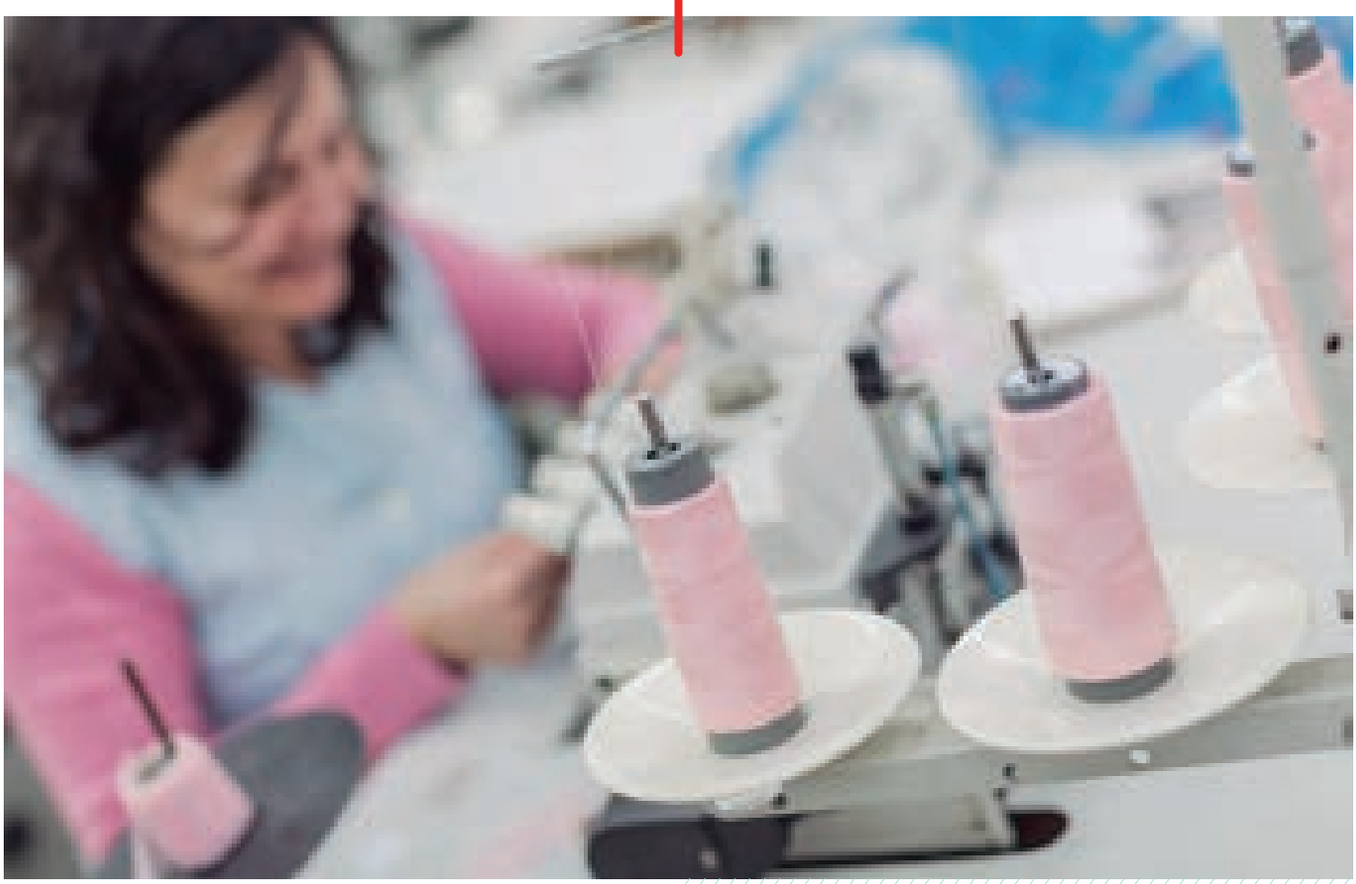
(*) Supplier A: complies with the Code of Conduct
Supplier B: breaches a non-material aspect of the Code of Conduct
Supplier C: breaches a sensitive aspect of the Code of Conduct
Supplier subject to Corrective Action Plan (CAP): breaches of the Code of Conduct, requiring the immediate implementation of a Corrective Action Plan
PR supplier: undergoing an auditing process.

More information in the Sustainability Balance Sheet from page 207

406-1, 407-1, 408-1, 409-1, 414-2, AF6, AF15, AF16, AF17



Fabric processing at an Inditex supplier in Portugal.



Tailoring process of an Inditex supplier in Portugal.

IV. SUSTAINABILITY

To ensure that the activities of our suppliers have a positive impact on the communities where they operate, Inditex cooperates with global and local stakeholders. In addition to our Global Framework Agreement with IndustriALL, we join forces with various local, regional and international initiatives and organizations to promote sustainability in the textile sector and, consequently, improve the quality of life of communities dependent on this industry. This is done through clusters that Inditex defines as cooperation spaces for promoting a sustainable production environment in a strategic geographical area and within a framework of compliance with Human Rights and Fundamental Labour Rights.

Currently, we have clusters in Spain, Portugal, Morocco, Turkey, India, Pakistan, Bangladesh, Vietnam, Cambodia, China, Brazil and Argentina that account for more than 95% of our production and contribute to our social and labour standards being applied locally. Pakistan is the last to be created, with the aim of responding to local challenges and in close proximity to suppliers and their workers.

INTERNAL AND EXTERNAL TEAMS IN CLUSTERS

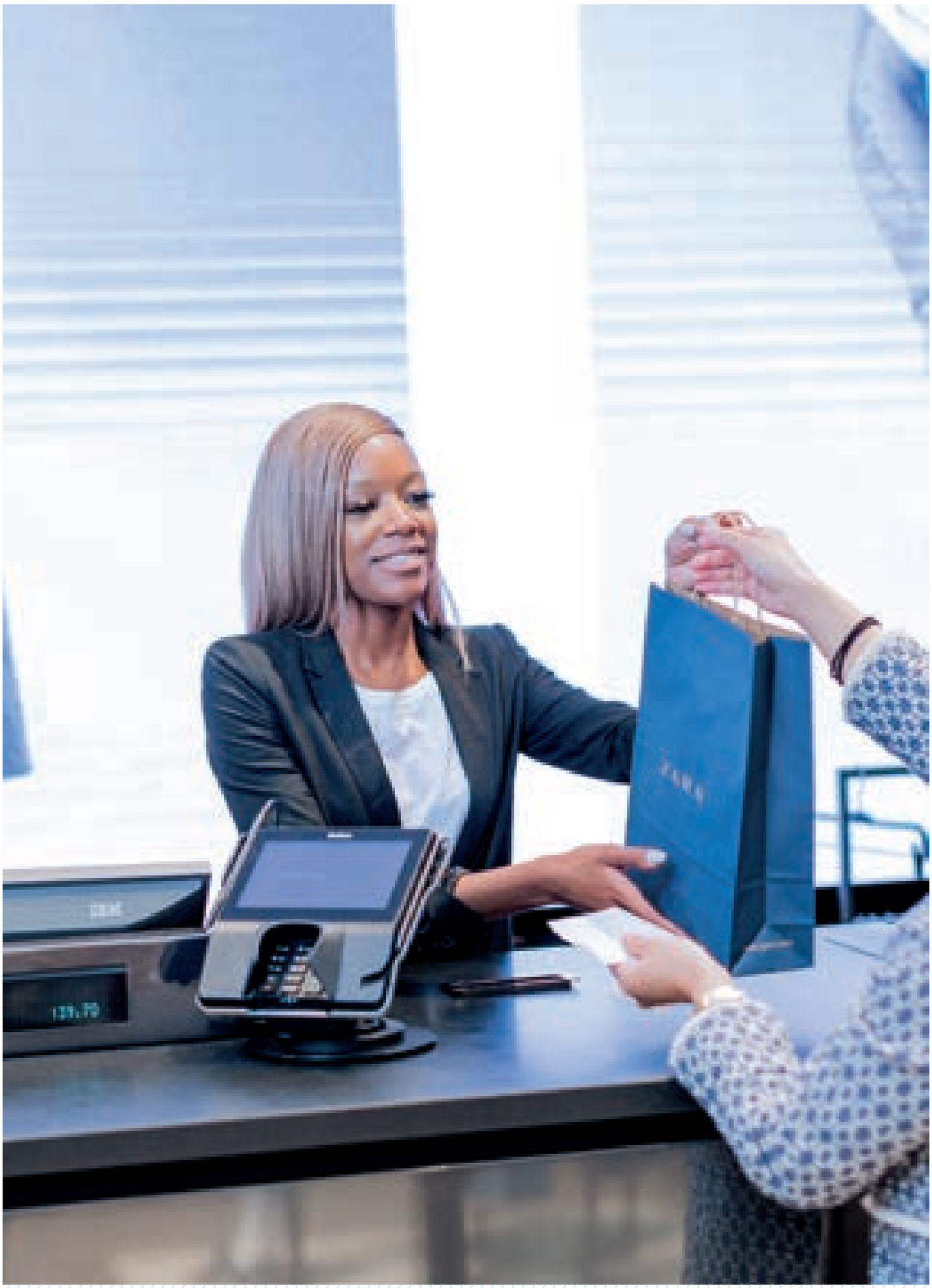
Cluster	Internal team	External team
Spain	14	14
Portugal	2	28
Morocco	4	12
Turkey	9	26
India	6	71
Bangladesh	10	28
Vietnam	2	20
Cambodia	1	19
China	11	321
Brazil	1	26
Argentina	2	7
Pakistan	1	15
Total	63	587

ACTIVITIES IN CLUSTERS IN 2016

	Spain	Portugal	Morocco	Turkey	India
IDENTIFICATION					
Traceability audits	Coordination traceability strategy	40	388	418	12
Suppliers with purchase during the year	208	170	121	175	136
Active factories in the year	466	1,357	283	1,427	394
Workers in active factories	10,298	49,714	73,772	192,173	200,139
ASSESSMENT					
Audits					
Pre-assessment	71	158	48	327	214
Social	50	694	155	679	392
Special		82	127	141	379
Rating of suppliers					
A suppliers	99	88	51	82	71
B suppliers	70	69	54	68	55
C suppliers	9	4	6	5	6
CAP suppliers	2	8	8	15	4
OPTIMIZATION					
Corrective Action Plans	1	86	40	160	61
SUSTAINABILITY					
Featured initiatives	Coordination of global strategy and representation in the UN Global Compact or Ethical Trading Initiative, among others.	Training and work experience for young students of the Catholic University of Porto.	Health and safety programme in factories and collaboration with Medicus Mundi Andalusia for the health and hygiene of workers.	*Joint Turkey* Programme to improve productivity and social dialogue, training project with IndustriALL.	Sakhi Health and Sakhi Gender Equity Programmes for women empowerment, Sowbhagyam Programme for eradicating sumangali, Sankalp Programme for eradicating child labour.



Bangladesh	Vietnam	Cambodia	China	Brazil	Argentina	Pakistan
52	53	156	344	318	995	0
94	4	1	393	15	45	42
262	134	125	1,654	65	83	107
479,859	152,101	126,843	368,428	10,712	5,099	125,316
78	50	59	1,019	9	9	30
190	101	74	1,133	161	104	90
739	18	138	144	18	8	0
38	2	0	45	14	37	23
51	1	1	301	0	3	18
2	1	0	35	0	0	0
3	0	0	8	0	3	1
15	9	1	72	0	5	2
Participation in Accord, effective implementation of participation committees with IndustriALL, reinforcement of internal health and safety programmes	Participation in Better Work Vietnam with 13 factories	Participation in Better Work Cambodia with 54 factories	SCORE Programme with ILO, LEAN Project, health and safety training in collaboration with EHSA Centre, Ling'nan University	Participation in an Agreement with ILO to promote improvements in the working conditions of workshops in Sao Paulo	Collaboration with the National Institute of Industrial Technology to develop production monitoring criteria.	Participation in the Buyers Forum of Pakistan



Zara employee at the Fifth Avenue store in New York (USA).

our priorities

OUR CUSTOMERS

In an increasingly interconnected world, our customers demand a pleasant and convenient shopping experience tailored to their needs. At Inditex, we are committed to fully integrating our brick-and-mortar and online stores with the aim of providing an innovative and multi-channel service that helps us achieve our model of designing everything we offer based on what our customers want.

AT INDITEX, WE ARE COMMITTED TO FULLY INTEGRATING ALL OF OUR SALES CHANNELS, MAKING IT EASIER FOR OUR CUSTOMERS TO FIND OUR MERCHANDISE QUICKLY AND EFFICIENTLY

INTRODUCTION

Inditex's main goal is to satisfy customers' demands. For that reason, our top priority is to offer them responsibly made fashion and to deliver a satisfying shopping experience to increasingly selective consumers.

Our customers are more connected, and they require an easier, more streamlined and flexible ways to shop. That is why, at Inditex, we are committed to fully integrating all our sales channels, whether brick-and-mortar or online, offering consumers quick and convenient access to our merchandise.

Under this model, customers have the option to request home delivery or in-store collection of their online purchases, and returns. Additionally, when customers do not find a specific product in store, they can purchase it online and request delivery to the most convenient location.

To enhance our customer service we are working to continue improving the shopping experience. In 2016, we made furthered progress toward integrating our sales channels with a strategy that provides new buying options that fullfill our customers' demands.

This year, we took a new step toward integrating shopping online and in-store by launching mobile payments in Spain for all of our brands. Online receipt is part of the service, which helps do away with paper receipts.

In 2016, we also embarked on various projects to provide an increasingly customized experience. We have launched two trial projects: digital tags and interactive fitting rooms.

These upgrades were made possible with radio frequency identification (RFID) technology. After developing it for five years, in 2016 the Group finished the deployment in all Zara stores and is now implementing it in other brands including Massimo Dutti and Uterqüe.

At Inditex, we work to contribute to the Agenda for Sustainable Development, especially in Sustainable Development Goal 12: Ensure sustainable consumption and production patterns, the area with the biggest impact on our customers.

INDITEX AND THE SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
Goal 12: Ensure sustainable consumption and production patterns.	Our commitment to our customers is to maintain their trust over the long term by offering them the responsible, sustainably manufactured fashion they are looking for. We work to deliver a satisfying shopping experience while at the same time offering consumers information about the products to help them decide what to buy and to foster a responsible consumption model.



Zara employees at the store in Compostela (Spain).

1. INNOVATION IN CUSTOMER EXPERIENCE

As a result of integrating all our sales channels, we have worked to develop technology designed to meet our customers' needs. For example, in 2016 we developed and tested projects including digital tags, interactive fitting rooms and quick check-out registers.

Digital tags help our teams match items and recommend complete outfits. This initiative also gives customers information about the number of items available in a more visual and attractive way.

The goal of interactive fitting rooms, is to reduce customers' waiting time when our staff bring them other sizes, colours or styles when trying on our clothes. With this system, users would no longer have to leave the fitting room to find the items. The service is based on touch screens that offer customers a complete shopping experience by giving them information about the products available in-store or providing the option to buy them online.

NEW PAYMENT METHODS

To provide the speed and flexibility expected by today's customers, we have introduced new tools that allow us to streamline the purchase process, reducing waiting times and offering new options for buying, exchanging or returning products.

MOBILE PAYMENTS

In 2016, all Inditex Group brands implemented mobile payment system, a service that kicked off last September in Spain and is available in 15 countries, including the United Kingdom, the United States, Italy and France.

This new service is available in the mobile apps of our eight brands, as well as in a new Group app called *InWallet*, which centralizes purchases made at all Inditex brands.

This initiative is designed to improve customers' shopping experience, simplifying the activation process, as well as purchases or returns. With this system, customers simply link the credit cards to their login accounts in order to make payments by mobile phone using a highly secure, QR code.

Mobile payment has an additional benefit– the integrated management of online and off-line purchase receipts, which are automatically saved to each customer's account, are accessible at all times and can simplify the process of returning items. The system thus helps eliminate paper receipts. Thanks to this innovation, Zara became the first Inditex brand to eliminate physical receipts in its stores and for orders placed on Zara.com in Spain in 2016. It is also introducing this initiative in the United States and the United Kingdom. This new paperless system will be gradually expanded to all other brands and markets in 2017.

BUY ONLINE, PAY AT STORE

Pull&Bear and Bershka have taken another step towards offering a fully integrated experience: customers have the option to purchase their products online and pay in cash when they pick items up from the store. This allows people to shop online without a credit card.

QUICK CHECK-OUT REGISTERS

Quick check-out registers, are being tested out at some Zara and Massimo Dutti stores. Customers can use these registers to perform quickly the purchase by themselves.

This initiative streamlines the entire purchasing process. Items are first automatically scanned and shown on the screen for confirmation. Customers can then pay by credit card or with their mobile phone. The system can print out coupons or the original purchase receipt, which can also be saved on their phones.

MOBILE CHECK-OUT SYSTEMS

Inditex has also developed other options for streamlining the sales process. At its new flagship on Paseo de Gracia in Barcelona, Massimo Dutti launched mobile check-outs, a service allowing customers to pay by mobile phone without having to go to the check-out registers.

Inditex continues to develop their mechanisms that enhance customers purchasing experience.



Zara SoHo employee at the store in New York (USA).

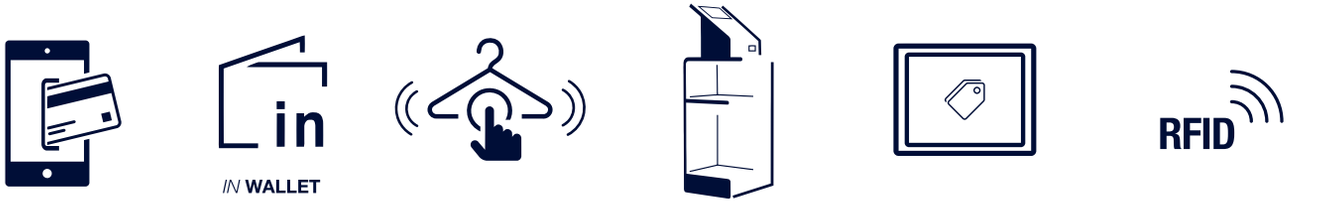
RFID

Radio frequency identification (RFID) technology, one of the Group's most notable initiatives, forms the backbone of many other projects to improve the shopping experience. RFID allows garments to be individually identified, from the moment they are fitted with security tags at our logistic platforms, until they are sold. This reflects a leap forward in the quality of the service we give our customers, because it allows any item to be located quickly and with precision at all times.

In 2016, the Group finished implementing this technology at Zara stores. Meanwhile, Massimo Dutti and Uterqüe have already introduced the innovation, installing the technology needed to identify each individual article. The system is already up and running in trial mode at some Massimo Dutti stores. Both brands will continue to roll out the system in 2017, and Pull&Bear will install this technology at distribution centres and outlets.

The Group aims to gradually expand the RFID project to other brands, with the goal of installing it everywhere by 2020.

INNOVATIVE CUSTOMER SERVICE PROJECTS



Mobile payments

Integrated receipt management

Interactive Fitting Rooms

Self-checkout registers

Interactive tags

Radio frequency identification (RFID) system

IN 2016, INDITEX FINISHED DEPLOYING RFID TECHNOLOGY AT ALL ZARA STORES AND BEGAN INTRODUCING THE SYSTEM AT MASSIMO DUTTI AND UTERQÜE



Inditex employee at the New York (USA) offices.

INFORMATION SECURITY AND PRIVACY

Protecting our customers' personal data is an absolute priority for all of our Group's divisions. Inditex has a Security Committee in charge of deploying the strategy to ensure that personal information remains protected in all company processes and tools that use this type of data, establishing necessary measures and protocols.

At Inditex we have our own Technology Centre located at the Group's headquarters in Arteixo (Spain). This Centre serves as a laboratory for the different innovations and new technologies which are tested by the Group. This facility, designed to withstand physical or geological incidents, keeps new tools secure while ensuring the highest level of continuity for our processes.

To that end, this technology platform has a backup system for computers and systems that ensures which the Group's activity can proceed at all times. The Technology Centre is TIER IV and LEED Platinum certified. It is the only data processing centre in the world to have the highest level of certification in both infrastructure reliability and environmental sustainability.

IMMEDIATE AND MULTI-CHANNEL REPLIES

Our customers' comments and suggestions are crucial when designing new products, but they also drive our customer service improvements in all sales channels. For that reason, all Inditex brands have in-house and outsourced teams to reply to the requests and questions sent to us by our customers in the 93 markets where we do business.

In 2016, our agents responded to more than 17 million requests by phone, email, chat and social media from customers who asked for information primarily about our brands, products, return policies, the status of an order or specific questions about a particular store, such as its business hours.

Additionally, to give our customers more comprehensive service, the Group offers the Affinity Card for shopping at all Inditex brands. In 2016, more than 92,243 people joined this initiative, which already includes almost 1.1 million users.

103-2, 301-2

CUSTOMER RELATIONS IN 2016

FOLLOWERS OF INDITEX GROUP'S BRANDS ON SOCIAL MEDIA IN 2016

	Zara	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	GROUP TOTAL
Facebook	25,233,087	5,855,332	3,223,544	9,711,718	4,548,412	2,415,414	1,847,988	241,658	**53,077,153**
Instagram	15,731,099	2,555,276	848,493	3,806,775	2,868,474	965,858	1,355,834	180,530	**28,312,339**
Twitter	1,229,686	337,339	69,400	411,351	216,492	101,316	79,939	17,130	**2,462,653**
Weibo (China)	706,323	50,173	37,238	37,853	29,453	24,459	not available	not available	**885,499**
VK (Russia)	272,808	62,550	16,886	113,873	55,573	30,930	9,418	not available	**562,038**
Pinterest	330,341	38,217	18,478	48,495	35,018	13,490	62,204	2,113	**548,356**
YouTube	33,481	26,435	7,766	19,891	5,496	2,903	not available	220	**96,192**
Total by brand	43,536,825	8,925,322	4,221,805	14,149,956	7,758,918	3,554,370	3,355,383	441,651	85,958,068

OVERVIEW OF OUR CUSTOMER SERVICE IN 2016

	CUSTOMER CONTACTS	COMPLAINT FORMS *	QUALITY OF SERVICE **	LEVEL OF SERVICE **
Zara	10,857,950	3,451	80/100	96%
Pull&Bear	1,013,779	426	83/100	88%
Massimo Dutti	901,289	222	87/100	94%
Bershka	1,071,658	462	88/100	85%
Stradivarius	706,019	436	94/100	92%
Oysho	404,593	294	83/100	95%
Zara Home	410,807	97	83/100	97%
Uterqüe	63,566	50	90/100	92%
TOTAL	15,429,661	5,438		

(*) Complaint forms submitted in Spain
** Incidents resolved upon first contact with customer
***Percentage of total contacts made by phone, email, chat and messages

AFFINITY CARD USER STATISTICS

	2016	2015
Total accounts	1,099,007	1,032,259
New accounts	92,243	82,616
Receipts	6,333,372	5,732,301
Website visits	796,433	694,796



Zara Home employees at the Arteixo head office (Spain).

our priorities

COMMITMENT TO THE EXCELLENCE OF OUR PRODUCTS

At Inditex, we are committed to offering safe, healthy products that are manufactured through sustainable management. We focus on innovation as a key tool to manage the resources and processes in our value chain. All our garments are created following the *Right to Wear* (RtW) philosophy, from the design stage to the end of life.

INTRODUCTION

Sustainability is an important indication of the quality of our products and also addresses society's demands. At Inditex, we are committed to offering safe products that are manufactured sustainably. We focus on innovation as a key tool to manage the resources and processes at all stages in our value chain.

All of our garments are created following the *Right to Wear* (RtW) philosophy, from the design stage to the end of life. *Right to Wear* implies the development and application of rigorous social standards for health, safety and environment, adapted to the needs of each stage of the production cycle and which allows reduction of the environmental impact and contribution of value to society.

This innovation has its own standard, *Right to Wear+* (RtW+), that we have developed with specific guidelines to label collections that are most demanding with regards to environmental criteria. These garments are characterised by having excellent environmental qualities, as they are manufactured with more sustainable raw materials and are produced using the most efficient manufacturing technologies.

At Inditex, we also maintain a long term strategy to integrate the vision of a circular economy into our business model. For this reason, we develop projects for the end of the product's life cycle, such as *Closing the Loop*, which reaches our employees and customers through the installation of containers for collecting garments.

Through this programme, we have provided containers for collecting garments in 394 Zara stores in six markets, and in our logistic centres and offices in Spain. This initiative is completed through collaboration with Cáritas, with the installation of almost one thousand collection points for garments on Spanish streets. This has allowed us to collect 7,102 tonnes of clothing, footwear and accessories that will be reused or recycled, avoiding landfill sites while collaborating with social entities and the community.

All of these initiatives are aligned with the Sustainable Development Goals (SDGs) of the United Nations General Assembly, which promote a global agenda for 2030 to achieve development in favour of people, the planet and global prosperity.

RELATED SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
 **Goal 3:** To guarantee a healthy life and promote well-being for all at all ages.	Our prevention programmes are based on the principle of substituting chemical substances with safer alternatives. In 2016, we updated our *Clear to Wear* standard and the programme *The List By Inditex,* increasing the number of chemical substances regulated by these initiatives.
 **Goal 6:** To guarantee the availability of water and its sustainable management and sanitation for all.	Our commitment to reach *Zero Discharge of Hazardous Chemicals* (ZDHC commitment) allows us to contribute to the sustainability of water. In 2016 we also jointly led the work team of the ZDHC initiative in order to improve the management of wastewater, publishing the *Wastewater Guidelines* as a result.
 **Goal 9:** To construct resilient infrastructures, promote inclusive and sustainable industrialisation and encourage innovation.	The application of *Ready to Manufacture* allows us to ensure compliance with our environmental and product health and safety standards in production with lower consumption of energy, water and chemical products. Also, the programme *The List By Inditex* includes a commitment to improve the chemical industry in order to develop safer alternatives.
 **Goal 12:** Ensure sustainable consumption and production patterns.	Through our different standards and programmes in the supply chain, we favour environmentally sustainable behaviour of our suppliers. *Closing the Loop* helps to advance towards productions with a view to a circular economy. The *Ready to Manufacture* and *Green to Wear* codes include training for our suppliers on wet processes in order to encourage good manufacturing practices.
 **Goal 15:** Sustainably manage the forests, fight against desertification, stop and reverse the deterioration of land and stop the loss of biodiversity.	The focus on more sustainable raw materials and more efficient production techniques supports the biodiversity of ecosystems and promotes more responsible production methods. Our Forest Product Policy is a framework to guarantee the commitment of the entire supply chain with the forests.



Zara employee at the store in London (UK).

TOWARDS A CIRCULAR ECONOMY

Eco-efficient store

Inditex stores incorporate the most innovative technology to facilitate energy saving and management, thus reducing the emissions of carbon dioxide (CO_2). The sustainability and energy efficiency measures implemented in these stores contribute savings of 20% in the case of electricity, and 40% in water consumption compared to conventional stores.

Green to Pack

This programme aims to reduce the consumption of raw materials in our packaging and to improve shipment density, increasing the amount of products transported in each shipment. Additionally, the use of more sustainable materials in our packaging was encouraged, improving re-use and subsequent separation and recycling.

Responsible manufacturing and Evaluation of wet processes

Clear to Wear & Safe to Wear

These are health and safety standards for products by the Inditex Group, of obligatory application for all of our garments and incorporating the most strict and up-to-date legislation in this area.

***Picking* Programme**

This is an inspection and analysis instrument designed by Inditex and adapted to its production and logistic model. Its objective is to ensure that all items that we sell comply with our product health and safety standards.

The List by Inditex

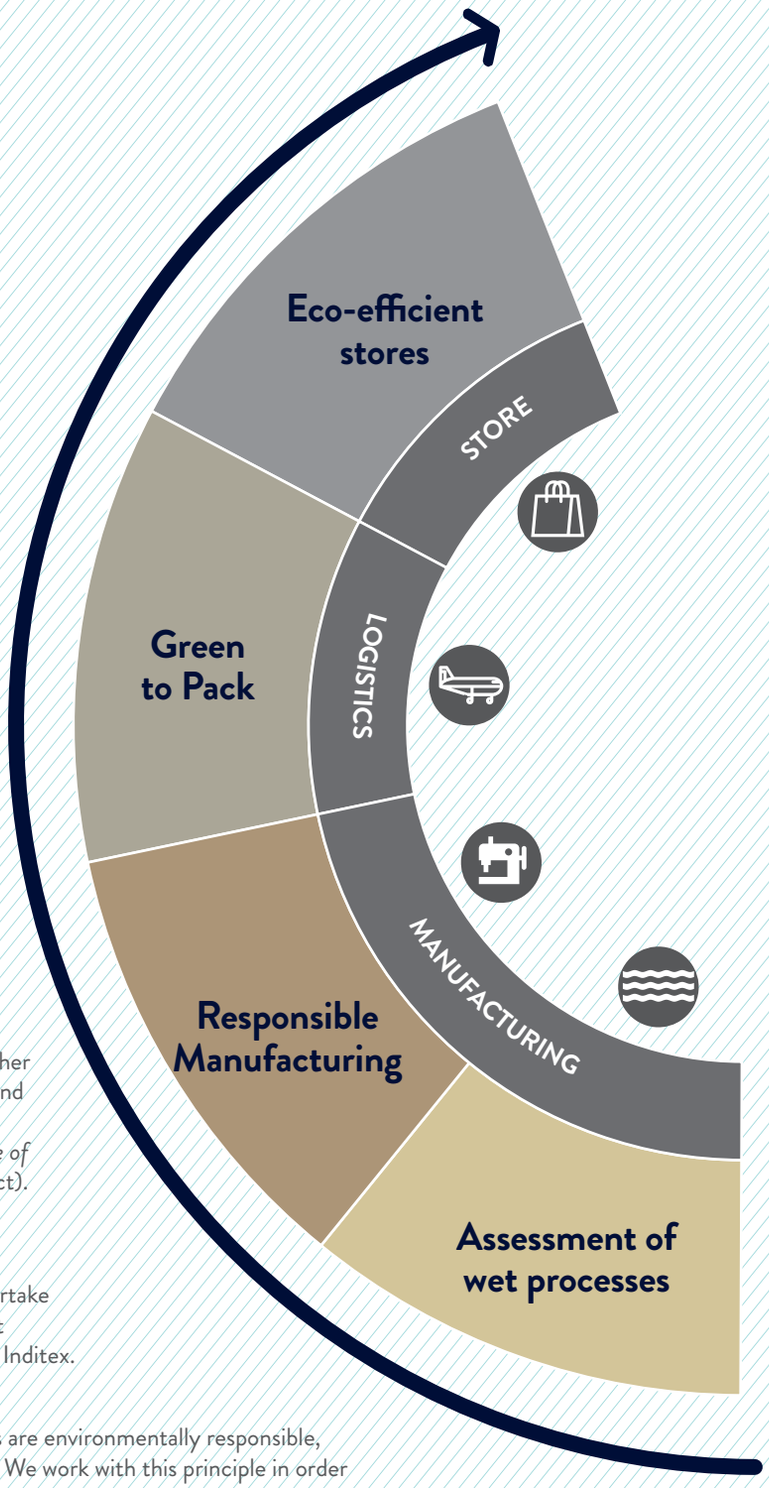
A pioneering global programme to improve the quality of the chemical products used in the manufacturing of textile and leather products. Through manufacturing and product analyses audits and later classification, improvements in the use of these chemical substances are implemented with two objectives: *Zero Discharge of Hazardous Chemicals* (environmental) and *Clear to Wear* (product).

Ready to Manufacture

Ready to Manufacture (RtM) is a code of good manufacturing practices for textile and leather products for facilities that undertake wet processes (dyeing, washing, tanneries and printing) and that guarantees compliance with the demanding health standards of Inditex.

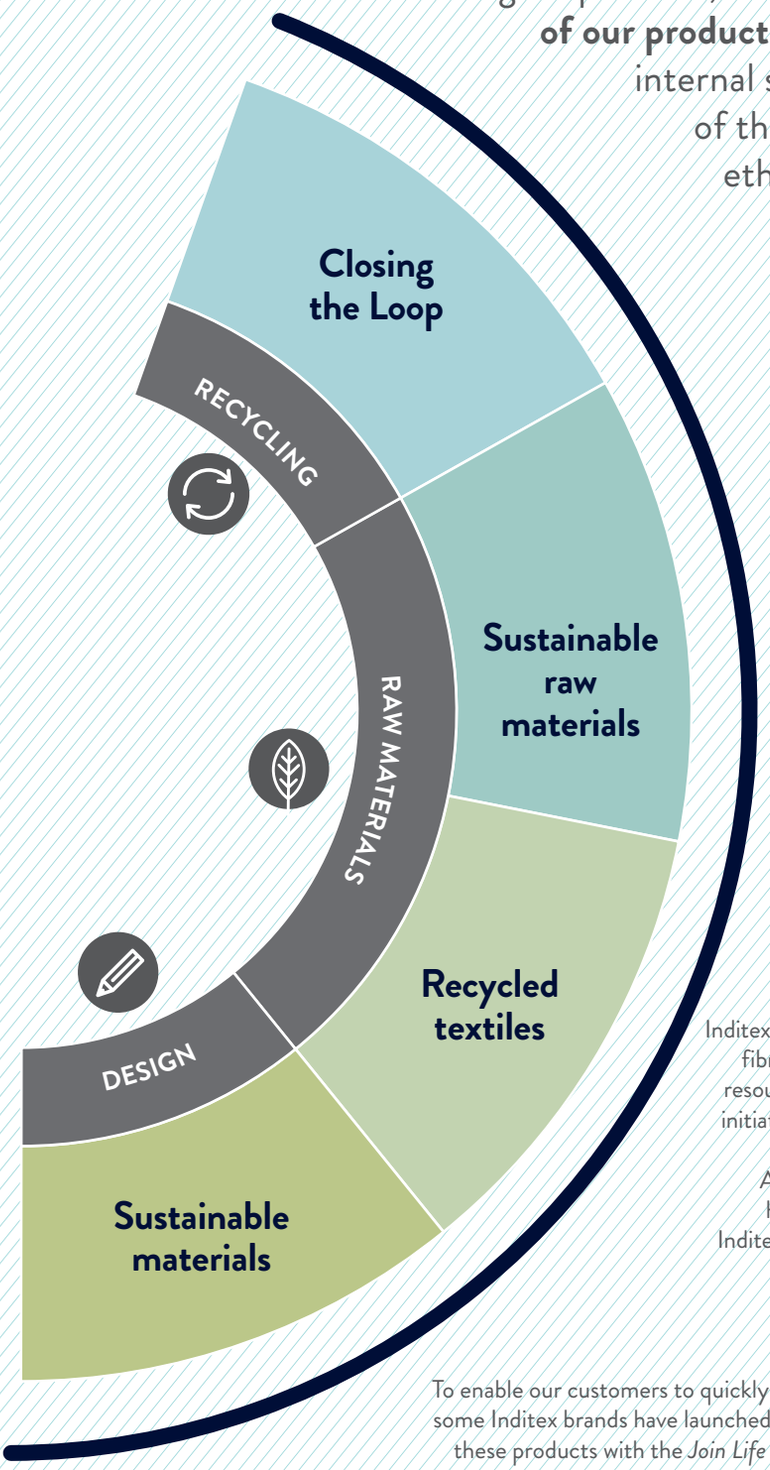
Green to Wear

This is a standard that guarantees that our production processes are environmentally responsible, including criteria for evaluation and control of the supply chain. We work with this principle in order to ensure efficient consumption of the resources used, from raw material sourcing to sale.



RIGHT TO WEAR: RESPONSIBILITY IN ALL PRODUCTION STAGES

In order to bring the latest fashion trends to our stores as demanded by our customers, a lengthy process is required from selecting the materials to the printing or distribution of items. Following our *Right to Wear* sustainability philosophy, **over 1,500 professionals**, both at Inditex and our scientific and technological partners, **ensure that we are responsible in each phase of our production cycle.** In this rigorous task, we demand internal standard guidelines for all stages of the life of the product in order to create items that are ethical, healthy and environmentally friendly.



Closing the Loop

Use and end of life of the product

In order to lengthen the useful life of garments, we have a project for the reuse or recycling of garments in partnership with the third sector, recycling companies and textile manufacturers.

Sustainable raw materials

Environmentally responsible textiles

In the development of our garments, we focus on incorporating textiles that allow us to reduce our environmental impact and to protect biodiversity, such as organic cotton, which does not require fertilisers or chemical pesticides, or TENCEL®Lyocell, a fiber originated from wood from forests that are managed in a sustainable way.

Recycled textiles

New recycled fibres

Inditex incorporates recycled polyester, wool and cotton in its garments, fibres where manufacturing consumes less water, energy and natural resources than the production of new fibres. Moreover, the Group has initiated new lines of research to improve the recycling of textile fibres together with the Massachusetts Institute of Technology (MIT). And through the collaboration with Austrian company Lenzing, we have developed Refibra™Lyocell, from cotton waste generated by Inditex and wood originated from forests that are managed sustainably.

Sustainable collections

Join Life* and *Wear the Change

To enable our customers to quickly identify the products that stand out as environmentally friendly, some Inditex brands have launched specific collections of more sustainable products. Zara identifies these products with the *Join Life* label, whereas in Oysho, the use of raw materials such as organic cotton, TENCEL®Lyocell or recycled materials is recognised from the *Wear the Change* label.



1. FOCUS ON A CIRCULAR ECONOMY

CLOSING THE LOOP

CLOSING THE LOOP, IN 2016

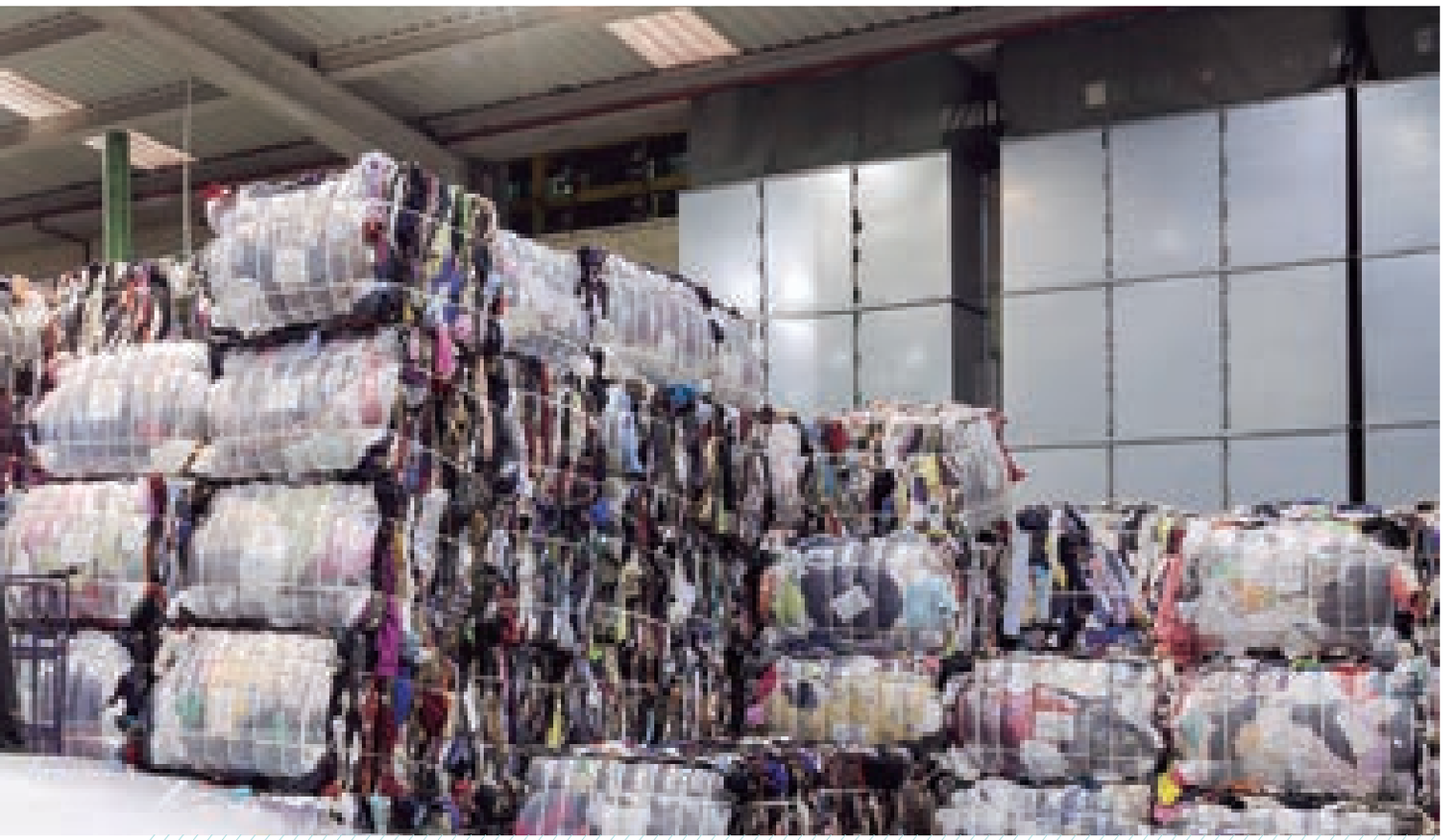
- **7,102 tonnes of garments, footwear and accessories** collected in our stores, offices and through the collaboration with Cáritas
- Programme present in **394 stores in six countries**
- **100% implemented in Zara** stores in Spain, Portugal, the United Kingdom, Ireland, Holland and Denmark

To facilitate our garments having a second life, in 2015 we launched *Closing the Loop*. The aim of this initiative is the reuse and recycling of textile products, footwear and accessories, strengthening the circular economy in our sector. At the same time, this promotes social employment and collaboration with social entities and the third sector in our community.

In 2016, we extended this programme to a total of 394 stores in six countries, reaching 100% implementation in the Zara stores in Spain, Portugal, the United Kingdom, Ireland, Holland and Denmark. This will soon be completed in Sweden and China. In the stores in these countries, we placed specific containers to facilitate donation by our customers. In the same way, we have placed containers in all of our offices and logistic centres in Spain, in order to encourage this initiative among our employees.

Throughout this year, we have also initiated the free home collection service for clothing donations in Spain, in collaboration with Seur. When placing an order on Zara.com, customers have option of giving clothes that they no longer use to the courier. To extend the programme beyond collection in our stores, and in collaboration with Cáritas, in 2016, 992 containers were installed on spanish streets for the donation of garments.

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Koopera de Cáritas collection centre for used clothing, in Bilbao (Spain).

Thanks to this programme, we have been able to collect over 128 tonnes of products in our stores and corporate offices, of which 10.6 tonnes were donated through Zara.com, and 6,973 tonnes on the Spanish streets.

In the coming years, we hope to initiate the garments collection in the stores of Oysho and Massimo Dutti, to expand the network of containers on Spanish streets to 2,000 garment collecting points, and to extend the programme to new countries, including the United States, Canada, Mexico, France, Greece, Italy, Belgium, Switzerland, Austria, Germany, Finland, Norway, Poland, Russia, Korea and Japan.

Closing the Loop also strengthens our social contribution together with nonprofit entities such as Roba Amiga, Cáritas, Red Cross, OXFAM, the China Environmental Protection Foundation, among others. We collaborate in order to integrate people at risk of exclusion to the roles responsible for collecting and classifying the clothing. The products that can be reused are sent to non-profit social entities in nearby communities.

To close the cycle of garments that cannot be used a second time or be wasted from textile manufacturing, we have joined forces with different business organizations and universities to promote sustainable innovation and to develop new materials and technologies that permit the recycling of textile waste.

COLLABORATIONS TO CLOSE THE CYCLE

CÁRITAS SPAIN

In Spain, we have initiated a strategic collaboration with the Cáritas Confederation. We work together to strengthen their projects for the social economy, dedicated to the recovery of clothing and footwear through reuse and recycling.

These projects meet three objectives. As well as lengthening the useful life of textile products and footwear, they follow a model that allows for the integration of people in situations of social vulnerability, as well as free distribution of garments to people cared for Cáritas.

Collaborating with our collections and providing economic support, we help to support a project that, in 2016, has offered over 300 jobs to people at risk of social exclusion.

MASSACHUSETTS INSTITUTE OF TECHNOLOGY (MIT)

Inditex has partnered with MIT-MISTI (International Science and Technology Initiatives) in order to conduct research to improve recycling of textile fibres from used garments The aim is to reduce the impact on natural resources and promote circular economy.



OUR MORE SUSTAINABLE GARMENTS

Organic cotton	TENCEL®Lyocell	Recycled materials
36.7	**6.3**	**1.2**
million garments	million garments	million garments

2. MORE SUSTAINABLE RAW MATERIALS

The choice of materials used in the creation of a garment is an essential phase in the design process. Following the fundamental principles of our Global Sustainability Policy and the Strategic Environmental Sustainability Plan 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 more efficient use of resources.

At Inditex, we work on the awareness and training of our retail teams and our suppliers, with the objective of advancing the use of sustainable fibres such as organic cotton or TENCEL®Lyocell and in the incorporation of recycled fibres.

Cotton is one of the most used raw materials in the creation of our garments. The focus on organic or ecological cotton allows us to reduce the environmental impacts of production, as, unlike conventional cotton, its cultivation is carried out with organic seeds and more sustainable methods.

Thus, in 2016, Inditex Group commercialised a total of 36.7 million garments made from organic cotton, which translates to the consumption of 5,000 tonnes of this material. As a consequence of this strong focus, the independent organization Textile Exchange positioned us as the fourth company on a global scale in consumption of organic cotton by volume, which was up five positions compared with the previous year. Furthermore, Inditex is ranked as the second company that most increased consumption of organic cotton[1].

During the year, the Group also increased its consumption of TENCEL®Lyocell, a fibre created from wood originating 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 in a closed circuit that allows the reuse of water and over 99% of chemicals used. Inditex is the world leader in the consumption of this material, having sold 6.35 million garments made from it in 2016[2].

RECYCLED RAW MATERIALS

In production processes with recycled textiles, less water, energy and natural resources are consumed than in the creation of new fibres, therefore the environmental impact is lower. Although *downcycling*, where materials of lower quality than the originals are obtained, is the most developed type of recycling in the textile industry, at Inditex we focus on *upcycling*, which allows the creation of new fibres of the same quality.

For this, we have been working for years with companies specialized in the conventional recycling of cotton and polyester, textiles that are very common in our collections.

To continue this, in 2016 we began projects with cutting edge companies in innovative and sustainable textile production such as Lenzing, and with entities such as the Massachusetts Institute of Technology (MIT) to improve recycling of textile fibers. This work has already resulted in materials such as Refibra™Lyocell, with Inditex being a pioneer in commercialisation of the material.

[1] Source: Organic Cotton Market Report 2016, Textile Exchange.
[2] Source: Preferred Fibres Market Report 2016, Textile Exchange.

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RECYCLED TEXTILES

- **Refibra™Lyocell:** In 2016, Inditex and the Austrian company Lenzing jointly developed this new material, made from cotton waste and wood from sustainably managed forests.

RECYCLED COTTON + SUSTAINABLE WOOD + CHEMICAL PROCESS = Refibra™

Produced following the same process as TENCEL®Lyocell, Refibra™Lyocell turns waste into a resource, following the most demanding environmental standards that maintain and guarantee natural origins. The result is a high quality and sustainable textile.

- **SYNTHETIC FIBRES:** The recycling of synthetic products, such as polyester or polyamide, is beneficial to the environment not only because it consumes plastic waste, but also because recycling significantly reduces the consumption of water and energy. For example, recycled polyester is produced from both synthetic textiles and plastic bottles that are shredded into small pieces. Through a process called polymerisation, they are transformed into a new synthetic fibre that allows us to create new garments.

- **RECYCLED WOOL AND COTTON:** Materials such as cotton or wool can be easily reused to create new textiles through a conventional or mechanical recycling process. In this process, textile waste is classified by type and colour, and later shredded into small fibres that are brushed and later mixed in order to create new threads in the same colour. As well as using the textile waste to generate new garments, the production of recycled wool or cotton requires a lower consumption of water and chemical products associated with the treatment of the virgin raw materials.

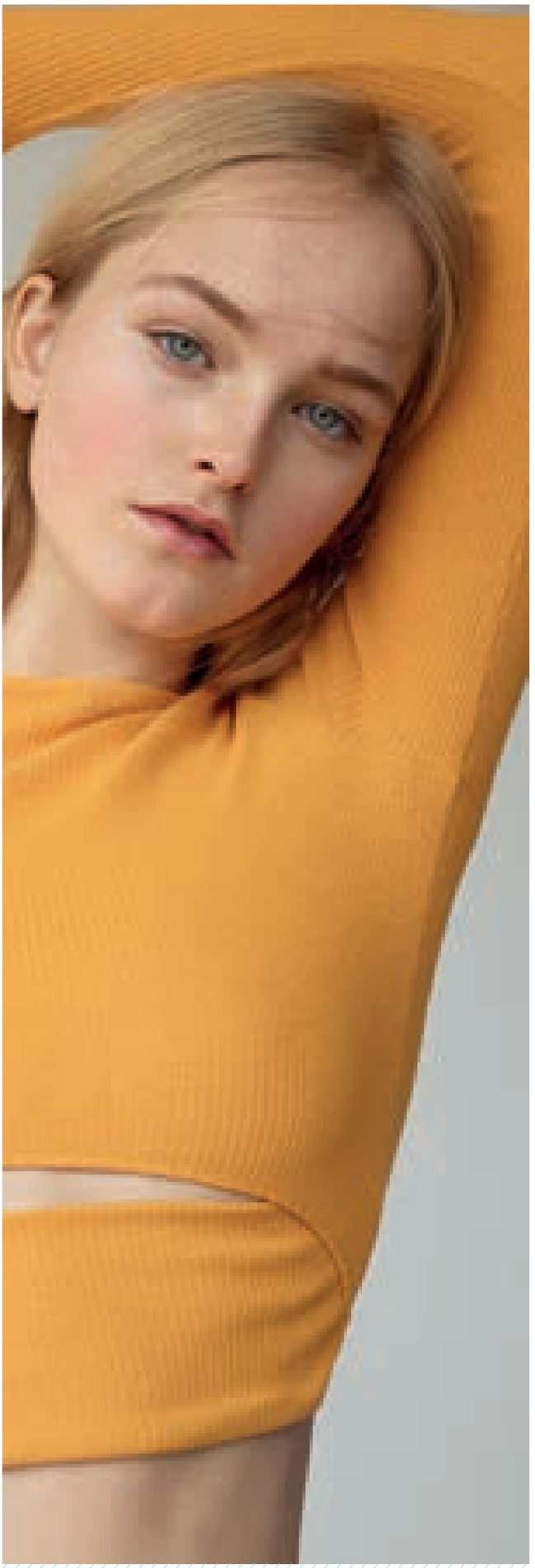


Imagen de campaña Zara Join Life.

RTW+ LABELLING REQUIREMENTS



Care for Fibre: identifies the products manufactured with sustainable raw materials such as organic or ecological cotton, TENCEL®Lyocell or recycled fibres such as recycled cotton, wool, polyester and polyamide.



Care for Water: this includes items that have been manufactured, in at least one stage of production, with technologies that reduce water consumption in comparison to the conventional process.



Care for Planet: accompanies garments that, during the manufacturing process, have consumed energy from renewable sources in at least one stage of their production or have been manufactured with materials that imply technological progress for the reduction of emissions.

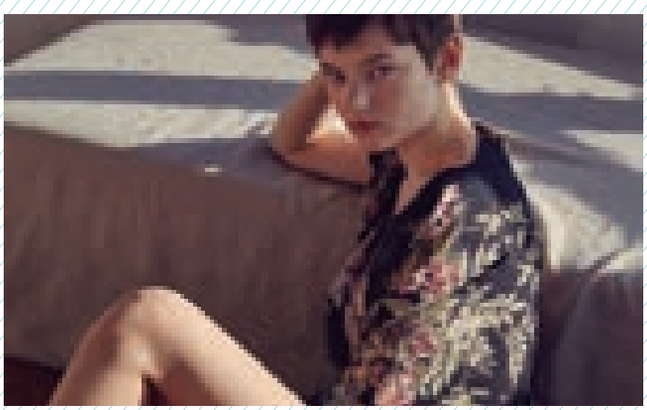
SUSTAINABLE FASHION COLLECTIONS

To enable our customers to quickly identify the products that have raw materials or manufacturing processes that are particularly responsible and environmentally friendly, some Inditex brands have launched specific collections of more sustainable products. In this way, the customer can recognise the progresses in this area and identify items with differentiating characteristics of sustainability, such as, for example, the use of raw materials such as organic cotton, TENCEL®Lyocell or recycled fibres.

OVER 44 MILLION SUSTAINABLE PRODUCTS



Join Life: Zara uses the *Join Life* label to identify the most sustainable garments where the manufacturing has a lower environmental impact. In 2016, the brand made progress with the commercialisation of these products, launching specific collections of these garments in all sections. In total, Zara put 42.3 million *Join Life* items on sale this year, representing over 5% of the entire brand collection over the year.



Weare the Change: The garments with the label *Weare the Change* at Oysho certify that both the materials and the manufacturing processes are environmentally responsible. In this line, Oysho launched its first *Weare the Change* collection, fully consisting of organic cotton, during the Spring/Summer 2016 season.



Oysho head office in Tordera, Barcelona (Spain).

FOREST PRODUCT POLICY

All of our products from forests are managed responsibly. Since 2014, Inditex has had a Forest Product Policy that is applicable to all areas of our business in order to ensure that all of our activities are developed in a sustainable way, protecting primary and endangered forests. Also, we work to ensure that all our man-made cellulosic fibres are sourced from sustainably-managed forests.

In line with this commitment, we give preference to procuring forest products with a high proportion of recycled and post-consumer waste material, and encourage our suppliers to maintain, improve and increase their offering of this type of product.

Under the *CanopyStyle* initiative promoted by the Canopy Planet organization, Inditex and other leading brands in the textile sector continue to promote the sustainability of man-made cellulosic fibres. As founders of *CanopyStyle*, we promote the adoption of positions aligned with our philosophy of environmental respect among the main global suppliers of these fibres. In 2016, nine large suppliers of cellulosic fibres committed to guarantee the sustainability of forest-based products and four of them have initiated independent verification of their compliance.

All paper products (bags, labels, office paper, etc.) and furnishings used in our activities are certified under the PEFC or FSC standards, guaranteeing that the entire process of forestry management is carried out in a sustainable and accountable way.

www.canopystyle.org

ANIMAL WELFARE POLICY

All products of animal origin used in the items commercialised by our brands originate from animals that are treated in an ethical and responsible manner. Thus, none of Inditex's retail formats sell fur or angora products. Since 2013, Inditex has been a member of the *Fur Free Retailer Programme* by the *Fur Free Alliance*. Also, in 2015, it definitively rejected the production and sale of angora wool after an agreement with PETA *(People for the Ethical Treatment of Animals)*.

3. SUSTAINABLE MANAGEMENT

In 2012, Inditex adhered to the Zero Discharge of *Hazardous Chemicals* Commitment to minimize the environmental impact of our production and to improve the health of our garments and the safety of our employees in the supply chain. Since then, we have oriented our strategies to control and improve of manufacturing towards eliminating hazardous chemical substances before 1 January 2020. In 2016, this commitment materialised in three programmes where the objectives were to work on: the identification of hazards in the entire manufacturing chain; the substitution of the substances included in the *Manufacturing Restricted Substances List* (MRSL); and the transparency of these processes.

Identification of Hazards: Inditex designs and implements a programme that allows the identification and elimination of hazardous substances in the supply chain. We are completing the first exhaustive compilation of all chemical substances used in the textile and leather industry.

Also, we are working on an R&D programme to classify the chemical substances used in our manufacturing processes. With this information, we have created our own MRSL, which includes products which are prohibited for use in the manufacturing processes of our garments.

Responsible substitution: Inditex undertakes the substitution of the substances included on the MRSL in a responsible manner, always using the safest alternatives.

- **Complete elimination of the use of PFCs** in our items, studying and promoting the adoption of safe alternatives.
- **Implementation of the *clean factory*** strategy for the elimination of the use of APEOS, chemical substances mainly used in the removal of oil stains.

Transparency: Inditex informs the public of its findings in this area with complete transparency. Thus, the MRSL, the full list of the facilities with wet processes involved in our supply chain, the discharges analysed and the complete reports of the actions developed can be found at: *www.wateractionplan.com*



INDITEX, ON THE CUTTING EDGE OF THE TEXTILE INDUSTRY ACCORDING TO GREENPEACE

The progress achieved in the use of sustainable chemical products has been recognised by Greenpeace this year. In its report called *The Detox Catwalk 2016*, the organization placed Inditex in the *Avant Garde* category, the highest ranking possible, for the textile industry.

For this NGO, Inditex is "on the cutting edge" in the transformation of the use of clean products in the sector. Thus, Inditex is positioned as one of the organizations with "the safest and most environmentally friendly production" according to Greenpeace, which mentions the implementation of three pioneer programmes to reach *Zero Discharge* in 2020: *The List by Inditex*, which supervises the chemical products; *Ready to Manufacture* and *Green to Wear*, which consider the suppliers; and the Root Cause Analysis that focuses on the products manufactured.

Also, it defines the work of Inditex with regards to transparency as "exemplary", due to the publication of the list of wet process suppliers. In this line, it mentions the *Detox Plan 2020*, which includes the concept of "clean factory" and an extensive list of restricted substances (MRSL) that Inditex excludes from production.

Greenpeace also detailed Inditex's compliance with its commitment to eliminate PFCs (perfluorocarbon compounds), having substituted them with other alternatives available on the market, as well as the Root Cause Analysis in order to determine the origin of the chemical products.

http://www.greenpeace.org/international/en/campaigns/detox/fashion/detox-catwalk/

RESPONSIBLE MANUFACTURING

In 2016, Inditex sold over 1.3 billion items, including garments, footwear and accessories. In order to ensure that these items reach our customers in compliance with the strictest standards, it is necessary to carry out an evaluation of all operations, processes and protocols to which the garments are subject.

At Inditex, we make great efforts to ensure that the production process of our items, from the selection of the components to the finished product, can be as flexible and efficient as possible, in keeping with our business and distribution model. Also, completing the process in a safe and sustainable manner requires exhaustive knowledge of the supply chain and complete preparation and supervision of the facilities and the products used.

WE RIGOROUSLY SUPERVISE THE MANUFACTURING PROCESS FOR OUR ITEMS, FROM THE ACQUISITION OF RAW MATERIALS TO THE COMPLETION OF THE PRODUCT

OUR PROGRAMMES IN THE MANUFACTURING OF A GARMENT



Facilities used in the manufacturing of a garment	**SPINNING**	**WEAVING**	**DYEING**	**PRINTING**	**WASHING/ FINISHES**	**TAILORING**
Types of chemical products used in the different facilities	Lubricants	Gluing products	Desizing agents, detergents, bases, acids, bleaches, colours and fixatives	Pigments, colorants, coatings, fixatives, adhesives and detergents	Coatings, fixatives, adhesives and detergents	Adhesives
Application of our programmes	*The List*	*The List*	*The List* *Ready to Manufacture*	*The List* *Ready to Manufacture*	*The List* *Ready to Manufacture*	*The List* *Picking*

This supervision process begins long before the first textile is dyed or the manufacturing has begun. Establishing that the chemical products and the manufacturing facilities that will be used are the most suitable is the first step. Thus, for Inditex it is essential to collaborate with scientific and technological partners for the design and elaboration of the work tools, with expert auditors for the supervision of the facilities, materials and processes used, and finally, with our suppliers.

The selection and adequate use of chemical products for the manufacturing and finishing of the textiles, the use of appropriate manufacturing techniques and the traceability of the raw materials and production processes, are key for responsible manufacturing. Inditex ensures that the facilities designated for manufacturing each item correctly execute each of these actions through two programmes in the supply chain, *The List by Inditex* and *Ready To Manufacture* (RTM).

The final processing of each item must comply in order to be commercialised with our strict health and safety standards, *Clear to Wear* (CtW) and *Safe to Wear* (StW).

Furthermore, before each production is completed and received, Inditex submits a representative sample of these finished items for chemical evaluation and analysis. For this, we use a system that flexibly and efficiently adapts to the logistical and production terms that are characteristic of the business model. This control system is the *Picking* Programme.

If the production does not comply with health and safety requirements, the garments are not accepted and a protocol is launched in order to determine the cause(s) of the non-conformity, avoiding repetition in future productions: *Root Cause Analysis* (RCA).

OUR *CLEAR TO WEAR* PRODUCT HEALTH STANDARD PERMITS CORRECT PLANNING OF PRODUCTION, THE FIRST STEP IN THE COMPLIANCE OF OUR COMMITMENT TO CUSTOMERS

MAXIMUM TRANSPARENCY OF OUR PROGRAMMES: PROGRESS IN 2016

CLEAR TO WEAR PRODUCT HEALTH STANDARD

Before initiating manufacture, it is of vital importance to know the requirements that the items must comply with, i.e., it is necessary to identify the limited chemical substances and their permitted levels in the end product. These requirements are the base of our product health standard *Clear to Wear* (CtW) where the publication document, unlike the common Restricted Substances Lists (RSL), is a reference manual with information on regulations, analysis methods and legal limits, among other information.

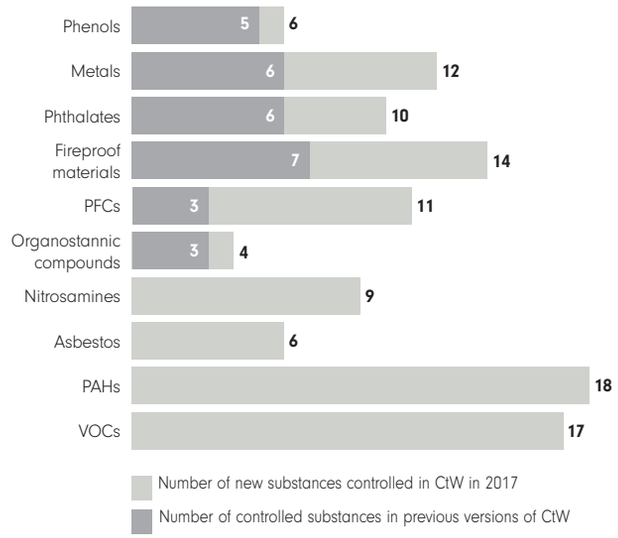
To develop this, we have a team of scientists and technology experts that place CtW at the cutting edge of product chemical restrictions, as it also includes substances that are not legally limited. During 2016, Inditex introduced new features and updates in the CtW standard, which will be applicable in 2017.

Inditex's position is clear: maximum responsibility and demand, in line with a total commitment to customers and to the 93 markets with different regulations where we are present. In this regard, *Clear to Wear*, the first version of which was published over a decade ago, constitutes the most complete and demanding regulatory framework that, as well as being on the cutting edge for substances to restrict, includes all of the most demanding international regulations as a minimum requirement.

PROGRESS IN 2016

- We have increased the regulated individual parameters and/or chemical substances by 43.5%.
- We have increased the families of chemical substances by 26%: extractable heavy metals, polyaromatic hydrocarbons (PAHs), nitrosamines, asbestos and volatile organic compounds (VOCs).

NEW SUBSTANCES REGULATED IN THE *CLEAR TO WEAR* STANDARD SINCE 2017



THE LIST BY INDITEX

THE LIST BY INDITEX, IN 2016

- **19,736 chemical products** analysed and classified in the third edition of *The List* that started in 2015.
- **5,070 chemical products subject to quality improvement** with regards to different substances that are restricted internationally and regulated in the *Clear to Wear* standard.
- The participants in T*he List by Inditex* assume the commitment and responsibility to **remove less sustainable products from their commercial range** and to develop more responsible alternatives.

The List by Inditex is a unique and pioneering global programme that, through industry collaboration, aims to improve the quality of chemical products used in the manufacture of textile and leather items. Its objective is to ensure, in an efficient and definitive manner, compliance with the *Clear to Wear* standard and, secondly, the Commitment to *Zero Discharge of Hazardous Chemicals 2020*.

The methodology for participating companies for the supervision and control of the chemical products that appear on *The List* includes, among other protocols, the performance of chemical analyses, audit of factories where these substances are produced and, above all, strict supervision of companies' product safety policies.

In collaboration with the chemical industry, *The List* presents two different time scales:

- **In the short term**, it works on the identification and restriction for use of hazardous chemical products, both from the perspective of Health and Safety, and its impact on the environment.
- **In the long term**, it works on improving the entirety of chemical products through perfecting the existing production procedures. In cases where this perfecting is not possible, it works with R&D programmes that permit the creation of new chemical products that are alternatives to those existing.

CLASSIFICATION OF CHEMICAL PRODUCTS IN *THE LIST BY INDITEX*

The 19,736 chemical products in the current version of *The List* have been classified in accordance with these criteria:

- **"A" chemical products:** Their use is permitted in Inditex production without additional analysis of the facilities that use them, and they represent 67% of the elements included in *The List.*
- **"B" chemical products:** The use of these products in the Inditex supply chain implies the performance of additional analyses during production, as indicated in the *Ready To Manufacture* Protocol and they represent 18% of the elements included in *The List.*
- **"C" chemical products:** these represent 15% of the substances included in *The List* and are chemical products that are prohibited from use in Inditex production.

CASE STUDY: *REACTIVE BLACK 5*

Annual consumption of dye on a global scale is estimated to be at 1.7 million tonnes. Within these, the dye Reactive Black 5 stands out, used to dye cotton items in black and navy and, therefore, of great commercial importance. The manufacture of this dye is not free from limitations, particularly due to the impossibility of manufacturing it free from impurities of chemical substances and potential risk of CtW non-compliance.

Thanks to the collaboration with the chemical industry, the third edition of *The List by Inditex* is pioneering the inclusion of several Reactive Black 5 dyes that are completely free from impurities and developed to respond to this limitation and to guarantee compliance with our standard.

READY TO MANUFACTURE

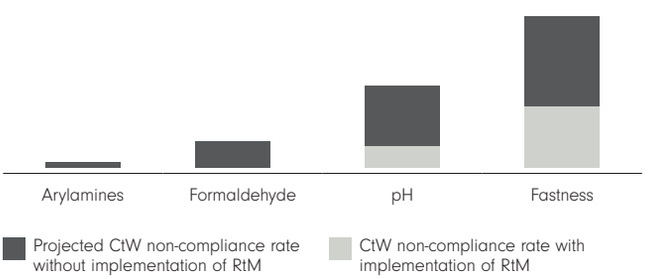
Ready to Manufacture (RTM) is Inditex's manufacturing code, pioneering and unique in the textile industry, which through actions at the wet process facilities (dyeing, washing, printing and tanneries) seeks compliance with the Inditex product safety standard *Clear To Wear* and our commitment to achieve *Zero Discharge of Hazardous Chemicals* in 2020.

Correct implementation of RTM in the supply chain guarantees compliance with our CtW product safety standard and the Commitment to *Zero Discharge* at the facilities through the application of:

- Responsible manufacturing processes that include, among other actions, the correct selection of chemical products and manufacturing conditions.
- A strict programme for supervision and control of production that establishes rigorous analysis in products and processes identified as hazards.

The implementation of responsible manufacturing practices included in RtM minimises non-compliance with our standards detected in the control programmes. In this way, we reduce the need to reprocess operations in order to achieve the desired finishes and improve the efficiency of our sustainable manufacturing processes, by minimising additional consumption of resources (chemical products, water and energy) required for these second operations.

NON-COMPLIANCE RATE FOR *CLEAR TO WEAR* AND IMPROVEMENTS UPON APPLICATION OF *READY TO MANUFACTURE*



This graph shows the reduction of reprocessing reached in a facility by applying the RtW standard. On the one hand, there is a reduction in all internal non-compliance associated with restricted chemical substances (arylamines and formaldehyde) and, on the other, there is a significant reduction in reprocessing due to non-compliance with parameters such as pH (reduction of 80%) or fastness (reduction of 60%).

ENVIRONMENTAL SUSTAINABILITY IN THE *GREEN TO WEAR* STANDARD

GREEN TO WEAR, IN 2016

- **729 environmental evaluations** in wet process plants in three years.
- Environmental monitoring plans with **individualised accompaniment.**
- Verification of compliance with discharge in the purification facilities.
- Verification of **compliance with the PFCs Free policy**, which was worked on with 160 direct suppliers in 2016 in order to provide alternative solutions.
- **Publication of the list of suppliers** related to the wet processes.
- Collaboration with technological centres and universities for the **search for sustainable chemistry alternatives**, the promotion of clean technologies and the creation of training materials.

One of our strategic objectives for 2020 is to reach *Zero Discharge of Hazardous Chemicals* in our entire supply chain. To achieve this, we have developed the project on Capacity Building in the Supply Chain. At the same time, we continue to implement our own *Green to Wear* standard, which includes our efforts in the wet processes of the manufacturing: dyeing, printing, washing, tanning and finishing. Based on the *Clean Factory* approach, we promote the best techniques available for efficient environmental management and sustainable chemistry.

Through these tools, we evaluate the status of our value chain and provide training resources and instruments for analysis to our suppliers. Thanks to the Capacity Building project for suppliers, we are progressing towards the sustainability of the wet process plants so that they can continuously improve their efficiency and performance.

Specifically, we work in areas associated with the handling of the raw materials, water, energy, chemical products, wastewater and waste. In just three years, we have carried out 729 environmental evaluations in wet process factories. This has allowed us to progress towards compliance with our commitment to *Zero Discharge*, improving traceability and achieving a more transparent and less intensive production process for the consumption of resources.

With each evaluation, we carry out an Environmental Monitoring Plan, which allows our suppliers to identify and optimise the areas of the facility where improvements can be made for the environment. We also verify compliance with the discharge parameters at the purification facilities, the size and optimal management that allow correct purification of the water derived from the manufacturing processes.

Since 2014, we also verify compliance with our *PFC Free* policy so that all of our products are free from perfluorocarbons (PFCs), compounds used in the waterproof and water repelling finishes. Given that this is of obligatory compliance in our supply chain, in 2016 we have worked with 160 direct suppliers in order to provide alternative sustainable solutions for these unwanted substances.

We are also committed to the transparency of our progress towards *Zero Discharge*. In 2016, we published the list of our suppliers related to the wet processes.

To support the achievement of these objectives, we collaborated with various universities and technological centres to detect alternatives based on sustainable chemistry, the promotion of clean technologies and the creation of training material. Among the available materials are technical sheets developed in collaboration with the University of A Coruña.

These documents analyse, for each of the different stages in the purification process, the different systems and technologies existing. These are key in helping our suppliers to improve the purification of wastewater and to reduce the discharge of chemical substances. They are available on our website: www.wateractionplan.com

CASE STUDY: IMPROVEMENTS THANKS TO *READY TO MANUFACTURE*

As well as the prevention of non-compliance with CtW in products and the Commitment to *Zero Discharge* in 2020, one of our Portuguese suppliers has implemented RtM:

3% increase of *Right First Time* (RFT): calculated as the percentage of adequate manufacturing in the first production process, the improvement of the RFT implies reduced consumption of water, chemical products and energy, and delivery times.

50% improvement in customer satisfaction: the correct implementation of RtM guarantees commercial commitments, which translates to reduced customer complaints.

30% reduction in the inventory of chemical products: RtM imposes a rigorous selection of chemical products, resulting in the elimination of those with lower rotation in the inventory.

17% energy savings: this avoids the appearance of non-conformities and the control and supervision programme detects them in early stages, which implies great improvement in the energy consumption.

103-2, 103-3, 306-5, 308-1, 308-2, 413-2, AF18

PICKING PROGRAMME

The *Picking* Programme is our instrument for verifying the quality of the items commercialised by Inditex. It is structured in various stages, among which we can highlight the decision of the analyses, the taking of representative samples from productions and the performance of analysis in external analytical laboratories.

The laboratories, distributed throughout the principal manufacturing geographical clusters, are the key actors for *Picking* and, for this reason, work in a standardised manner. Optimised analytical methods are used, with strict monitoring of quality.

THE KEYS OF THE *PICKING* PROGRAMME



Efficacy and efficiency in the analysis decision

The first step in the control of production is to decide upon the substances/parameters, the items and parts to be controlled. Together with the University of Santiago de Compostela, Inditex has developed tools to detect non-compliance with the *Clear to Wear* standard. In 2016, 619,854 analyses and tests were carried out, implying optimisation of 29% with regards to the previous year. The positive evolution of the suppliers in compliance with the Product Health and Safety, together with the actions of control programmes during the production (RtM and *The List*) have allowed for adaptation of the number of analyses carried out without compromising the compliance guarantee of our products.

Production representativeness

At Inditex, we perform careful sample taking that guarantees that the results of the analyses carried out are representative of the entire production they originate from.

Adaptation to the Inditex manufacturing model

Inditex uses an analysis network of 64 external laboratories distributed throughout the main manufacturing countries, the number of which is reviewed and increased annually.

Optimised analysis methods

The laboratories linked to the *Picking* Programme use optimised analysis methods that permit, on the one hand, significant reduction of the response times and, on the other, increased analysis capacities.

Excellence in the execution of the analyses

The decision on whether to accept or reject production is taken based on the number of analyses carried out on the same. For this reason, the precision and accuracy of the analyses must be maximum.

Inditex guarantees the quality results of all laboratories in the network through a quality supervision programme for the test procedures and qualifications of the technical personnel, designed and executed in collaboration with the University of Santiago de Compostela.

CASE STUDY: INNOVATION IN THE DETECTION OF CHROMIUM (VI)

To improve the control processes of our items implies innovation. There are several objectives for innovation, but one of the most important is the development of increasingly sensitive analysis tools in order to establish the conformity of our items with the critical parameter requirements such as, for example, Chromium (VI).

The analysis methods for this substance were, until now, based on techniques with low sensitivity (colour scale) and susceptible to interference. Inditex has collaborated with the Polytechnic University of Catalonia for the development of a new Chromium (VI) analysis method through ion chromatography, which presents many advantages over the traditional method: the analysis is faster, more sensitive and more selective. It is also less susceptible to interferences from other substances. This method has already been adopted by the international scientific community and published as ISO standard 17075-2:2017.



Quality assurance tests in the laboratory.



Inditex laundry supplier in Portugal.

OUR PRINCIPAL ROLE IN THE *PACT* IS TO PROMOTE PRACTICES TO IMPROVE EFFICIENCY IN OUR FACTORIES, IN THE REDUCTION OF ENERGY AND WATER CONSUMPTION, AND THE IMPROVEMENT OF THE WASTEWATER QUALITY

ROOT CAUSE ANALYSIS (RCA)

When an item does not comply with Health and Safety requirements, Inditex rejects production and carries out a *Root Cause Analysis* (RCA). In this type of analysis, experts from the textile and/or leather sector visit the facilities (dye, wash, print and tannery) involved in the manufacturing of the item affected in order to determine the origin of the incident. Finally, a Corrective Action Plan is provided for the facility in order to avoid the repetition of the incident in the future.

It should be noted that both the incidents detected through the RCA and the solutions provided to the facilities are used as feedback in the manufacturing intervention programmes: *Ready to Manufacture* and *The List by Inditex*, which ensures constant improvement of the same.

PRINCIPAL CAUSES OF THE RCA AT INDITEX

- **Dyes and auxiliary chemical products: 72%**
  The use of chemical products not included in *The List by Inditex* without adequate control is, currently, the main cause for non-compliance.

- **Conditions in the manufacturing process: 16%**
  Manufacturing conditions play a fundamental role in avoiding the appearance of non-compliance. The circumstances that may favour cross contamination or contaminations from one production to another are of particular importance.

- **Raw materials: 12%**
  Raw materials, particularly raw textiles, i.e., before dyeing or printing, contain restricted substances originating from the conditioning stages of the same.

COLLABORATION WITH PROGRAMMES FOR SUSTAINABILITY IN THE TEXTILE SECTOR

At Inditex we support the *Partnership for Cleaner Textile in Bangladesh* (PaCT). This initiative works in collaboration with the World Bank in order to improve competitiveness of the textile sector through adopting the better practice in the management of water, energy and chemical substances.

For this, we collaborate in the development of specific technical materials and in the improvement of access to funding for investments for more sustainable production.

Thanks to the participation in this initiative, a total of 18.4 million cubic metres of water have been saved, 15.9 million cubic metres of wastewater have been avoided, and 275,346 tonnes of CO_2 have not been emitted.

www.textilepact.net

Another initiative that we joined in 2016 is the Clean by Design (CBD) programme, together with the *Natural Resources Defence Council* (NRDC), to promote sustainability in textile production in China.

4. COLLABORATION WITH INTERNATIONAL INITIATIVES AND ORGANIZATIONS

UNIVERSITIES AND RESEARCH CENTRES

MIT-MISTI (INTERNATIONAL SCIENCE AND TECHNOLOGY INITIATIVES)

Under the framework of our *Closing the Loop*, we have partnered with MIT-MISTI (International Science and Technology Initiatives) in order to conduct research to improve recycling of textile fibres from used garments.

UNIVERSITY OF SANTIAGO DE COMPOSTELA

Since 2004, the University of Santiago de Compostela has maintained close collaboration with Inditex as advisors in science technology. Among the collaborations are the development of the product safety standard *Clear to Wear*, the application of Big Data in order to optimize control procedures (Manufacturing epidemiology) or protocols to measure the sustainability of chemical substances of the textile and leather industry.

UNIVERSITY OF A CORUÑA

In collaboration with this university, we are developing the technical documents that analyse different systems and the existing technologies for each of the different stages in the purification process in order to improve their operation and reduce the discharge of chemical substances.

ESCOLA TÉCNICA D'IGUALADA (CETI – UPC)

The collaboration with CETI through the A3 In Leather and Fashion & Textile Innovation chair includes the development of good manufacturing practices focused on improving the processes of tanning leather, as well as the development of more sensitive analysis methods (Chromium (VI).

EUROPEAN COMMITTEE FOR STANDARDISATION - EU

Inditex actively participates in the European Committee for Standardisation for the development of standards and regulations related to the safety of children's clothing, as a representative within the work group CEN/TC 248/WG 20.

BARCELONA BIOMEDICAL RESEARCH PARK (PRBB)

BBRP (Barcelona Biomedical Research Park) is a joint initiative with the Regional Government of Catalonia (Generalitat), Barcelona City Council and the Pompeu Fabra University. The Park is a centre for biomedicine and health sciences that collaborates with Inditex in the studying of the potential hazards of chemical substances in the textile and leather industry.

SECTORAL ORGANIZATIONS

EUROPEAN UNION. PEF PILOT (PRODUCT ENVIRONMENTAL FOOTPRINT)

This European Commission programme seeks to increase transparency in the environmental characteristics of products, to explore new routes of information and promote sustainable consumption. Together with other brands and the *Sustainable Apparel Coalition*, we took part in the footwear pilot to analyse how to facilitate understanding of the products' environmental impacts. In 2016 we conducted a communication pilot in Zara and Oysho.

SUSTAINABLE APPAREL COALITION (SAC)

We participate in the *Sustainable Apparel Coalition* (SAC) in order to progress the sustainable transformation of the sector. The main initiative is the Higg Index, a tool to understand and minimize the environmental and social impacts of the manufacturing and sale of the products. Our effort has focused on updating the suppliers module of the index in order to adapt it to small and medium enterprises and for it to represent the industry as a whole.

COTTON CAMPAIGN

We collaborate with this coalition of organisations for Human Rights, labour rights, investors and businesses in the eradication of child labour and labour exploitation in cotton production, especially in Uzbekistan and Turkmenistan.

ORGANIC COTTON ACCELERATOR (OCA)

Conscious of the environmental and social advantages of organically cultivated cotton, Inditex supports the Organic Cotton Accelerator (OCA) as a founding member and part of the investor committee. This multi-sector initiative joins the principal agents in the sector of organically cultivated cotton in order to create a robust market that benefits us all, from the farmer to the consumer.

www.organiccottonaccelerator.org

BETTER COTTON INITIATIVE (BCI)

The Better Cotton Initiative (BCI), of which Inditex is a member, aims to improve global production and to contribute to the future of the cotton sector, both in the social and environmental scope. For this, it supports farmers through technical training programmes, seeking to encourage environmental sustainability through more respectful cultivation practices and including a custody system that facilitates cotton's traceability from the field to its distribution.

www.bettercotton.org

CANOPY PLANET

With this organization, we founded the CanopyStyle initiative, the aim of which is to promote sustainability of man-made cellulosic fibers in the value chain.

www.canopyplanet.org

TEXTILE EXCHANGE

Yet again this year, we continue to collaborate with Textile Exchange, a global non-profit organization that works towards a more sustainable textile industry, boosting the positive impacts and helping to establish better practices and sustainable business models in the entire value chain.

www.textileexchange.org

ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC)

As well as our commitment to reach *Zero Discharge* in 2020, in 2016 we also jointly led, as members of this initiative, a working group to improve wastewater management resulting in the publication of the Wastewater Guidelines.

www.roadmaptozero.com

PARTNERSHIP FOR CLEANER TEXTILE IN BANGLADESH – PACT

At Inditex we support this programme by promoting better practices and developing specific technical material for more sustainable production in Bangladesh's textile sector.

www.textilepact.net

CLEAN BY DESIGN (CBD) PROGRAMME OF THE NATURAL RESOURCES DEFENCE COUNCIL (NRDC)

We support this initiative which aim to promote the sustainability of textile production in China.

www.nrdc.org

CHINESE INSTITUTE OF PUBLIC AND ENVIRONMENTAL AFFAIRS (IPE)

The Chinese Institute of Public and Environmental Affairs (IPE) promotes the disclosure of wastewater analyses from suppliers related to wet processes. The IPE has recognised Inditex's work towards improving the environmental performance of the supply chain, positioning us in seventh place on their ranking for the textile sector and eleventh place globally, 10 places higher than the previous year.

http://wwwold.ipe.org.cn/en/pollution/index.aspx

EUREKA (TURKEY)

In association with the highest-level laboratory in Turkey, the EKOTEKS Laboratory, Inditex is developing new techniques for the analysis of cosmetics, which are already being applied to ensure the maximum quality of the brand's line of cosmetic products. This R&D project is being developed under the auspices of the European Union EUREKA network.

CIQ (CHINA)

Inditex participates in the Pre-Testing programme with the CIQ Shanghai organization of the Department of Customs Inspection and Quarantine of China, reserved for companies with a very high level of compliance with health regulations for imported items.

CEO WATER MANDATE

At Inditex we support this initiative included in the United Nations Global Compact to promote adequate and sustainable water management.

www.ceowatermandate.org



Zara SoHo employee at the store in New York (USA).

our priorities

RECYCLING AND EFFICIENT USE OF RESOURCES

At Inditex, we understand sustainability as a commitment to society and the environment. For that reason, our circular economy model is applied to all phases along the value chain so we can increase efficiency and reduce emissions. The Dow Jones Sustainability Index has awarded us a gold medal as the most sustainable retail company in the sector.

2020 STRATEGIC ENVIRONMENTAL GOALS

- Maintain our commitment to *Zero Discharge of Hazardous Chemicals* (ZDHC Commitment) in the supply chain.
- Reach the *Zero Waste to Landfill Objective* by 2020 for waste produced by our headquarters, logistic centres, stores and Inditex factories.
- Get all our stores to meet the requirements of the eco-efficient store standard, including new locations and refurbished stores.
- Increase the manufacture of more sustainable products by using more sustainable fibres and employing the best available production techniques with the smallest environmental impact.
- Reduce emissions produced by the value chain and promote a low-carbon economy.

INTRODUCTION

At Inditex, we are aware of the need to use resources more efficiently every day and offer our customers ethical and responsible products. This commitment requires our value chain to be sustainable at all stages. Thus, in 2016 we began applying our new Strategic Environmental Sustainability Plan 2016-2020, which further embeds the responsible circular economy model throughout the value chain and continues the work and effort begun in our previous plan, Sustainable Inditex 2011-2015. In line with our values, this new plan cuts across all of our business departments and lays out a step-by-step path to becoming a more sustainable company.

The 2016-2020 Plan furthers the commitments of our Environmental Policy and the guidelines set out by our three main strategies: the Global Water Management Strategy, the Energy Strategy and the Biodiversity Strategy, as well as the Forest Product Policy. This array of actions defines the environmental challenges we have to overcome to achieve our goals by 2020.

Embarking on this plan marks a new chapter in our ongoing work to fulfil our sustainability commitments, as well as to contribute to the environment-related 2030 Sustainable Development Goals (SDGs) set by the United Nations. More specifically, at Inditex we have focused our environmental efforts on the following SDG:

INDITEX AND THE SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
 **Goal 7:** Guarantee access to affordable, safe, sustainable and modern energy for all.	We work to minimize our impact on climate change throughout our entire value chain. For example, we optimize our logistics processes, strive to make our facilities efficient and deepen our commitment to renewable energy. 30% of the power used at our offices, logistics centres and stores comes from clean sources.
 **Goal 13:** Take urgent action to combat climate change and its impacts.	
 **Goal 9:** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	Our stores are equipped with cutting-edge technology to reduce their environmental impact and greenhouse gas footprint, adapting the company to a low-carbon economy through innovation and efficiency.
 **Goal 12:** Ensure sustainable consumption and production patterns.	Continuous improvement of our environmental management, use of recyclable raw materials and efficient use of resources are the main pillars of our Zero Waste to Landfill objective by 2020, which promotes a business model of responsible production based on a circular economy.



Zara store in London (UK).

Among the actions taken against climate change, we have continued to invest in improving the efficiency of our logistic facilities and offices, redoubling our commitment to renewable energy. A noteworthy example is the new eco-efficient Pull&Bear headquarters, which received the LEED Gold seal, a certification also achieved by Oysho's facilities in Tordera, Barcelona. We also continue working to bring all our stores up to the standards in the Eco-Efficient Store Manual, a milestone that 71% of our own stores have already reached.

Furthermore, we have committed to setting science-based targes for reducing greenhouse gases. These are essentially actions aiming to reduce the emissions associated with our activity in order to promote a low-carbon economy, a global goal recognized in the Paris Agreement.

Lastly, and in line with our *Zero Waste* commitment, we reduced the waste produced by our activity and promoted sustainable logistics, optimizing the containers and packaging used in order to cut down on the amount of material thrown out throughout our value chain.

INDITEX, AT THE TOP OF SUSTAINABILITY INDICES

In 2016, the Dow Jones Sustainability Index (DJSI) named Inditex the most sustainable retail company in its industry, awarding it the gold medal with a total of 97 points out of 100 in a environmental category.

The inclusion of our company on the 'A' lists of the CDP Climate Change and CDP Forest is an additional sign of our leadership. Furthermore, we are listed for yet another year on the FTSE4Good index.

COMMITMENT TO CLEAN ENERGY IN 2016

- Clean energy sources supply 30% of our worldwide energy consumption
- 520 million KWh of electricity used at our facilities comes from renewable sources
- 89% of the electricity consumed in Spain is renewable
- The use of clean electricity in our facilities has grown by a factor of 10 since 2013

1. SUSTAINABLE ENVIRONMENTAL MANAGEMENT OF OUR FACILITIES

In order to fulfil our commitment to manage our resources more efficiently, we believe it is essential to continue investing in facilities and infrastructure. In 2016, the Group invested € 1.4 billion, although over the last five years the amount exceeded € 7 billion. Guided by sustainability goals, these investments include:

- -Expand, size and modernize logistic facilities and design centres.
- Add and refurbish new or existing stores to the Group's eco-efficiency model.
- Research and development (R&D) of sustainable technologies for stores, such as mobile payments or RFID, that eliminates the need for paper receipts.
- Launch *Closing the Loop.*

Our commitment to efficiency goes beyond investment in infrastructure and technology and takes the form of an investment in clean energy as well. In 2016, we procured 520 million kWh of renewable energy for our offices, logistic centres and stores. This combined with the renewable generation, tri-generation and co-generation at our facilities means that 30% of the energy we consume is clean, avoiding emissions derived from the production of energy using fossil fuels. Furthermore, we have increased the use of electricity from renewable sources in our facilities tenfold since 2013. In Spain, where the Inditex Group is headquartered, 89% of the electricity consumed comes from renewable sources.

LOGISTIC CENTRES AND OFFICES

Our logistic centres play a key role in our effort to contribute to the sustainability of our clothing, and therefore they, together with our headquarters and offices, constitute a basic pillar of our environmental strategy. All of them have an ISO 14001 certified environmental management system based on continual improvement that allows us to manage efficiently and responsibly.

This year, we expanded Pull&Bear's headquarters, located in Narón (Galicia). Built following sustainability criteria, the new offices have received the LEED Gold level certification, a standard also achieved by the Oysho headquarters in Tordera (Catalonia). This brings the number of Inditex headquarters and centres that are certified to this sustainable building standard to seven. Also noteworthy is the ISO 50001 certification of the Inditex Technology Centre in Arteixo (Galicia), which is in addition to its current Tier IV and LEED Platinum certifications. The ISO standard validates its energy management and promotes more efficient and sustainable energy consumption.

In an ongoing effort to cut back on the resources we use, this year we continued implementing the Efficiency Plan at logistics centres. By deploying more efficient technology like LED lights or state-of-the-art batteries, we curb energy requirements while improving our efficiency. These actions have led to a 14% drop in electricity consumed per garment as compared to 2015.

On logistics, the multi-shuttle areas started working in Bershka platform in Tordera (Barcelona) and the Arteixo (A Coruña) distribution centre in 2016. The systems led to increased efficiency and accuracy for shipping management and cut box transfer, storage and retrieval times by half.

With regards to training, we continue to develop specific programmes designed to raise awareness among employees about how to use resources efficiently and respect the environment. Notable is our Good Office Practices Handbook, which has successfully sparked campaigns to reduce consumption of disposable bottles, cups and containers, replacing them with reusable options like water bottles and glass and ceramic cups.



Pull&Bear head office in Narón (Spain).

PULL&BEAR'S ECO-EFFICIENT HEADQUARTERS

Officially opened in September 2016, the new Pull&Bear headquarters in Narón (A Coruña) was designed and built to meet the brand's current and future needs. It was envisioned as **an energy-efficient building integrated into its surroundings, with open-plan spaces that optimize natural light**. All of these measures allow it to **use 50% less water and 30% less electricity** than conventional offices and **cut CO_2** emissions by more than 230 tons.



sustainable building
headquarters

Rectangular plant: 180 metres long and 80 metres wide

Efficient façades: **A spare and simple image** (glass and aluminium)

South-facing horizontal slats for protection from the sun

Parking on the ground floor (partially open) providing protection from the sun and rain

Courtyards to help **air circulate naturally**



interior design
workspaces

Completely flexible spaces

Simple and clear interiors, **good light reflection**

6,000 square metres workroom, completely **open-plan** and with no pillars

Physical work environment that lends itself to concentration and creativity



location
open space and alternative transportation

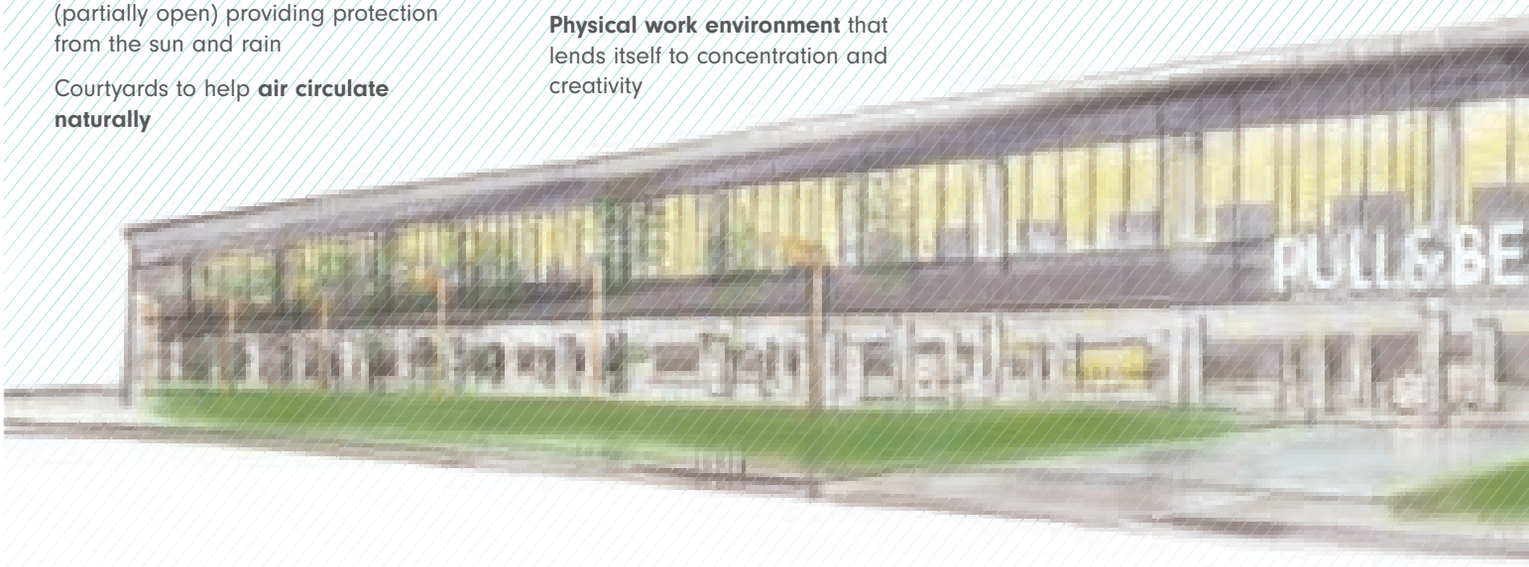
30,000 square metres green area with resting spaces

Native Galician forest that respects existing habitats

Company bus

Bike **parking**

Parking spaces reserved for **electric vehicles**





Energy efficiency
lighting, HVAC, green energy and monitoring

Natural light management + **highly efficient lighting** + **LEDs** = 30% less electricity used

Inner courtyards: help **air circulate naturally** and provide **natural ventilation**

Roof: designed with high clarity materials that help reduce **solar irradiation**

100% of the electricity consumed has a **certificate of guarantee as renewable energy**

DALI Protocol: Lights are regulated based on outside lighting, working hours and the occupancy of the rooms



materials
dedication to recycling

Use of **locally sourced construction materials**

PEFC
and FSC certified lumber

More than 75% of the waste from construction materials were recycled

Recycling bins
in the building



efficient use of water
self-sufficiency

50% reduction in water consumption

Lawn and toilets: **complete self-sufficiency using water collected from the treatment plant**

Water-saving fittings





Zara SoHo Store in New York (USA).

ECO-EFFICIENT STORES

Our stores represent the part of our commitment to environmental sustainability most visible to customers. For that reason, we apply eco-efficiency criteria to our stores with a firm commitment that 100% of our commercial footprint meet these requirements by 2020. In comparison to a conventional store, eco-efficient stores reduce electricity consumption by up to 20%. We also manage to use up to 40% less water. Additionally, we reduce our electricity consumption by an estimated 40% by installing state-of-the-art HVAC systems, which also allowed us to eliminate the associated emissions.

As a management tool, at Inditex we have the Eco-Efficient Store Manual, which contains the environmental efficiency requirements our stores must meet from the design phase through subsequent upgrades, once the facilities need to be updated to continue to be in line with the Manual's strict criteria.

The Eco-Efficient Store Manual lays out the technical requirements and efficiency specifications that should be met by the different installations: lighting, electrical systems, HVAC, plumbing, construction materials or furniture. It also describes how daily operations like waste management should be carried out to ensure efficiency and reduce resource consumption.

INDITEX'S ECO-EFFICIENT STORES IN 2016

We continue to open eco-efficient stores. These new establishments, combined with the 99 outlets renovated to meet the criteria in the Eco-Efficient Store Manual, have brought the tally to 4,519 eco-efficient stores in 2016, 71.6% of the stores we own.

In addition, we have a centralized platform that connects to and monitors the HVAC and electrical systems in a total of 2,246 Group stores. The platform, which can be controlled from a *tablet*, tracks each individual store, giving a real-time snapshot of the resource consumption of its different systems. It can also correct any incidents and maximize efficiency.

Our centralized system for eco-efficient stores allows us to regulate lighting, HVAC, air quality and demand for energy based on occupancy parameters and the time of day.

Additionally, and as a sign of our commitment to renewable energy, we increased the amount of electricity we purchase from certified renewable sources to mitigate the impact of our electricity consumption while reducing the emissions produced by power generation. In 2016, we reached a total of 520 million kWh in our Spain and Germany offices, keeping more than 165,000 tons of CO_2 and greenhouse gases out of the atmosphere.

In line with the criteria of our Forest Product Policy, all wood-based products used in our stores have a sustainable forest certification. All furniture and paper products, including paper bags and labels, are PEFC or FSC approved to guarantee that the entire process of producing forest-based raw materials occurs in a sustainable and controlled manner. With the goal of reducing paper consumption, our brands joined the *Paperless* initiative, which uses electronic receipts for online orders and payments by mobile phone.

CERTIFICATION OF OUR FLAGSHIP STORES

To ensure that the concept of Eco-Efficient Store meets the latest requirements for sustainable building, we have implemented and followed the guidelines of the most prestigious standards in the construction industry at our flagship stores since 2009. These standards are: LEED (Leadership in Energy and Environmental Design) and Breeam® (Building Research Establishment Environmental Assessment Methodology).

This year, the Oysho Paseo de Gracia (Barcelona), and Zara SoHo (New York) stores were certified to the LEED Gold standard. This brought the 2016 count to a total of 16 LEED Gold stores and 7 LEED Platinum stores, the highest distinction established by the standard. We expect that number to soon grow by eight additional stores currently undergoing the certification process, like Zara's flagship store on Compostela Street (A Coruña), a candidate for LEED Gold certification.

Meanwhile, stores built before 2007 are being upgraded so their installations meet the eco-efficiency parameters set out in the Eco-Efficient Store Manual. In 2016, the refurbished Zara Place du Molard store (Geneva) received LEED Gold certification.

LEED AND BREAM CERTIFIED STORES, LOGISTIC CENTRES AND HEADQUARTERS

	LEED PLATINUM / GOLD	CURRENTLY IN THE PROCESS OF CERTIFICATION	BREAM
EUROPE			
Zara, Via del Corso, Rome	●		
Zara, Serrano, Madrid	●		
Zara, Oxford St, London	●		
Pull&Bear, Lijnbaan, Rotterdam	●		
Bershka, Tauentzienstrasse, Berlin	●		
Bershka, Colón, Valencia	●		
Zara Portal de l'Angel, Barcelona	●		
Zara, Champs Elysées, Paris	●		
Zara, Kalverstraat, Amsterdam	●		
Zara Haas Haus, Vienna	●		
Zara, Rynek Glowny, Krakow	●		
Zara, Place du Molard, Geneva	●		
Zara Home, Champs Elysées, Paris	●		
Zara Home, Fürstenfelder, Munich	●		
Pull&Bear, Gran Vía, Madrid	●		
Massimo Dutti, Serrano, Madrid	●		
Massimo Dutti, Paseo del Borne, Palma de Mallorca	●		
Massimo Dutti, San Feliu, Palma de Mallorca	●		
Oysho, Paseo de Gracia, Barcelona	●		
Inditex Technological Centre, Arteixo	●		
Massimo Dutti Logistic Centre, Tordera	●		
Cabanillas Logistic Centre, Guadalajara	●		
Massimo Dutti Offices, Tordera	●		
Inditex Head Offices, Arteixo	●		
Pull&Bear Offices, Narón, A Coruña	●		
Oysho Offices, Tordera, Barcelona	●		
Zara Plaza Cataluña, Barcelona		●	
Zara Miami, Florida		●	
Zara Opera, Paris		●	
Zara Karl Johansgate, Oslo		●	
Zara Calle Compostela, A Coruña		●	
Zara Paseo de la Castellana, Madrid		●	
Oysho Galleria Colonna, Rome		●	
Oysho Diagonal, Barcelona		●	
Oysho Rivoli, Paris			●
Tempe Technological Centre, Elche			●
ASIA AND THE REST OF THE WORLD			
Zara West Nanjing Road, Shanghai	●		
Zara Bourke, Melbourne	●		
AMERICA			
Zara Madero, Mexico	●		
Zara SoHo, New York	●		

THE ECO-EFFICIENT STORE: ZARA COMPOSTELA

Located in the commercial heart of A Coruña, home to the Inditex Group headquarters, the Zara store on Calle Compostela occupies a **building whose picture windows and galleries capture the essence of the city's aesthetic.** The project, which **is a candidate for LEED Gold certification**, adheres to the most advanced sustainability concept for both the building itself and its commercial activity, and uses **30% less electricity and 40% less water** than traditional stores.



sustainable building
the store occupies

4,900 square metres on six floors

Zara Compostela offsets its electricity consumption **by purchasing renewable energy,** which covers 100% of the building's needs

The **building's structure** 'hangs' from a **steel truss** resting on the building's perimeter



architectural concept
design and restoration

Refurbished façades that embody the city's aesthetic and that are built with high-quality materials

The restoration preserves the **underground archaeological remains of the old 18th-century wall**, suggested by the **change in roughness of the pavement** on the store's ground floor

The galleries and picture windows **let in the city's gardens and urban landscapes**

Open-plan floors and unobstructed spaces with beautiful views



location
site

Situated on **one of the city's main shopping streets**

Encourages alternative transport **because of its good access to public transport**

The store **is easy to access on foot because of its location**

The ground floor is designed as a street connecting two key areas of the city: Calle Compostela and Calle Sánchez Bregua



energy efficiency
lighting, HVAC, green energy and monitoring

Automatic **energy monitoring system** that controls consumption

Independent control of climate and indoor air quality with CO_2 sensors to ensure the highest level of comfort

Use of **environmentally friendly coolants**

The store automatically turns the façade's lights on and off and does not contribute to sky glow

A 15% reduction in energy consumption due to the LED-based lighting design

Low-power electronics that meet the international **Energy Star standard for energy efficiency**



materials
dedication to recycling

During construction **more than 80% of the waste generated** was sent to be recycled

The project **remained as faithful as possible to the nature of the building** leaving its structure exposed and reclaiming old facets

Polished stone with different finishes **and timber** on the balconied galleries

The **furniture**, designed specifically for this store, contributes to the **sense of lightness and luminosity**

The garments hang from **metal structures** running lengthwise along the walls

The light filtering in through the galleries plays off the **central furniture**, which is a combination of **wooden and stone** blocks



efficient use of water
minimal consumption

50% reduction in the amount of drinking water used

Water-saving taps

Water-saving toilets

2. EFFICIENT SHIPPING: *GREEN TO PACK*

Transport plays a key part behind the clothing that arrives at our stores twice a week. Multiple factors are tied to this story, like the type of packaging or density of the shipments. This year we have continued working on these aspects in order to reduce energy consumption and the emissions generated by logistic operations.

PLANNING AND MANAGING TRANSPORT

As we optimize how we load our trucks, our land transport planning continues to improve. We strive for efficient loads in supplier trucks that serve distribution centres and in trucks that supply stores. In 2016, these actions allowed us to save a total of 1,140,000 km of transport and the associated emissions.

We have managed to fill the trucks that serve our distribution centres as efficiently as possible, with an average load of 58 cubic metres. This figure represents a year-on-year improvement of 16%, or 200 less truckloads per year. Likewise, we have increased the loads of trucks serving our logistics centres to an average of 65 cubic metres, eliminating 500 truckloads per year.

Additionally, we use these trucks as a reverse logistics channel to efficiently transport items returned to our stores. This has led to a 20% improvement in the volume of cargo in trucks with returns from Europe, with each truck transporting an average of 600 packages. In Europe alone, this reverse logistics channel has saved 900,000 km of transport and the associated emissions.

We also have indicators that allow us to measure the efficiency of our shipments. For example, we conduct a monthly review of the density of air shipments to Zara stores. This measure has allowed us to improve the density of those shipments by 1.5% compared to 2015.

GREEN TO PACK 2016– BY THE NUMBERS

- **10% thinner plastic bags used to transport clothing**
- Boxes reused **up to 5 times** before they are recycled
- **101.8 million hangers** reused
- **1 billion security tags** recycled
- Zara online: **100% of orders** are shipped in recycled cardboard boxes...
- ... And **more than 50%** of that recycled cardboard comes from our own boxes
- In Spain: **100% of our boxes** are made from recycled cardboard from our own boxes

GREEN TO PACK

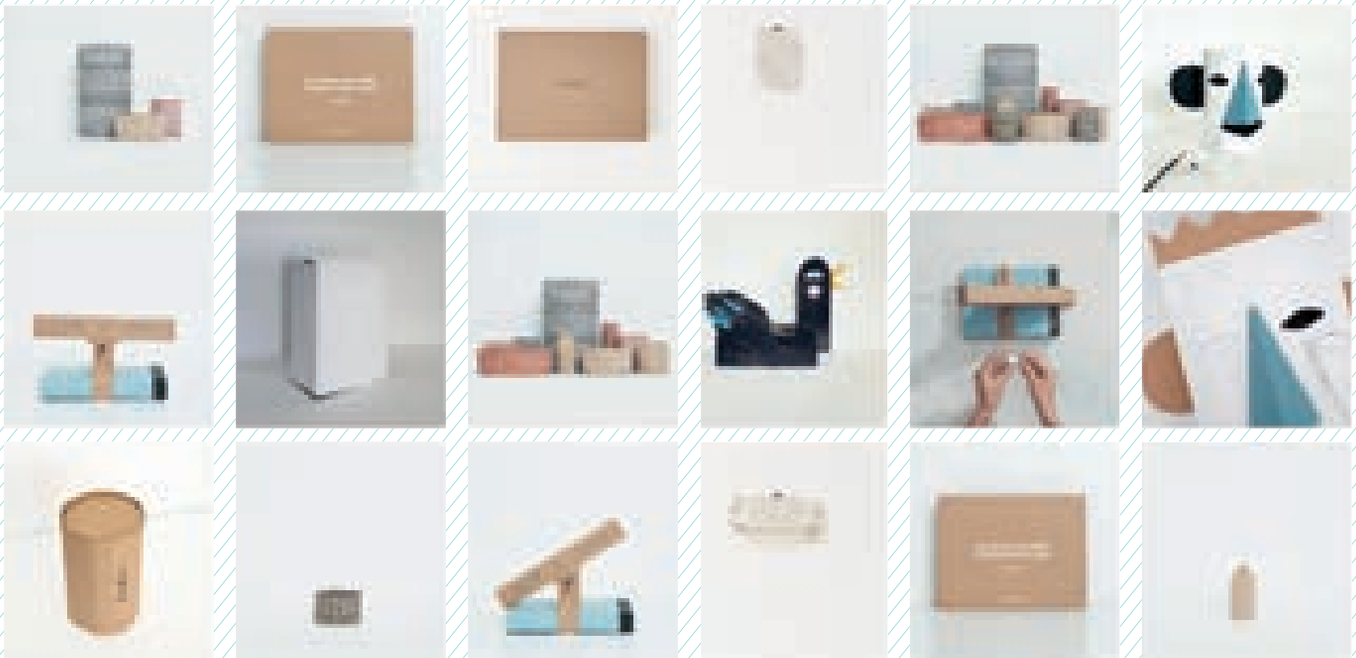
Green to Pack is a programme based on the concept of the circular economy that sets standards for the quality of our packaging, allowing us to extend its useful life and recycle it once it has served its purpose.

For example, we changed our internal regulations to use plastic bags that are 10% thinner to transport our clothing. This has allowed us to send more dense shipments: since more articles fit in each box, less cardboard is needed overall.

We are also raising our standards for the quality of cardboard boxes so they can be reused more times and recycled more easily. Our boxes are reused up to five times, if their condition permit, before we recycle them. When they can no longer be reused, they are recycled and transformed into new cardboard. We also implement circular systems for reusing packaging like tubes, pallets, boxes, security tags and hangers. Whenever possible, we use recyclable materials. In 2016, we managed to reuse a total of 101.8 million hangers, as well as 1 billion security tags.

In addition to higher quality and reuse standards, the *Green to Pack* Programme also promotes the use of recycled materials in our *packaging* for online purchases. For example, all purchases from Zara's online store are shipped in boxes made from recycled cardboard, 50% of which comes from our own boxes. In Spain, 100% of our boxes are made from cardboard recycled from our own boxes. In addition to the boxes, the plastic bags used for these orders or given to our customers in stores also contain a percentage of recycled plastic.

103-2, 301-2, 301-3, 302-4, 302-5





BOXES WITH A PAST, A PROJECT BY ZARA.COM

In addition to all the packaging and recycling measures, *Zara.com* has launched the *Boxes with a past* campaign, which works with the concept of the story behind each box containing items ordered online. Artists like Ciszak Dalmas, Espadaysantacruz Studio, Mer Mag and Pierre-Ange Carlotti have transformed our boxes into objects and stories that tell something new.

OTHER STEPS TAKEN TO OPTIMIZE PACKAGING

Some items sold by Oysho are shipped from our suppliers with a plastic hanger we decided to do away with. This step has **eliminated the use of 11 million hangers, or 153,000 kilograms of plastic**. In addition to cutting down on the amount of plastic used, removing the plastic hangers from boxes increases the density of shipments, which will require 85,000 fewer boxes.

In the same vein, Massimo Dutti has modified their boxes for online orders so that their size matches the garments, thus optimizing shipments. This measure **has made shipments 6% more dense** based on the number of items per cubic meter.

TO ENSURE THAT ALL OUR ACTIVITY IS INCORPORATED INTO OUR CIRCULAR ECONOMY MODEL, WE ARE IMPLEMENTING TRAINING AND AWARENESS PROGRAMMES IN ALL COUNTRIES WHERE WE DO BUSINESS

3. ENGAGEMENT WITH CHINA

In 2016, we proved our commitment to China in the area of sustainability and made strides in the Asia-Pacific Action Plan, one of the main regional programmes included in the 2016-2020 Strategic Environmental Plan. As we enter 2017, we continue to make progress towards our goal of making all stores in the country eco-efficient by 2018, having connected all of them to the eco-efficiency platform. This allows us to identify facilities that consume more resources in order to complete the necessary renovations in the upcoming year and fulfil our commitment.

In the same vein, different organizations like the *China Council for International Cooperation on Environment and Development* (CCICED) and the *Sustainable Apparel Coalition* (SAC) have taken an interest in our eco-efficient store model and our Manual.

Other 2016 highlights include the work we did at the Shanghai office. We refurbished the facility, implemented the *Good Office Practices Handbook*, and installed new LED lighting with motion and heat sensors that can detect the presence of people and illuminate the rooms where they are working. We also installed new air-conditioning and water conservation systems, as well as purification plants so we can put in water fountains and reduce the number of plastic bottles used.

By partnering with the organization *China Environmental Protection Foundation* (CEPF), we have been able to launch *Closing the Loop* at our stores in China. With the aim of reducing the waste produced throughout our value chain, we include defective items and products from other collections to give them a second chance, while at the same time supporting our community by donating them and/or selling them for social causes.

4. EMPLOYEE TRAINING

Everyone who works at Inditex shares a philosophy of respect for the environment. Thanks to collaboration between the different departments, all employees –and even new recruits– participate in environmental awareness workshops.

To ensure all our activities incorporate environmental sustainability and efficient use of natural resources, each activity is accompanied by specific training projects for each division of the company. For example, we partner with the sales and design teams to train them on eco-efficient raw materials and technologies so that our most sustainable products continue to grow. We also helped disseminate the brands' Sustainability Strategies, particularly through training at Oysho and Tempe in 2016.

Furthermore, we supported the implementation of new projects with sustainability workshops to ensure exemplary environmental management. For example, in 2016 we brought the *Good Office Practices Programme* to Germany, the United Kingdom, Poland, Belgium, Denmark, Holland, Ireland, and Sweden.

In Spain, we reinforced the engagement of logistics centre personnel by giving training workshops on the *Zero Waste to Landfill* objective. We have also trained the teams at the Zara stores in Spain, Portugal and China on *Closing the Loop* so they can learn first hand, from the outset, the benefits associated with the project and how they can contribute to its success.



Zara Home employee at the Arteixo head office (Spain).



Support to the MSF Emergency Unit in the Mediterranean. (Photo: Gabriele FranÇois Casini/ MSF).

our priorities

IMPROVING COMMUNITY WELFARE

At Inditex we believe that our resources and our activity can contribute to the development of society. To define the action lines of our social strategy we have aligned ourselves with the UN Sustainable Development Goals. Thus, our investment in the community, which in 2016 benefited more than 1.1 million people, has had a special impact on: good health and well-being (SDG 3); quality education (SDG 4); decent work and economic growth (SDG 8); reduced inequalities (SDG 10); and responsible production and consumption (SDG 12).

INTRODUCTION

The investment in social programmes represents an opportunity to contribute to the development of society by applying our business resources. For this reason, at Inditex we promote voluntary participation in social initiatives aligned with our business drivers, which generate value in the community and in our company. The challenge is to leverage our strengths to maximise the positive impact on the beneficiaries of our programmes.

In 2016 we have made progress in linking our community investment model with the United Nations Sustainable Development Goals (SDGs). The SDGs represent the axes through which our commitment to the well-being of people and the community is carried out. A commitment embodied through numerous initiatives, including:

- The **reinforcement of regular collaborations** in development cooperation and humanitarian aid through organizations such as Médecins Sans Frontières (MSF), Water.org, Fundación Entreculturas and Cáritas.
- The **establishment of extraordinary emergency relief** as a result of the refugee crisis in Europe and the earthquakes in Italy and Ecuador, among others.
- New **strategic long-term projects** for specific activities in the academic field, in partnership with entities such as Tsinghua University, Comillas Pontifical University, among others.
- The promotion of **new strategic initiatives aligned with the business model**, such as the programme to collect, reuse and recycle clothing in collaboration with non-profit entities such as Cáritas, Oxfam and the Red Cross. Or the introduction of new retail establishments as part of the *for&from* programme.

IN 2016 MORE THAN ONE MILLION PEOPLE HAVE BENEFITED DIRECTLY FROM THE INDITEX SOCIAL PROGRAMMES

In 2016, Inditex's investment in social programmes exceeded 40 million euros. This was 14% more than the previous year. The social programmes implemented during the year have directly benefited 1.1 million people.

RELATED SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
Goal 3: Ensure good health and well-being for all at all ages.	The good health and well-being of communities is one of the priorities of our community investment programmes. We collaborate with benchmark entities in this area, such as Médecins Sans Frontières, the Red Cross or Medicus Mundi, both in emergency medical assistance initiatives and in programmes to improve health and community welfare.
Goal 4: Ensure inclusive and quality education for all.	Education is one of the three fundamental areas of our community investment programmes. We develop various initiatives focused on providing opportunities through a quality education that enables a dignified life and promotes social justice and personal growth of people. Likewise, we collaborate with various educational institutions, both in our catchment area, such as the University of A Coruña, and the communities where we operate, such as Tsinghua University in Beijing.
Goal 8: Promote inclusive and sustainable economic growth, employment and decent work for all.	The sustainable development of the communities where we operate requires a guarantee of a decent job for the people that live there. To this end, we have developed various programmes to promote employment for vulnerable groups or those with difficulties in finding jobs. Accordingly, we partner both public entities and NGOs.
Goal 10: Reduce inequalities within and among countries.	A high percentage of our investment in social programmes is devoted to initiatives that contribute to social integration and the reduction of inequalities. Moreover, we favour the involvement of our own employees in these initiatives with volunteer programmes.
Goal 12: Ensure sustainable consumption and production patterns.	Inditex promotes responsible production and consumption through initiatives also related to community welfare. For example, in Spain we have started a strategic partnership with the Cáritas Confederation to strengthen its social economy projects, dedicated to the recovery of clothing and footwear through reuse and recycling.



Relief programme to help alleviate the consequences of the earthquake in Italy. (Photo: IFRC).

INVESTMENT IN SOCIAL PROGRAMMES 2016*

INPUTS
WHAT'S CONTRIBUTED?

OUTPUTS
WHAT HAPPENS?

IMPACT
WHAT CHANGES?

519 **social projects** executed

367 **community organisations** supported

40 **millions of euros in investment in social programmes** which represents 14% more than the previous year

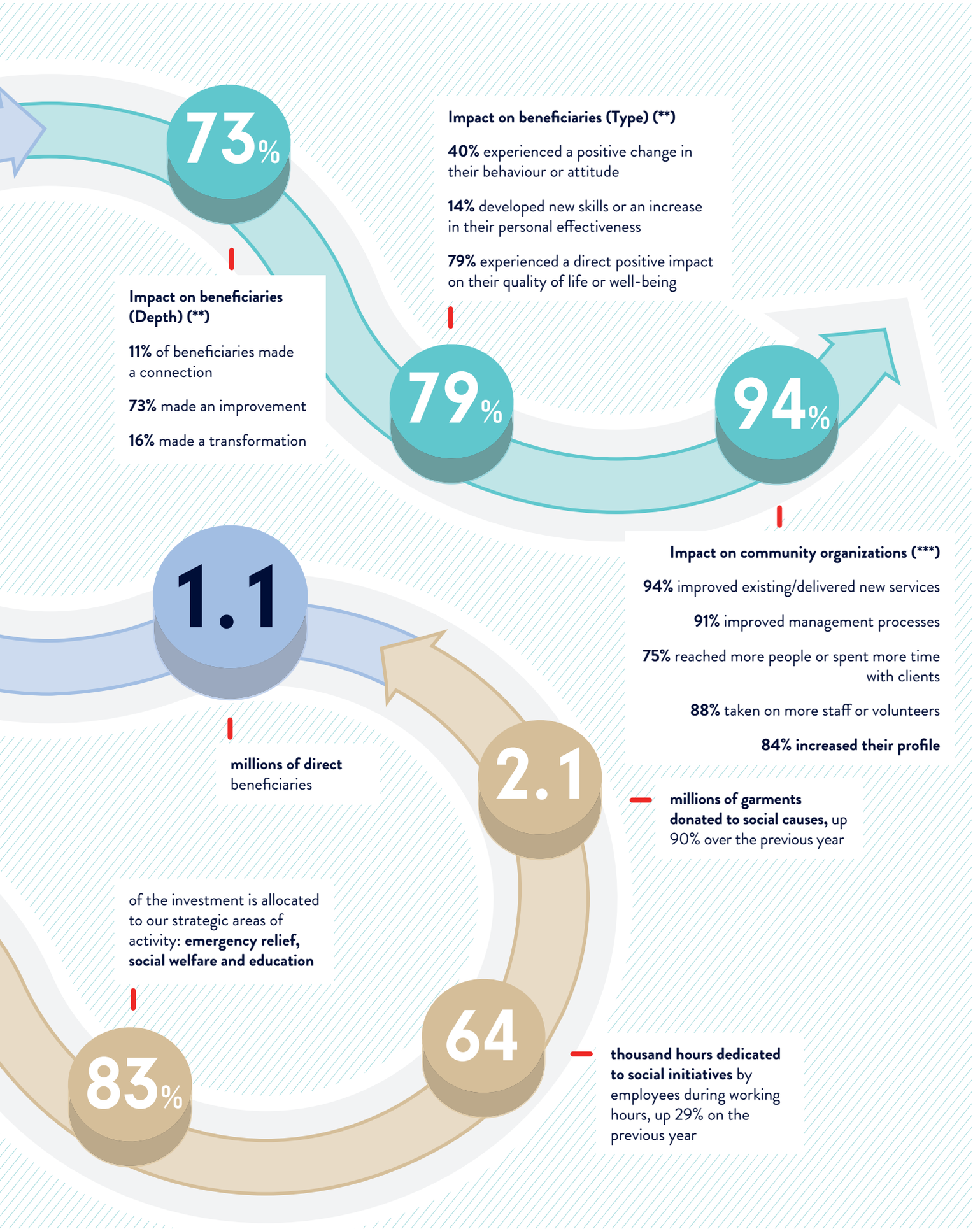
91% of contributions support **strategic long-term community investment** projects and **68%** of the investment is conducted through Inditex clusters (Spain, Portugal, Turkey, Morocco, China, Bangladesh, India, Cambodia, Vietnam, Brazil, Argentina and Pakistan)

(*) Figures calculated in accordance with the LBG methodology based on voluntary contributions made by Inditex to social programmes during 2016. To convert the contributions into euros we have applied the exchange rate in force at 31 January 2017.

(**) Of the total of 1,093,401 direct beneficiaries, the impact assessment has been carried out on 571.577 direct beneficiaries. The rest of the direct beneficiaries correspond mainly to donations-in-kind on which no impact assessment applies.

(***) Assessment made on 161 community organisations supported by Inditex in 77 long-term strategic projects.

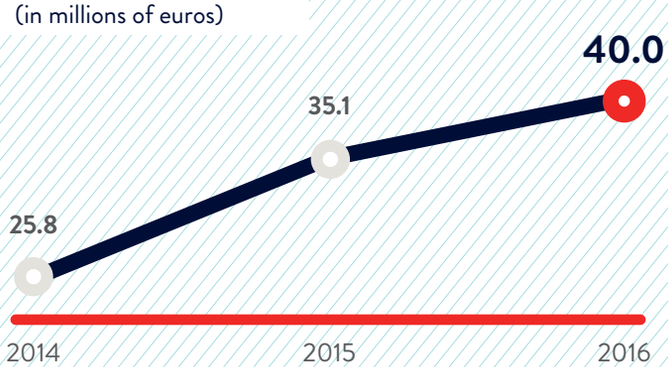
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73%
Impact on beneficiaries (Depth) (**)
11% of beneficiaries made a connection
73% made an improvement
16% made a transformation
Impact on beneficiaries (Type) (**)
40% experienced a positive change in their behaviour or attitude
14% developed new skills or an increase in their personal effectiveness
79% experienced a direct positive impact on their quality of life or well-being
79%
94%
Impact on community organizations (***)
94% improved existing/delivered new services
91% improved management processes
75% reached more people or spent more time with clients
88% taken on more staff or volunteers
84% increased their profile
1.1
millions of direct beneficiaries
2.1
millions of garments donated to social causes, up 90% over the previous year
of the investment is allocated to our strategic areas of activity: emergency relief, social welfare and education
83%
64
thousand hours dedicated to social initiatives by employees during working hours, up 29% on the previous year

EVOLUTION OF INVESTMENT IN SOCIAL PROGRAMMES 2014-2016

Total investment in social programmes 2014-2016

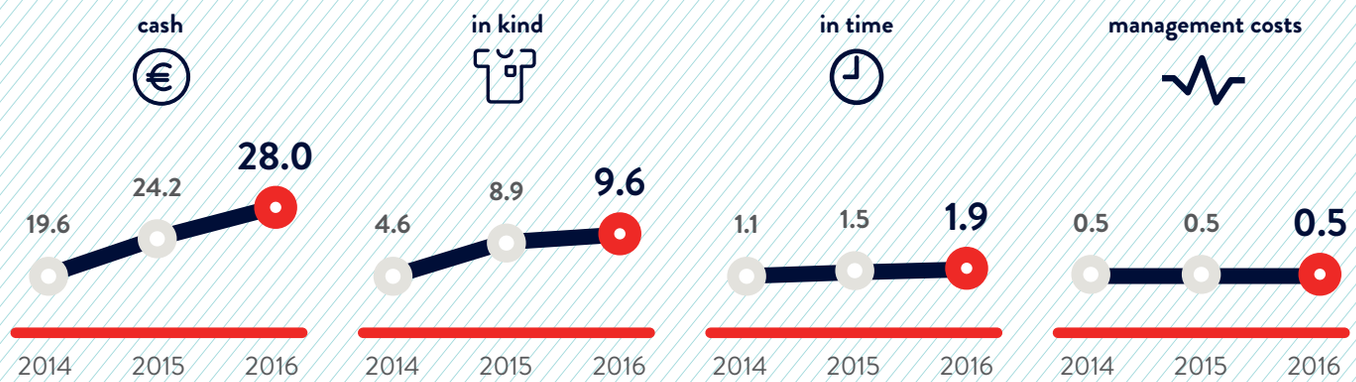
(in millions of euros)



WE HAVE INCREASED INVESTMENT IN SOCIAL PROGRAMMES BY 55% IN THE 2014-2016 PERIOD

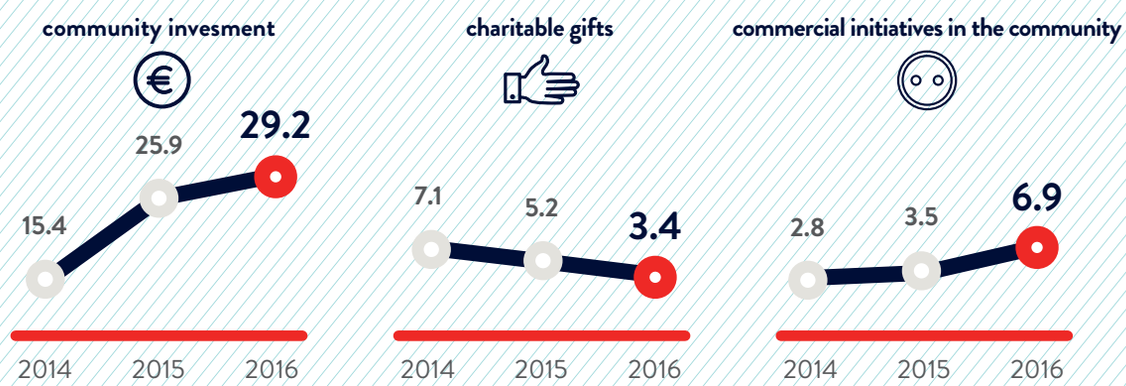
How we contributed

(in millions of euros)



By category (*)

(in millions of euros)



Community investment: A long-term strategic commitment in collaboration with the community to support specific social activities.

Charitable gifts: one-off institutional donations to the general goals of community organizations.

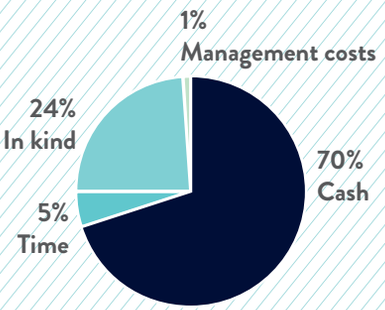
Commercial initiatives in the community: Initiatives of social interest directly related to the company's retail activity.

(*) Management costs are not included.

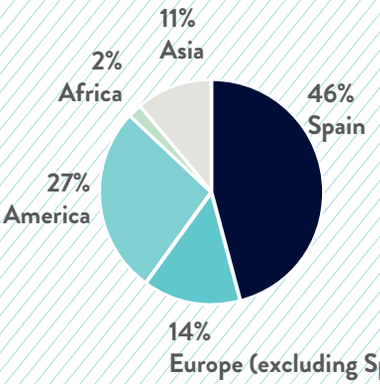
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DISTRIBUTION OF INVESTMENT IN SOCIAL PROGRAMMES 2016

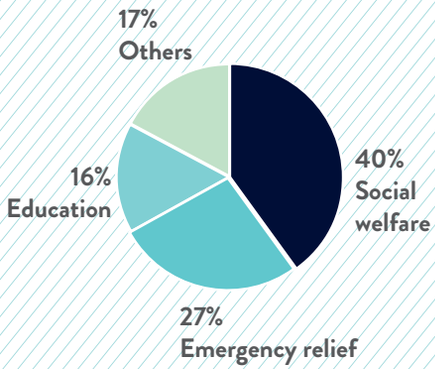
How we contributed



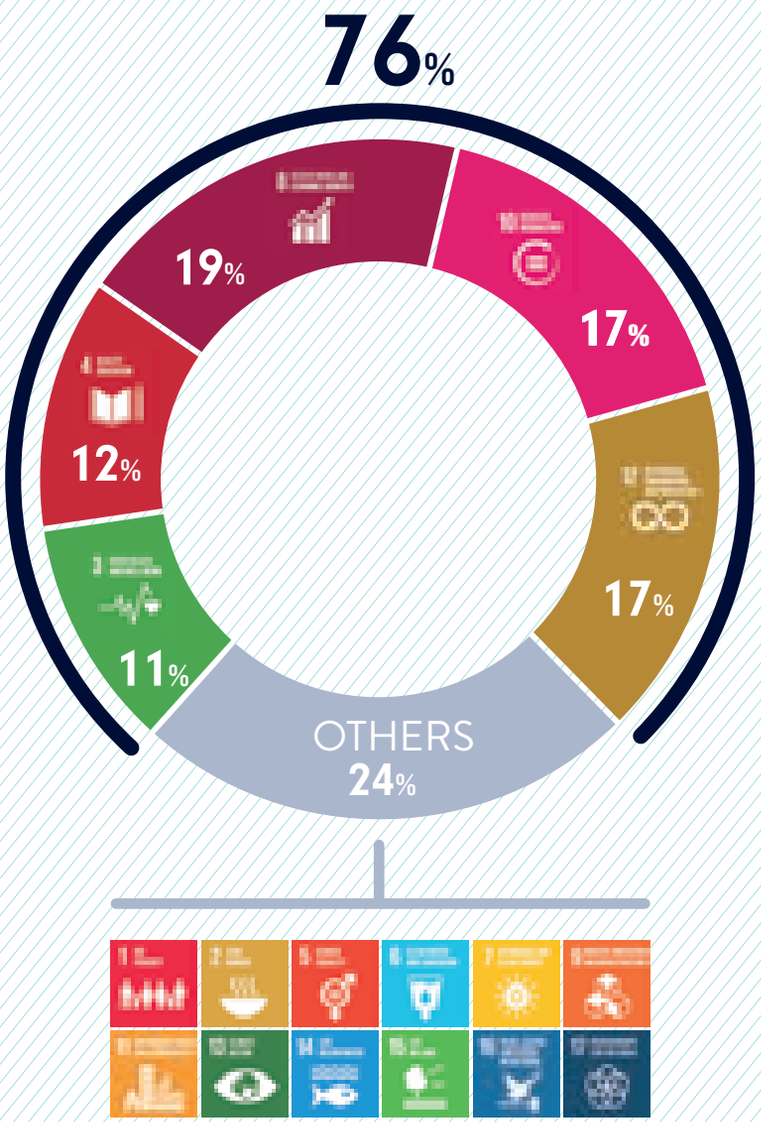
Where we contributed (*)



What we supported (*)



By SDG (*)



THE SDG IN THE SOCIAL STRATEGY OF INDITEX

In 2016 we have made progress in **linking our model of investment in the community with the United Nations Sustainable Development Goals**. For this purpose, the primary or main SDG for each of the **519 social initiatives developed** during the current year has been identified. As a result, and in line with our activity, during 2016 we have focused our efforts on SDG 8, 10 and 12. In addition, we have contributed significantly to SDG 3 and 4. Specifically, we have allocated **76% of the investment in the community** - 30.1 million euros - to social initiatives that have had some of these SDGs as the main objective.



KEY PROGRAMMES IN 2016

Inditex's initiatives in social matters are fundamentally implemented through the following areas of activity, which are related to the company's activity and their potential impacts:

- **Emergency relief:** solidarity actions focused on protecting the life, health and well-being of people in emergency situations, mainly due to natural disasters and armed conflicts.
- **Social welfare:** initiatives that promote the employment and entrepreneurship of vulnerable groups, favouring the labour integration of people at risk of exclusion.
- **Education:** actions focused on providing opportunities through a quality education that enables a dignified life and promotes social justice and personal growth of young persons.

In 2016, we have allocated 83% of the investment in social programmes to reinforce the strategic axes of education, social welfare and Emergency relief.

Throughout this chapter, the most relevant social investment programmes in 2016 are reported according to the LBG* methodology. We have selected this methodology of measurement and evaluation of contributions in the community for its wide recognition at international level. LBG allows simple and rigorous structuring of voluntary investment initiatives in the community, quantifying them and measuring their impact on society, both from a perspective of depth and type of impact.

In terms of the depth of impact, the effects of our projects on their beneficiaries are broken down into the three following categories. The numbers recorded under each of the depth of impact headings are mutually exclusive:

* A detailed description of the LBG model can be found at www.lbg.es

203-2, AF33



EPGO programme in Mexico. (Photo: Entreculturas).

- **Connection:** the number of people reached by activity reports limited change as a result of an initiative.

- **Improvement:** the number of people who can report some substantive improvement in their lives as a result of the project.

- **Transformation:** the number of people who can report an enduring change in their circumstances as a result of the improvements made.

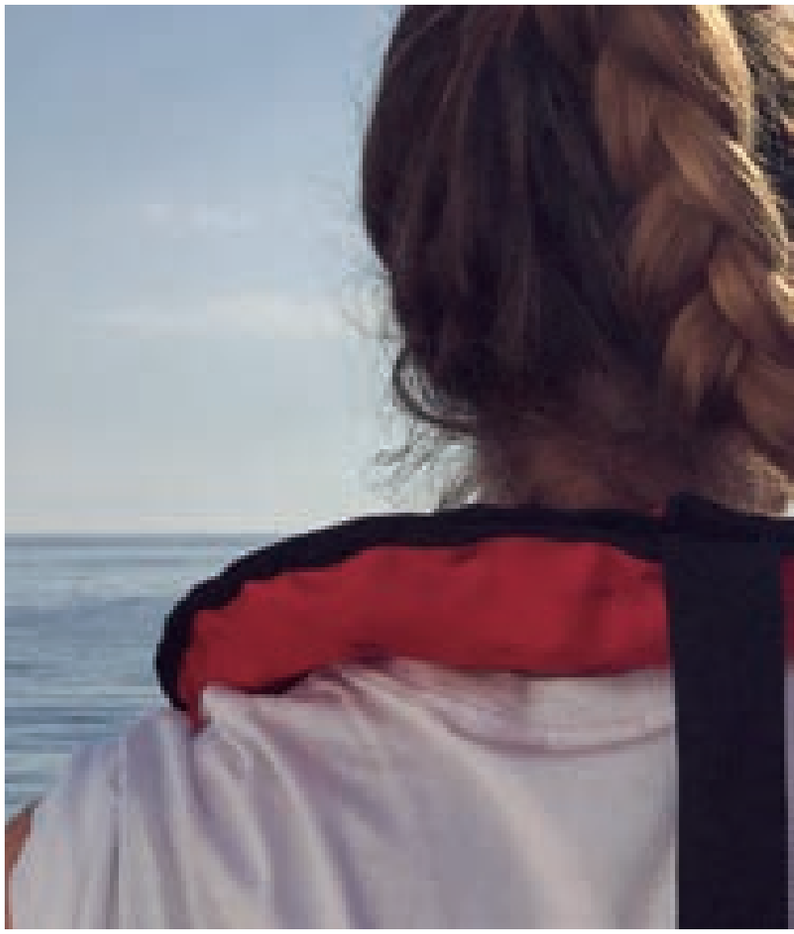
In relation to the type of impact, the changes experienced by beneficiaries are broken down into the following three categories. In this case, someone can experience more than one type of impact:

- **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.

IN 2016 WE HAVE STRENGTHENED COLLABORATION WITH MSF IN HUMANITARIAN CRISES



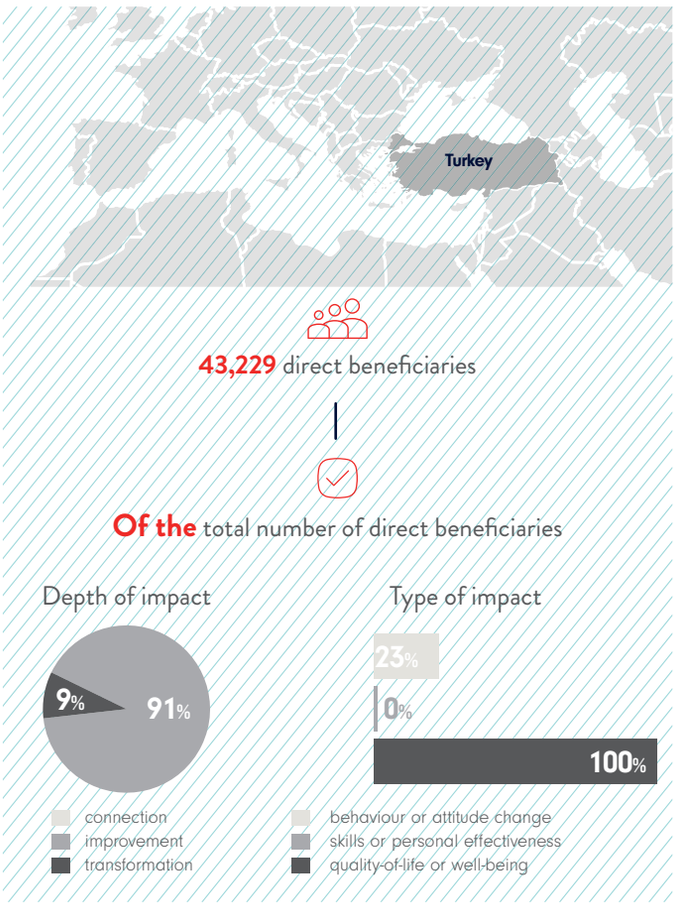
1. EMERGENCY RELIEF

Natural disasters and the intensification of flows of migrants fleeing their war-torn countries have increased the number of those affected by humanitarian crises in 2016. Inditex has targeted 27% of its investment in social and Emergency relief programmes at helping to mitigate the damages caused both by armed conflicts as well as natural disasters and diseases.

ASSISTANCE FOR SYRIAN REFUGEES IN KILIS (TURKEY)

Because of its location on the border with Syria, the Turkish province of Kilis has welcomed thousands of people fleeing the Syrian conflict since it began more than six years ago. More than 125,000 people survive in urban and rural areas of Kilis in harsh conditions and with limited access to medical care. In this context, Médecins Sans Frontières (MSF) is the only international humanitarian organization to provide free medical care to these refugees, a project that Inditex has consistently supported since 2013.

The situation has worsened after the closure of the borders in 2016, which has increased the instability of the people cared for and has tested the capacity and development of the health services provided. Despite the difficulties, more than 43,000 refugees have received medical attention in primary and mental health, as well as specific psychosocial support to alleviate cases of post-traumatic syndrome - which have multiplied by three - and to combat frustration in their search for a better life for themselves and their families.



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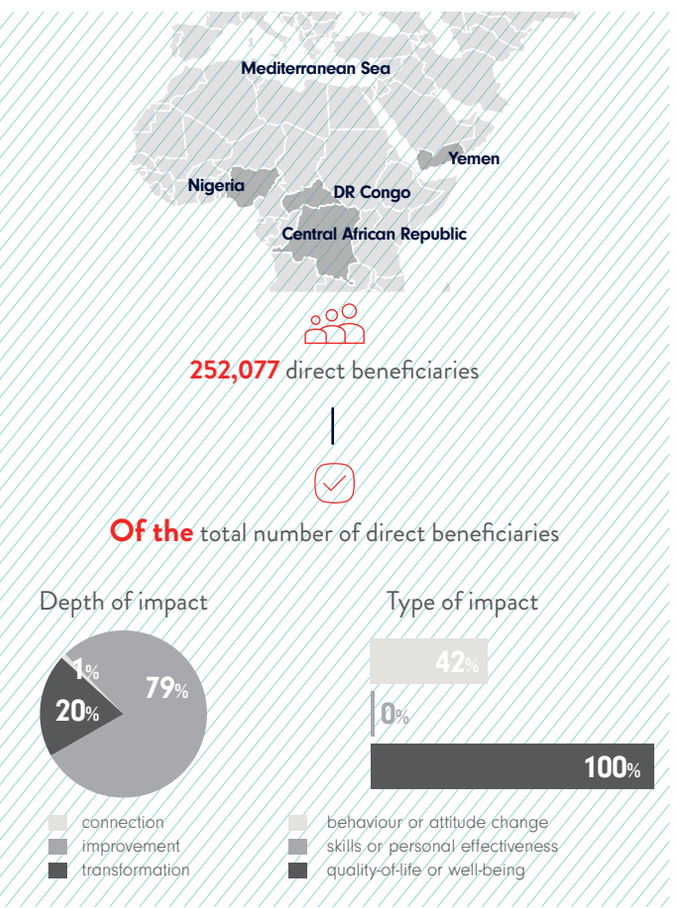


Support to the MSF Emergency Unit in the Mediterranean. (Photo: Guillermo Algar/ MSF).

SUPPORT TO THE MSF EMERGENCIES UNIT

The Emergency Unit is the structure responsible for monitoring and managing emergency interventions. Its role is key to ensuring an immediate and secure response to humanitarian alerts and to organizing emergency missions. In these tasks, MSF has specialized personnel both at its headquarters in Spain, which Inditex finances in entirety, and in the different teams around the world. Inditex maintains a growing commitment to this area, which has been strengthened in 2016 with the support of two regional teams, located in the Democratic Republic of the Congo and in the Central African Republic. This support has enabled more than 250,000 people to be cared for.

In addition, the Emergency Unit has managed hospital care for victims of the conflict in Yemen despite attacks on its health facilities. It has also deployed a maritime rescue mission for refugees in the Mediterranean. And it has assisted hundreds of women and children at risk of famine in Nigeria because of the conflict between the army and Boko Haram.



ITALY EARTHQUAKE EMERGENCY

In August 2016 an earthquake measuring 6.2 on the Richter scale and an afterquake one hour later devastated the central region of Italy, leaving 299 dead and 18,500 homeless throughout the country. In October, a new seismic movement struck the same area and aggravated the material damages already caused.

Given this situation, Inditex activated an emergency relief programme channelled through two of the main organizations with a stable presence in the area: The Italian Red Cross and Cáritas Italy. Activities implemented via the Red Cross focused on providing the population with basic survival tools, in particular blankets and tents, as well as providing permanent and stable healthcare.

At the same time, Cáritas has provided direct support to particularly vulnerable groups such as people with disabilities, the elderly and children. In addition, it has participated in the construction of a community building in the town of Arquata del Tronto, struck by the earthquake, to offer services of psychological support, community togetherness and socialisation, as well as support for study and extracurricular activities, among others.

ECUADOR EARTHQUAKE EMERGENCY

The earthquake that struck northwest Ecuador in April 2016 claimed the lives of more than 600 people, left 30,000 homeless and affected some 700 schools, impeding or hindering access to education for thousands of children.

Inditex and Entreculturas have supported the work of various social organizations in favour of the population most affected by the earthquake. These entities have provided emergency relief to ensure access to basic necessities, have provided psychosocial support and medical assistance, built anti-seismic homes for affected families and rebuilt educational infrastructures. They have also carried out activities on resilience and risk reduction in the face of an earthquake. A total of 1,000 people have been beneficiaries of the Ecuador Earthquake Emergency Programme throughout 2016.



2,237 direct beneficiaries

Of the total number of direct beneficiaries

Not applicable.

Immediate one-off programme for short-term activities



1,000 direct beneficiaries

Of the total number of direct beneficiaries

Not applicable.

Immediate one-off programme for short-term activities

2. SOCIAL WELFARE

At Inditex we are aware that a diverse and inclusive society is one that works for the integration of vulnerable people. In 2016 we have targeted 40% of our investment in social programmes at initiatives that have contributed to the social integration and welfare of individuals and groups with difficulties.

PROGRAMME TO PROMOTE EMPLOYMENT IN SPAIN FOR PEOPLE IN A SITUATION OR AT RISK OF SOCIAL EXCLUSION

The collaboration of Cáritas and Inditex in the field of employment in Spain began in 2011 and has been consolidated as a benchmark in the improvement of employability and the labour market insertion of people at risk of social exclusion.

Its transversal approach, which includes training for jobs, Social Economy and self-employment initiatives training plans, has made it possible to integrate more than 1,450 people into the labour force and train more than 3,500 people in situations of vulnerability since the outset.

Throughout 2016, thanks to the collaboration with Inditex, Cáritas has consolidated a total of 25 social economy projects and 1,135 vulnerable persons have managed to improve their job prospects: 799 have received training and 553 people have found a job.

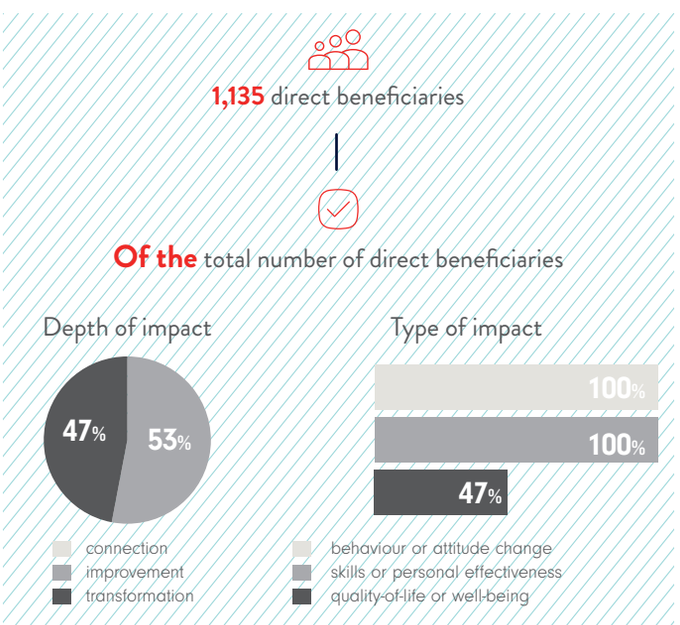
CORUÑA EMPREGA PROGRAMME

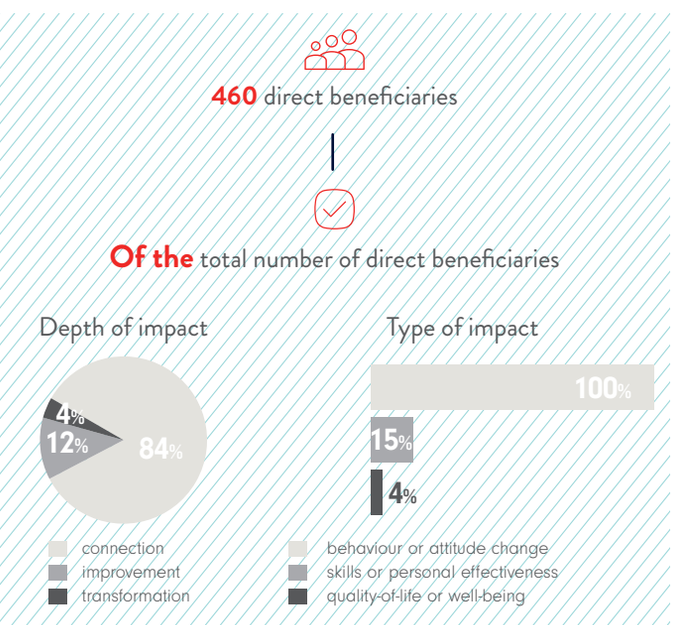
The aim of the Coruña Emprega Project of A Coruña City Council is to boost the labour market insertion and improve the employability of people with difficulties in finding jobs.

Since August 2016, Inditex has supported this municipal initiative that has the following lines of action:

1. Integrated itineraries of labour insertion, which combine practice in a real working environment with a training programme and individual tutorials.
2. Motivation-Counselling Focus groups (IMOs) to support the labour market insertion process and offer personal development tools that help to maintain and consolidate the job.
3. Local Agreement for Employment of A Coruña, through the joint participation of 20 social and economic entities representing the city.
4. Technical studies and continuous job prospecting, to discover the real opportunities of employment that the zone offers.

Thanks to the collaboration with Inditex, between October 2016 - the date of incorporation of the technical team to the project - and January 2017, work has been carried out with 460 people, of which 388 have received employment counselling and an allocation of resources adjusted to their professional profile. Of these, a total of 68 have signed their integrated itinerary of labour insertion and have initiated some of its actions. Thanks to this, during the first three months of the project's life there have been 16 labour market insertions.







Water.org Programme in Bangladesh. (Photo: Water.org).



Village Hope School Programme in China.
(Photo: China Youth Development Foundation).

COMMUNITY DEVELOPMENT PROGRAMME IN BANGLADESH

The Bangladeshi community development programme works to empower the population in the face of natural catastrophes. In a country particularly exposed to climate change, Cáritas has been working for years on prevention and response with programmes that directly involve local communities in Dinajpur, Nowgong and Sherpur.

Activities include training in risk management, construction of flood shelters, fencing for livestock and reservoirs and canals in the face of droughts, as well as activities to promote reforestation.

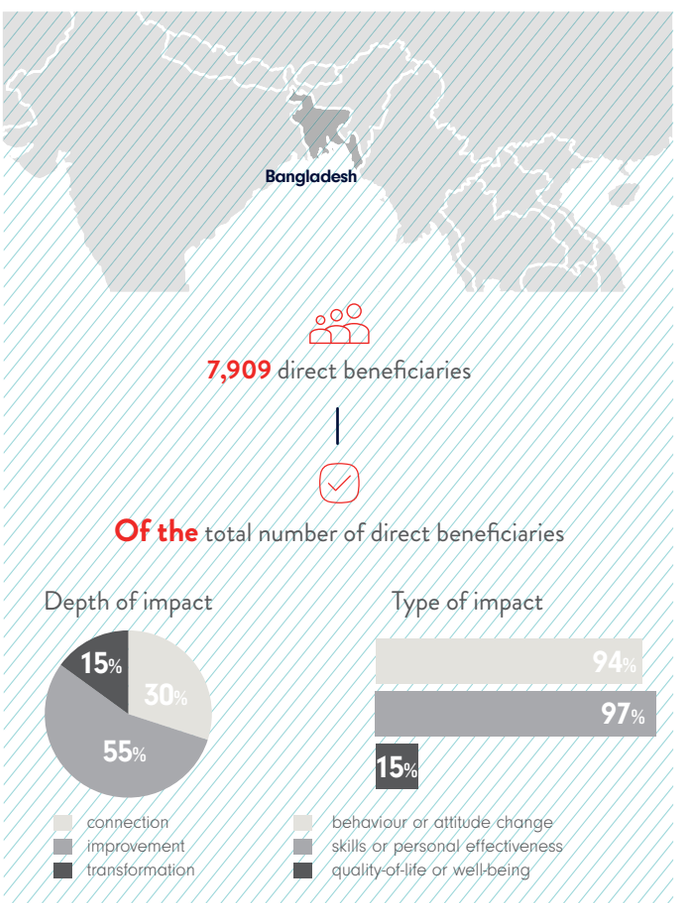
The Bangladesh project also includes actions to improve living conditions in the most disadvantaged areas of Dhaka, its capital. These are urban areas known as slums, which are in extreme poverty. There, social institutions for underprivileged and unemployed women have been set up and five childcare centres have been established. These provide assistance in primary, maternal and reproductive health. And health education, nutritional support for children and drug and HIV prevention are provided.

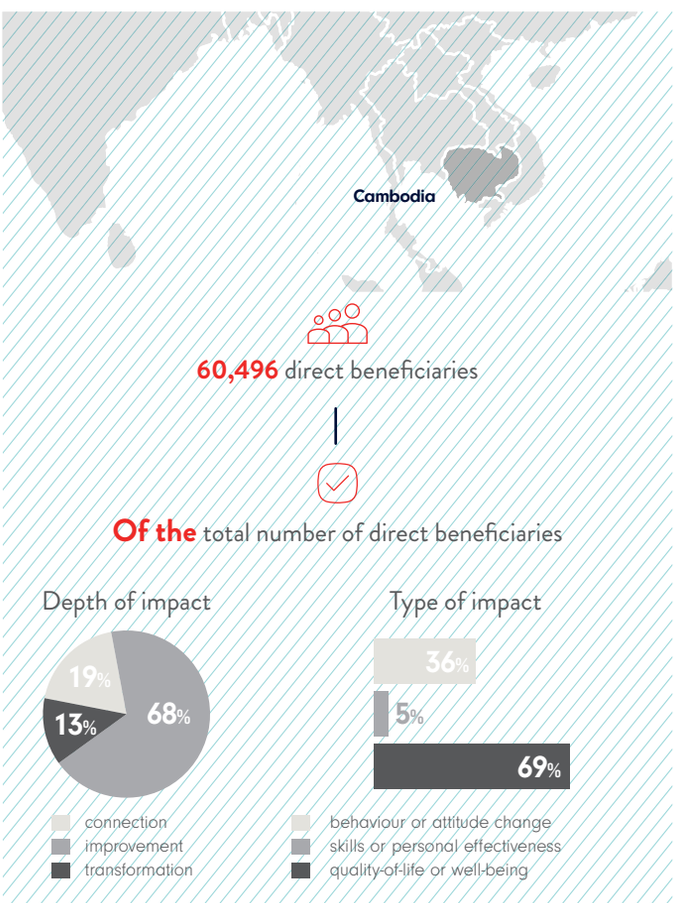
COMMUNITY DEVELOPMENT PROGRAMME IN CAMBODIA

The community health and development programmes in Cambodia work in rural areas of the provinces of Battambang, Preah Vihear, Kampong Thom and Siem Reap through community associations and agricultural cooperatives and in collaboration with health centres and local authorities.

The main objectives are to improve the resilience of communities to the challenges of climate change, introducing techniques to increase crop productivity and animal husbandry. Agricultural cooperatives are also encouraged, linking the production of community associations with markets, to promote local business opportunities.

This project also pays special attention to maternal and child health through access to health centres and hospitals, vaccines and care during pregnancy and after childbirth. And improving the nutrition of under-fives and pregnant women.





PROGRAMME TO IMPROVE TEXTILE WORKERS' WELL-BEING IN MOROCCO

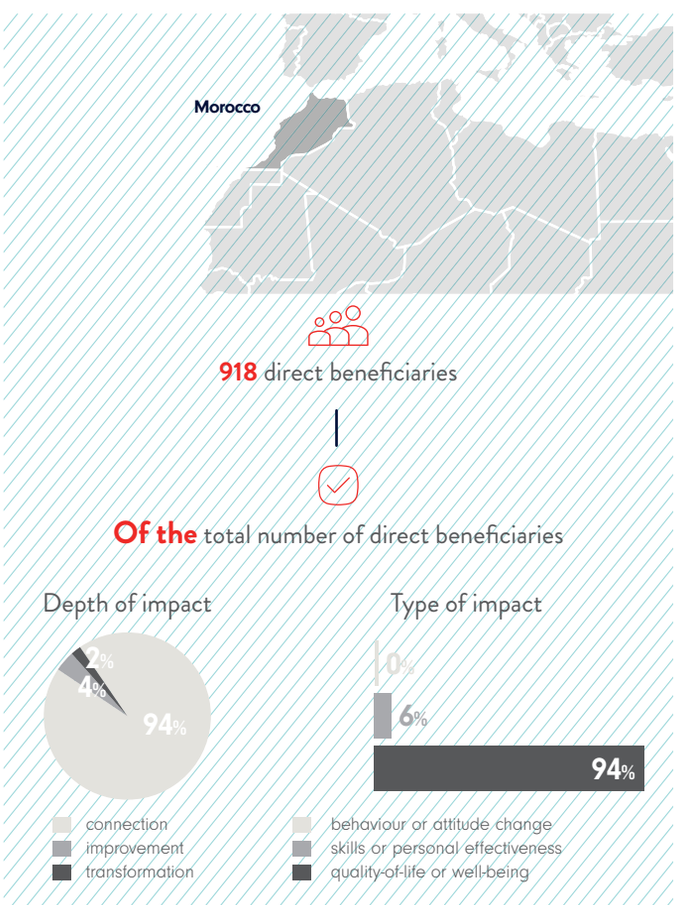
In 2016, the activities of the Improving the well-being of the vulnerable population of the textile sector in Tangier Project, carried out by Medicus Mundi, have been completed and have allowed workers of participating companies to access medical care for diagnosis and screening of common diseases. Awareness-raising on the prevention of chronic diseases and the detection of risk factors, the promotion of sexual and reproductive health, and training in risk prevention and first aid have also continued.

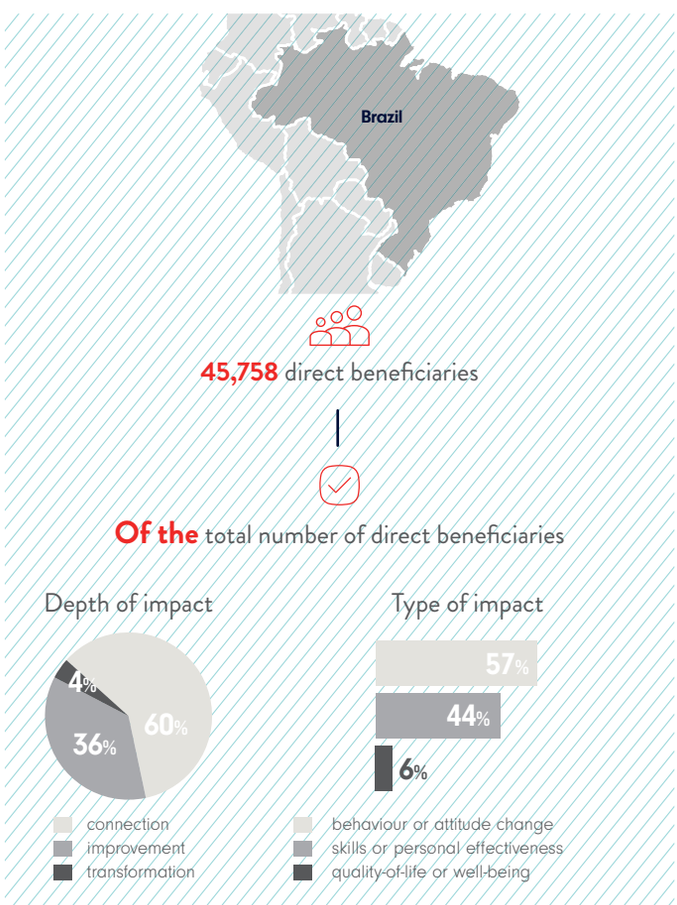
The project has been extended in 2017 and other civil society players have become involved, including the Ministry of National Education of Morocco and the Regional Directorate for Employment and Social Affairs, which has become the main partner. The aim is to improve the competencies of beneficiaries in terms of social rights, access to health and promotion of women's health at work. Literacy courses for female workers have also been launched.

INTEGRATION PROGRAMME FOR THE IMMIGRANT POPULATION IN BRAZIL

In 2016, Inditex also reaffirmed its commitment to promote Human Rights and to improve working and social conditions of immigrants in Brazil by supporting social organizations such as Centro de Direitos Humanos e Cidadania do Imigrante (CDHIC) and the Centro de Apoio e Pastoral do Migrante (CAMI). These social investment initiatives have directly benefited 45,758 immigrants in a vulnerable situation. The programme is based on the work of migration regularization, training for citizenship and assistance in emergency humanitarian situations (food and shelter).

Likewise, and in collaboration with Inditex, Missão Paz has developed a programme to promote employment among the migrant population that is articulated through vocational training courses. During 2016, 183 immigrants have been integrated into the labour market in companies from different sectors. The project represents a pioneering initiative and has been rated as a best practice by the ILO's South-South Collaboration Programme.







Meeting between the chairman of Inditex, Pablo Isla, and those responsible for Water.org within the framework of the World Economic Forum held in Davos (Switzerland).

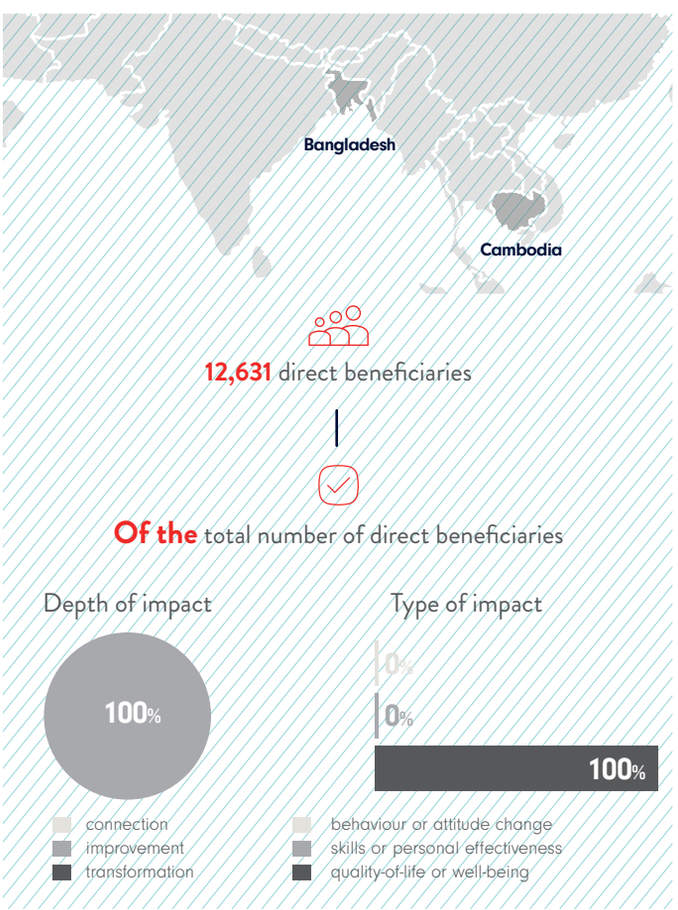
WATER.ORG PROGRAMME

In December 2015, Inditex and NGO Water.org entered into a 4-year partnership agreement, pursuant to which, Inditex has committed some three million USD to Water.org projects in Bangladesh and Cambodia, mainly, to provide access to safe water and sanitation for low income people through microcredits.

Throughout 2016, Warter.org has been active on several fronts to ensure the roll out of the programme. One of such measures consists of the agreements subscribed with non-profit microfinance institutions for the granting of WaterCredits, which are affordable loans to finance domestic clean water and sanitation installations. Additionally, educational material has been circulated to raise awareness regarding the importance of such services. And, staff of microfinance institutions has been duly trained, among other initiatives.

Namely, in Cambodia more than 12,600 people gained access to safe water and sanitation through such loans during 2016. Meanwhile, in Bangladesh, work has revolved around certification of microfinance institutions. For such purposes, Sajida Foundation and WAVE entered into partnership agreements to implement the programme. In addition, Inditex has contributed one million USD to Water.org's New Ventures Fund, which fuels the organization's efforts to research, develop and explore new approaches to increase access to safe water and sanitation for those in need.

Against the backdrop of the annual World Economic Forum held in Davos (Switzerland) in January 2017, the Chairman and CEO of Inditex, Pablo Isla, met with Matt Damon and Gary White, Co-founders of Water.org, with the aim of strengthening the partnership between both organizations to bring safe water and sanitation to communities in developing countries.



3. EDUCATION

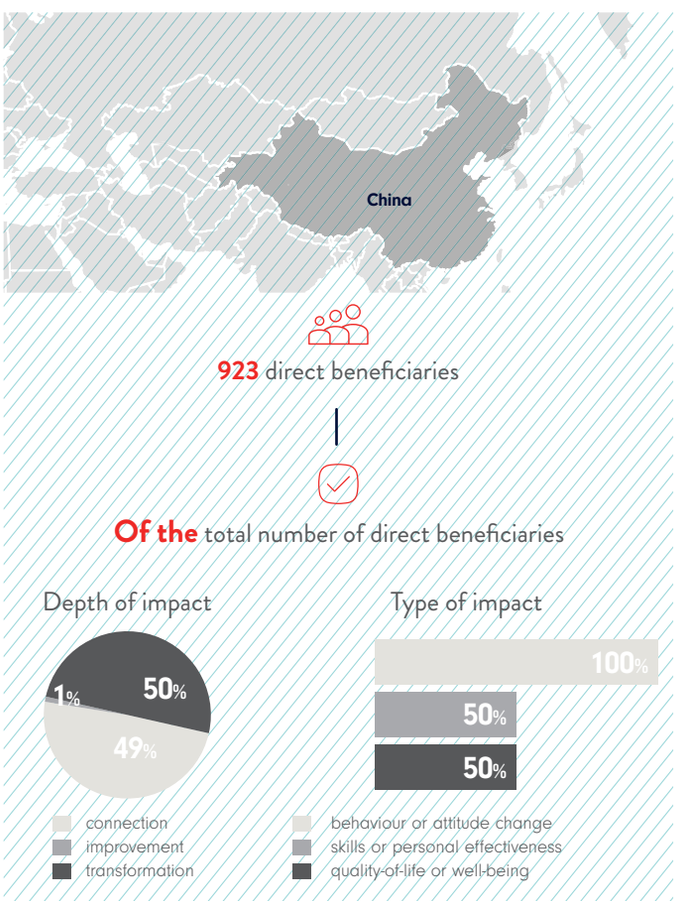
At Inditex we conceive education as the main engine for social change and we believe that it is possible to build a society based on joint responsibility, justice and equality among all people. During 2016 we have dedicated 16% of the investment in social programmes at promoting a transformative education, driving new initiatives in collaboration with entities of recognized prestige such as Tsinghua University (China) or Comillas Pontifical University (Spain).



EPGO programme in Argentina. (Photo: Entreculturas).

VILLAGE HOPE SCHOOL PROGRAMME IN CHINA

In 2016, Inditex reached an agreement to renew its partnership with *China Youth Development Foundation* (CYDF) to extend the *Village Hope School Programme* until 2019. Through this alliance with CYDF, we have improved conditions for accessing education in remote rural areas of China. Specifically, ten schools have been built or renovated in remote areas of the provinces of Guangxi and Yunna. In addition, training courses have been held for teachers at these centres.



EPGO PROGRAMME (EDUCATING PEOPLE, GENERATING OPPORTUNITIES)

2016 has been the third year of the EPGO Programme *(Educating People, Generating Opportunities)*. Under this three-year agreement, Inditex and Entreculturas have developed projects to increase professional skills and training and care for vulnerable groups in nine countries in Latin America and four in Africa.

In addition, both entities have renewed their partnership in 2016 for the next three years. The new programme, EPGO II, provides for the development of 22 social projects for education, employment and humanitarian aid in Latin America, South Africa and Lebanon, and will directly benefit 165,500 people.

EPGO AMERICA AND AFRICA

In 2016, the EPGO projects in nine Latin American countries (Argentina, Bolivia, Brazil, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela) have benefited a total of 62,553 people. Thanks to technical and work training, young people and adults living in contexts of poverty have been trained professionally. Among the most vulnerable groups, work is being carried out with the indigenous population, disabled persons, young persons at risk of exclusion, migrants and refugees.

In the four African countries where EPGO has projects (Chad, Democratic Republic of Congo, South Africa and Uganda), educational work has been carried out in refugee camps and training and socio-labour integration for urban refugees. The programme has benefited a total of 16,930 people on the continent during 2016.

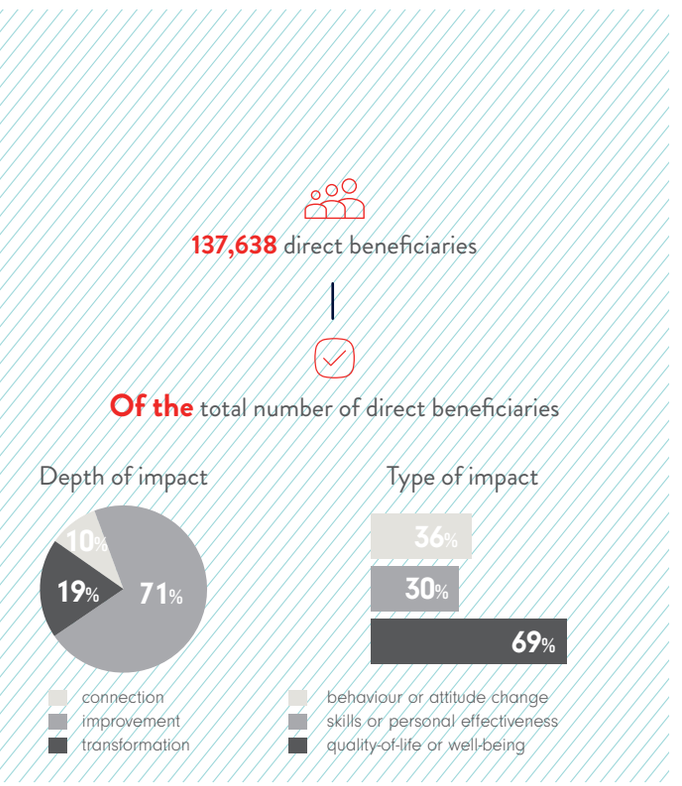
THE RENEWAL OF OUR AGREEMENT WITH ENTRECULTURAS WILL ALLOW US TO LAUNCH 22 PROJECTS THAT WILL BENEFIT 165,000 PEOPLE IN THE AMERICAS, ASIA AND AFRICA



EPGO II AMERICA, AFRICA AND ASIA

Under the title Educating People, Generating Opportunities II (EPGO II), the new three-year agreement contemplates the implementation of 22 social projects. In its first year of implementation, the programme directly benefits 58,155 people through educational, employment and humanitarian aid actions in nine Latin American countries (Argentina, Bolivia, Brazil, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela), in South Africa and Lebanon.

In education, the priority is to promote access to training for the unschooled and to support vulnerable children and young people. In the field of employment we work to offer technical and vocational training to young people in contexts of poverty and exclusion, in order to facilitate selfemployment or their labour market insertion. In addition, specific initiatives are carried out for youths in Ecuador in the rural areas most affected by the 2016 earthquake, vocational training schemes for women, or courses in new agricultural techniques for peasants in underprivileged areas. Interventions in the field of humanitarian aid focus on assisting people in need of international protection because of their status as forced migrants or refugees in Mexico, South Africa and Lebanon.





"On the Colombian Borders" Programme. (Photo: Entreculturas).

ON THE COLOMBIAN BORDERS PROGRAMME

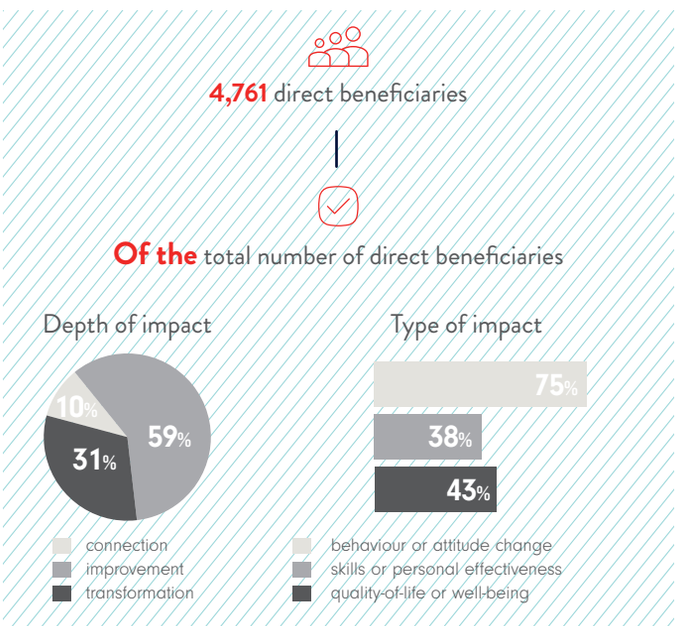
The *On the Colombian Borders* Programme, which is being carried out between 2015 and 2017 in Colombia, Ecuador and Venezuela, aims to provide opportunities and support for displaced or sheltered victims of the Colombian armed conflict. To this end, Inditex, Entreculturas and the Jesuit Refugee Service (JRS) carry out activities around three main lines of work: livelihoods, formal education and protection and guarantee of access to rights.

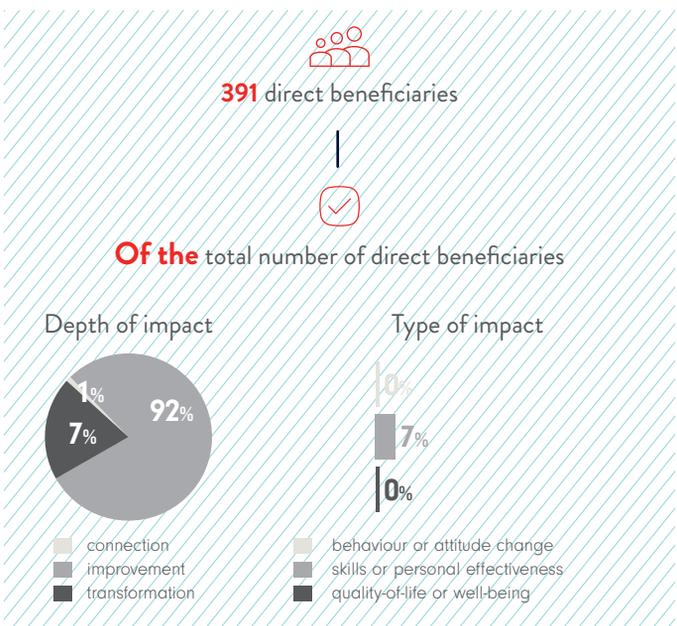
During the second year of implementation, 4,761 people benefited directly from the initiative. The socio-economic integration and food security of these people answered promoted, legal assistance has been offered to them so they can access their rights, and educational access, permanence and academic certification of children, young people, displaced persons and refugees have been ensured.

INDITEX-UDC CHAIR OF SOCIAL RESPONSIBILITY

The Inditex - UDC Chair of Social Responsibility in A Coruña (Spain) aims to provide a space to think about the community and provide academic training and applied research into social responsibility, as well as support with social innovations within public organisations, businesses and non-profit enterprises.

In 2016, the fifth edition of the Specialization Course in Social Innovation and Responsibility (CERIS) was run, a postgraduate course which received 118 applications for pre-enrolment and involved 29 students. Ten of these students received grants to cover the cost of the course with funds provided by Inditex. The course has provided a total of 626 hours of certified training spread over a series of sessions and seminars, workshops, talks and visits to companies. Furthermore, 133 alumni from previous years have taken part in the initiatives of the Chair and 229 people attended publicly held conferences.





IN 2016 WE LAUNCHED NEW ACADEMIC INITIATIVES IN COLLABORATION WITH INSTITUTION SUCH AS TSINGHUA UNIVERSITY AND THE COMILLAS PONTIFICAL UNIVERSITY

INDITEX CHAIR OF SPANISH LANGUAGE AND CULTURE IN BANGLADESH

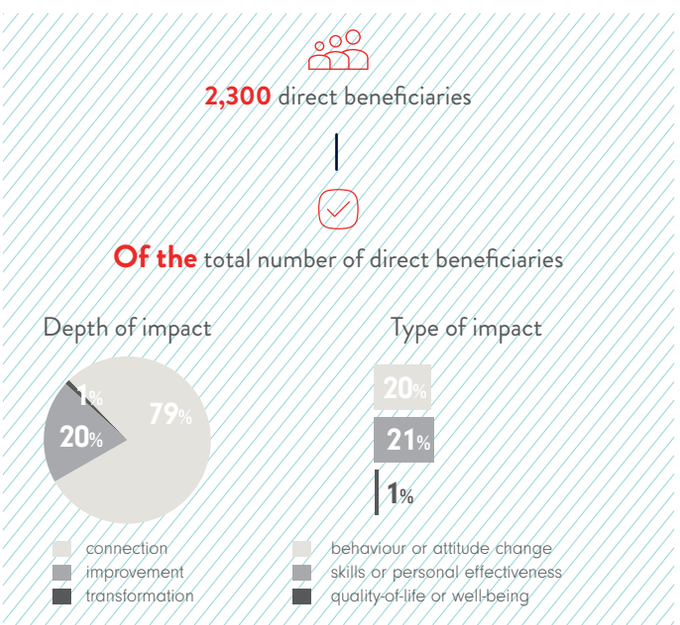
The Inditex Chair of Spanish Language and Culture at the University of Dhaka (Bangladesh) has been turn over at this institution since 2011. Conceived as a cooperation project between the local university and the universities of A Coruña and Santiago de Compostela, it has five Spanish teachers and, from this year onwards, two local teaching assistant interns, who are being trained by our professionals in charge of the project.

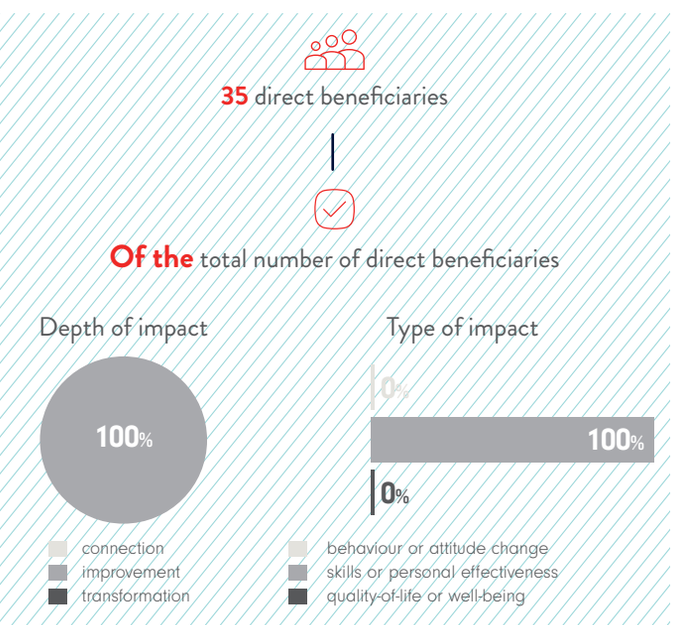
The Chair teaches the Spanish language to 400 students each year and organises cultural activities opened to all students on Campus. Approximately 2,000 people participate every year. In this course, activities were developed in partnership with the departments of Performing Arts of the Valle University (Cali, Colombia) and the University of Dhaka. There is also an annual summer scholarship programme for students of the Chair and for teacher training, which allows Bangladeshi students to study at the University of Santiago.

TSINGHUA UNIVERSITY PROGRAMME

In November 2016, Inditex signed a three-year agreement with the School of Economics Management (SEM) at Tsinghua University in Beijing. The agreement allows students selected by the institution to enjoy an immersion programme in order to keep in touch with business schools in Spain, learn about Inditex's management model and its facilities, visit other companies and learn about Spanish culture and customs. For this, the following activities have been developed:

- Endowment of 35 study grants in A Coruña (Spain), which have allowed Tsinghua SEM students to extend their experience at Inditex and other companies in areas such as fashion, logistics, environmental protection and sustainable development.
- Support for the professional development of academic staff, based on training activities for young teachers of Tsinghua SEM in subjects such as scientific research and teacher training.
- Promotion of cultural activities for students on the Tsinghua SEM campus.





CHAIR OF REFUGEES AND FORCED MIGRANTS

The Chair of Refugees and Forced Migrants is a collaborative project between Inditex and Comillas Pontifical University which was launched in 2016 amid the issues of forced mobility and refuge around the world. It is an initiative with a national, European and global vocation, which will promote programmes of collaboration between the university and social organizations in this sector, while promoting academic research on of migration. It will also enhance the application of these studies to direct and on-the-spot assistance to refugees and migrants. And it will seek to publicly spread the reality of this phenomenon to contribute to social awareness.

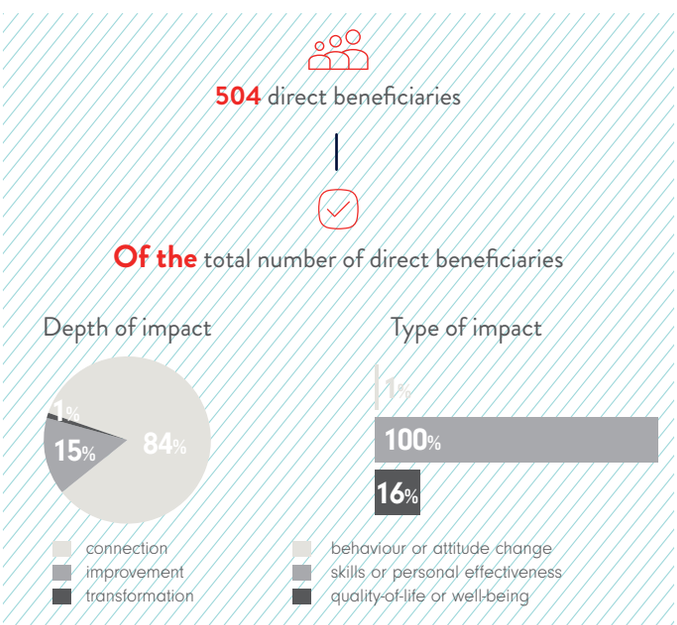
During 2016, the Chair has conducted research into the Spanish System of Reception and Integration, and into the processes of social integration of refugees in Spain. It also promoted two doctoral research programmes into the European Southern Border and on the processes of psychological intervention with refugees, the latter thanks to a collaboration with Harvard University.

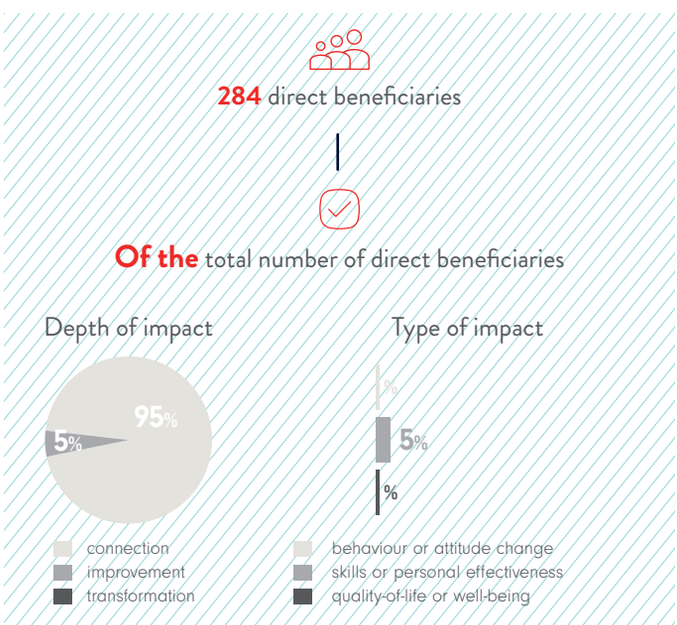
At the same time, and in partnership with the Fundación Entreculturas, the Chair of Refugees and Forced Migrants launched a professional internship programme with four postgraduates working in Madrid, Seville, the Democratic Republic of Congo and Cameroon with the Jesuit Refugee Service (JRS) and the Jesuit Migrant Service (JMS). In these first few moths, the Chair already participated in national and international congresses and conferences through its researchers.

IN 2016 WE CONTINUED TO MAKE SIGNIFICANT PROGRESS ON MORE IN-DEPTH ANALYSIS OF THE ACHIEVEMENTS AND IMPACTS OF OUR SOCIAL PROGRAMMES

CHAIR OF DISABILITY AND EMPLOYABILITY

The TEMPE-APSA Chair of Disability and Employability of the Miguel Hernández University aims to promote researching and training in the field of disability to support integration of disabled people in the labour market. The Chair was created on 3 December 2015 and was publicly unveiled on 23 May 2016. Its most relevant activity is a training programme for people with intellectual disabilities, which is held at the University and grants them the MHU's own Qualification of 'University Expert in Auxiliary Retail Tasks'. The first edition of this programme began in September 2016, with 15 students enrolled.







EPGO programme in Lebanon. (Photo by Kristóf Hölvényi / Entreculturas).

4. OTHERS

In addition to the projects mentioned above, Inditex targeted 17% of its investment in social programmes at initiatives related to health, socio-economic development, art and culture, among others in 2016. These initiatives fundamentally encompass one-off contributions at corporate level and from different brands and subsidiaries to non-profit institutions and enterprises. In 2016 Inditex allocated more than three million euros to these contributions, both monetary and in-kind, which were channelled through more than 200 social enterprises.

To systematise and channel this work, the company has established the Inditex Sponsorship and Patronage Committee, which is the body responsible for approval of these projects.



Zara employee at the Arteixo head office (Spain).

our priorities

CORPORATE GOVERNANCE

At Inditex, corporate governance strengthens and safeguards the Group's commitment to ethical behaviour and responsible business practices. We believe that, in conjunction with our commitment to social and environmental responsibility, our sound business principles foster an innovative and collaborative culture.

FOREWORD

Corporate Governance is usually defined as the manner in which companies are organized, managed and controlled. In this context, corporate governance is deemed to be good, where directors and officers responsible for governance, proceed diligently, ethically and with transparency in the performance of their duties.

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, clients, 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 groups associated with the company.

The concept of good corporate governance therefore amounts to a necessary instrument through which to meet the goal of creating shareholder value in the long term. It takes shape through a management team that is bound to act in an ethical and transparent manner, subject to control and verification, both internal and external. This good corporate governance is an active part of the concept of corporate social responsibility, in its broadest sense, which is a strategic tool to increase the effectiveness of the company, to achieve competitive advantages, together with the social responsibility *strictu sensu*, and environmental sustainability.

RELATED SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
 **Goal 5:** Achieve gender equality and empower all women and girls.	Gender equality is a principle that represents a cornerstone in the culture of Inditex and this is reflected in its Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers. Likewise, the Appointments Committee must introduce a goal of representation for the less represented gender on the Board of Directors, and develop guidelines on how to achieve this goal. In addition, the Inditex Group implements plans for equality between women and men, helping to reduce inequalities and imbalances, preventing discrimination in the workplace, reinforcing the company's commitment to improving the quality of life, ensuring a healthy work environment and establishing measures that favour the reconciliation of work life with personal and family life.
 **Goal 8:** Promote inclusive and sustainable economic growth, employment and decent work for all.	The Inditex Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers serve to formalise the company's commitment to decent employment. Both codes include a series of commitments to conduct and responsible practices, including: compliance with applicable legislation, internal regulations and the agreements to which Inditex has adhered.
 **Goal 16:** Promote peaceful and inclusive societies for sustainable development, the provision of access to justice for all, and building effective, accountable and inclusive institutions at all levels.	The Code of Conduct and Responsible Practices includes a series of commitments to conduct and responsible practices, including the establishment of lawful, ethical and respectful relationships with suppliers and public authorities (also required of manufacturers and suppliers who adhere to the Inditex Code of Conduct), which are aligned with the international provisions for the prevention of corruption and bribery. Here at Inditex, we have introduced a robust Compliance Model that transmits a true corporate culture of ethics to all its stakeholders. The Criminal Risks Prevention Policy aims to ensure ethical and responsible professional behaviour of all its employees and of the Group itself and, mainly, to avoid the perpetration of criminal offences.
 **Goal 17:** Strengthen the means of performance and revitalise the Global Partnership for Sustainable Development.	Inditex has at its disposal a Social Advisory Board that advises the Group on sustainability issues. The Advisory Board's members are external individuals or institutions independent from the Group. Its purpose is to formalize and institutionalize dialogue with key players in civil society within which Inditex develops its business model.

ANNUAL CORPORATE GOVERNANCE REPORT

In line with the foregoing, the Annual Corporate Governance Report for financial year 2016 (from 1 February 2016 through 31 January 2017) approved by the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.) (hereinafter, Inditex, the Company or the Group) and available on the corporate website (www.inditex.com) and on CNMV's [Spanish SEC] website (www.cnmv.es) provides comprehensive information about the structure and governance practices of the company, so that the market and our stakeholders may obtain a true image and a full and grounded view of corporate governance within the Group, as well as of the extent of its compliance with the recommendations of the Unified Good Governance Code of Listed Companies. In FY2016, that compliance stood at 99% for those elements that apply to Inditex.

REGULATIONS ON CORPORATE GOVERNANCE

Inditex's corporate governance rules 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	19-07-2016

During FY2016, Inditex has carried out a detailed review of a large number of its internal regulations with the purpose of the latest regulatory requirements, the latest recommendations and trends in the area of good governance, adjunting them in accordance with.

TRANSPARENCY AND INFORMATION

Good governance requires that stakeholders will have regular and timely access to relevant, appropriate and reliable information, both as regards corporate governance regulations, their execution, and the results achieved.

Therefore, in order to achieve maximum transparency, in addition to including all relevant information and communications on its corporate website (www.inditex.com), Inditex has kept the market regularly updated during financial year 2016 by means of the submission of the relevant "Results releases" and engagement with institutional investors.

A summary of the most relevant pillars of Inditex's Corporate Governance is included in this Annual Report:

1. Ownership structure
2. General Meeting of Shareholders
3. Board of Directors
4. Board of Directors' Committees
5. Remunerations
6. Senior Executives
7. Related-party transactions and conflict of interest situations
8. Transparency, independence and good governance
9. Code of Conduct and Responsible Practices and Committee of Ethics
10. Approval of good corporate governance policies.



Inditex headquarter in Arteixo (Spain).

1. OWNERSHIP STRUCTURE

SHARE CAPITAL

As of 31 January 2017, Inditex's share capital amounts to EUR 93,499,560 and is divided into 3,116,652,000 shares.

All shares are of the same class and series, and are represented by the book-entry method and fully paid-up and subscribed. All of them carry the same voting and economic rights.

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 since July 2001. In addition, it has been part of the Stoxx 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 launch in December 2004.

As of 31 January 2017, Inditex's share price per the listing price on Spain's Electronic Trading System (continuous market) was EUR 30.535 per share, and the stock market capitalization was EUR 95.1 billion.

OWNERSHIP STRUCTURE OF THE SHARE CAPITAL

Inditex's shares are represented by the book-entry method and a shareholders register is not kept by the Company, as a result of which, the list of company shareholders is not fully known.

As of 31 January 2017, members of the Board of Directors hold a 59.36% stake in Inditex's share capital, as shown below:

Name (person or company) of the director	Number of direct voting rights	Number of indirect voting rights	% on the total voting rights
Mr Pablo Isla Álvarez de Tejera	1,866,227	0	0.0598%
Mr Amancio Ortega Gaona	0	1,848,000,315	59.294%
Mr José Arnau Sierra	30,000	0	0.001%
PONTEGADEA INVERSIONES, S.L.	1,558,637,990	0	50.010%
Ms Denise Patricia Kingsmill	0	0	0%
Mr José Luis Durán Schulz	1,700	0	0%
Mr Rodrigo Echenique Gordillo	0	0	0%
Mr Carlos Espinosa de los Monteros Bernaldo de Quiros	150,000	0	0.005%
Mr Emilio Saracho Rodríguez de Torres	0	0	0%

In addition to directors, according to the information provided on CNMV's website (www.cnmv.es) the following entities are owners of significant holdings in the Company:

- Partler 2006, S.L. (owner of 289,362,325 shares, representing 9.284% in the share capital) and
- Rosp Corunna Participaciones Empresariales, S.L.U. (owner of 157,474,030 shares, representing 5.053 % in the share capital).

RIGHTS ON SHARES

Mr Pablo Isla Álvarez de Tejera, our Executive Chairman, might acquire up to a maximum number of 241,934 shares (a maximum number of 122,180 shares for the second cycle of the 2013-2017 Long-term Performance Shares Plan addressed to members of management and other employees of the Inditex Group, pursuant to the terms and conditions of the Long-term Performance Shares Plan approved by the AGM on 16 July 2013, and a maximum number of 119,754 shares for the first cycle of the 2016-2020 Long-term Performance Shares Plan addressed to members of management and other employees of the Inditex Group, pursuant to the terms approved by the AGM on 19 July 2016) (the full text of this resolution is available on www.inditex.com).

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 is it aware of any concerted actions between its shareholders.

OWN SHARES

The authorization granted by the Annual General Meeting of Shareholders of the Company on 19 July 2016 remains in force, by virtue of which the Board of Directors is authorized to acquire the Company's own share (the full text of this resolution is available on www.inditex.com). As at 31 January 2017, Inditex's entire treasury stock stands at 3,610,7550 own shares, which represents 0.116% in the share capital.

2. GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders duly convened in accordance with all legal formalities and those of the Articles of Association and its own Inditex Regulations, is the supreme and sovereign body of expression of the will of the company. Its resolutions are binding on all its shareholders, including absent or dissenting shareholders, without prejudice to any remedies they may have in law.

AUTHORITIES

The General Meeting of Shareholders duly convened and established in accordance with all statutory requirements and those provided in the Articles of Association and Inditex's 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 ones, without prejudice to any remedies they may have in law.

In accordance with the Articles of Association and the Regulations of the General Meeting of Shareholders, the General Meeting is authorized to pass all kinds of resolutions concerning the Company and, subject to any other powers vested by the applicable regulations, the exercise of the following powers is reserved to such body:

(a) To determine the individual annual accounts of the Company and, where appropriate, the consolidated accounts of the Company and its Group, as well as on the distribution of its income or loss.

(b) To appoint, re-elect and remove directors, as well as, confirm or revoke interim appointments of directors made by the Board of Directors, and to review their management.

(c) To approve the adoption of remuneration systems consisting of the grant 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 the 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 "subsidiarisation" 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 financial 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.

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 review the company's management, approve, where appropriate, the accounts 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 at issue. In this latter case, the General Meeting of Shareholders must be convened to be held within the deadline 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 to call the General Meeting of Shareholders, the Board of Directors shall require the presence of a notary to draw up the minutes of the General 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, due to 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 of 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 will be validly established to discuss any matter, whenever the whole share capital is present and all those attending unanimously agree to hold the meeting.

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 represented 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.

PASSING OF RESOLUTIONS

The system regarding passing of resolutions is that provided in the Companies Act.

ATTENDANCE TO THE ANNUAL GENERAL MEETING HELD DURING FY2016

Date of AGM	19-07-2016
Attendance data	
% attendance in person	0.007%
% attendance by proxy	85.92%
% remote voting	0.094%
Total	86.93%

RESOLUTIONS PASSED

The full text of the resolutions passed by the Annual General Meeting held in FY2016 and the result of the votes thereof are available on www.inditex.com. All resolutions were passed by majorities of votes between 99.35% and 99.99%.

Specifically, resolutions were passed regarding the items below:

"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 2015, ended 31 January 2016.

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 2015, ended 31 January 2016, and of the management of the company.

Third.- Distribution of the income or loss of the financial year and declaration of dividends.

Fourth.- Ratification and appointment of members of the Board of Directors:.

a) Ratification and appointment of Pontegadea Inversiones, S.L., as proprietary director, represented by Ms Flora Pérez Marcote:

b) Appointment of Baroness Kingsmill CBE, as independent director

Fifth.- Amendment of the Articles of Association to adjust its contents to the latest update of the Companies Act:

a) Deletion of paragraph 2 of article 4 ("Registered office") of Chapter I ("Company name, company object, registered office and duration").

b) Amendment of article 19 ("Panel of the General Meeting of Shareholders. Debates"), and 20 ("Passing of resolutions"), of Part I ("The General Meeting of Shareholders") of Chapter IIII ("Governing bodies").

c) Amendment of article 28 ("Audit and Control Committee") and 30 ("Remuneration Committee") of Part II ("Board of Directors").

e) Amendment of article 36 ("Approval of the Accounts and distribution of the income or loss") of Chapter IV ("Financial year, annual accounts: verification, approval and release. Distribution of income or loss").

e) Approval of the revised text of the Articles of Association

Sixth.- Re-election of the Auditor of the Company and its Group for FY2016.

Seventh.- Approval, if appropriate, of a long-term cash and shares incentive plan addressed to members of the management, including the executive director, and other employees of the Inditex Group.

Eighth.- Authorization to the Board of Directors for the derivative acquisition of treasury stock, superseding the authorization approved by the Annual General Meeting in 2013.

Ninth.- Advisory vote (say on pay) on the Annual Report on the Remuneration of Directors.

Tenth.- Granting of powers to implement resolutions.

Eleventh.- Information to the Annual General Meeting on the amendment of the Board of Directors' Regulations."

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 and there are no legal or by-law restrictions on the acquisition or transfer of shares.

As regards the exercise of voting rights, the only restriction is that provided in section 83.1 of the Companies Act, according to which any shareholder who is in arrears regarding any outstanding payments may not exercise their voting right.

ENCOURAGEMENT OF INFORMED PARTICIPATION OF SHAREHOLDERS

The information on the Annual General Meeting of Shareholders is included in the section "General Meeting of Shareholders" of the Company's web page, which encourages the participation of all shareholders pursuant to the provisions of the Companies Act.

RELATIONSHIP WITH INVESTORS

Information on Inditex relationship with investors and namely its "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 those issues 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 the day-to-day business of Inditex to its executive bodies and the management team and focusing on the general supervisory function which includes guiding Inditex's policy, monitoring the management bodies, assessing the management by the senior management, making the most relevant decisions for the Company and liaising with 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 a decision making power within the company which has not been subjected to checks and balances, and that no shareholder receives privileged treatment.

The Board performs its functions in accordance with the corporate interest, understood as the viability and maximisation of the company's long term value in the interest of all shareholders. This will not prevent appropriate weight being given to other lawful interests, either public or private, that arise in the course of the company's business activities, and especially for those of the other "shareholders" of the Company (employees, clients, suppliers and civil society in general). Inditex is committed to determining and reviewing its business and financial strategies pursuant to said criterion, seeking to achieve a reasonable balance between the selected proposals and the risks taken.

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 its 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 the Remuneration of Directors and the issue of any manner of reports that the Board of Directors should recommend 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 organization 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 prior approval 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 assessment 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 minutes of the meeting of the Board of Directors or attached thereto as an annex.

(vi) The authorization or release from the obligations stemming from the duty of loyalty of directors, after report of the Nomination Committee, where such responsibility is not incumbent on the General Meeting of Shareholders;

(d) The following issues regarding senior 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.

COMPOSITION

9 members sit on the Board of Directors: 4 non-executive independent directors, 3 non-executive proprietary directors, 1 affiliate director and 1 executive director.

As at 31 January 2017 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	09/06/05	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	17-07-2012	AGM
PONTEGADEA INVERSIONES, S.L.	Flora Pérez Marcote	Proprietary	Ordinary member	09-12-2015	19-07-2016	Board of Directors
Ms 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	15-07-2014	AGM
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós		Affiliate	Ordinary member	30-05-1997	15-07-2014	AGM
Mr Emilio Saracho Rodríguez de Torres		Independent	Ordinary member	13-07-2010	14-07-2015	AGM

PROFILE OF DIRECTORS

- Mr Pablo Isla Álvarez de Tejera

Mr Isla has been the Chairman of the Board of Directors since 2011. He has been Deputy Chairman of the Board of Directors and CEO since 2005. Mr. Isla is a law graduate from Complutense University of Madrid and *Abogado del Estado* [State lawyer]. From 1992 to 1996, he was Director of Legal Services for 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.

Mr Isla was re-elected to the Board of Directors by the Annual General Meetings held on 13 July 2010 and 14 July 2015.

- Mr Amancio Ortega Gaona

Mr Ortega is the founding and controlling shareholder 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 distribution and retailing company.

Mr Ortega was re-elected to the Board of Directors by the Annual General Meetings held on 30 June 1990; 13 July 1995; 20 July 2000; 15 July 2005; 13 July 2010 and 14 July 2015.

- Mr José Arnau Sierra

Mr Arnau has been the Deputy Chairman of the Board of Directors since 2012. A law graduate from the University of Santiago de Compostela and State Tax Inspector, Mr Arnau has been the first executive of Grupo Pontegadea since 2001, member of the Board of Directors of Gartler, S.L. from 1997 until the absorption of the company by Pontegadea Inversiones, S.L. in 2015, and a Director at the latter since its incorporation back in 2001; likewise, he has been a member of the Board of Trustees of *Fundación Amancio Ortega Gaona* since 2001. He was the director of Inditex's Tax Department and member of its Steering Committee from 1993 through 2001, and he also served on the Board of Directors of the company from 1997 through 2000. He has sat on several Boards of Directors representing Pontegadea. He was *Profesor asociado* [Part-time instructor] of Tax Law at the University of Corunna from 1993 through 1996.

Mr Arnau was appointed to the Board of Directors in June 2012 and ratified in such office by the Annual General Meeting held on 17 July 2012.

- Pontegadea Inversiones, S.L.

Pontegade Inversiones, S.L. is represented in the Board of Directors of Inditex by Ms Flora Pérez Marcote, and directly holds 1,558,637,990 shares in the Company, which represents 50.01% in the share capital. This company was appointed to the Board of Directors in December 2015, following the merger by absorption of Gartler, S.L.

Ms. Flora Pérez Marcote is a Legal representative of Pontegadea Inversiones S.L. She began her professional career at the Zara format, where she held various roles related to design and purchase of products. In addition to her job at this subsidiary, she has had broad experience as a company director for upwards of 15 years. 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.

Pontegadea Inversiones S.L. was appointed to the Board of Directors on 9 December 2015 and ratified on 19July 2016.

- Ms Denise Patricia Kingsmill

Ms Kingsmill has been an independent director since July 2016. Baroness Kingsmill CBE is a member of the House of Lords and of the EU Financial Affairs Sub-Committee. Currently, Baroness Kingsmill CBE is a non-executive director of the Supervisory Board of EON, a non-executive director of International Airlines Group S.A., and a non-executive director of Telecom Italia. She is also a member of the International Advisory Board at the Spanish Business School, IESE.

She was appointed to the Board of Directors of Inditex 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 for 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, Chairman of Gant and Board member of Aigle. Until 31 December 2015, he was a member of the Governance, Remuneration and Nomination Committee at Unibail-Rodamco, and until 4 October 2016, he was a member of the Board of Directors of such company. At the present time, he is an independent director and member of the Audit Committee of Orange and CEO of Value Retail Management.

- Mr Rodrigo Echenique Gordillo

Mr. Echenique has been an independent director since July 2014. He is a law graduate from Complutense University of Madrid and *Abogado del Estado* [State lawyer] currently on leave. From 1973 through to 1976 he held various 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 to 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. Since January 1999, he has been a member of the Board of Directors, the Executive Committee and the Executive Committee of Risks. 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. He was also a member and subsequently 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.*

At present, he is Executive Deputy Chairman of *Banco Santander*, member of the Executive Committee and Chairman of *Santander España*.

He has chaired the Board of Directors of Merlin Properties SOCIMI, S.A.

He has been Deputy Chairman of the Chamber of Commerce of Spain.

Likewise, he is a member of the Board of Trustees of *Fundación Banco Santander*, of *Plan España*, of the Board of Trustees of *Fundación Consejo España-EE.UU*, of *Fundación Empresa y Crecimiento* and of *Fundación ProCNIC* and CNIC. From July 2001 through February 2008, he chaired the Social Advisory Board of Carlos III University of Madrid.

Mr Echenique was appointed to the Board of Directors on 15 July 2014.

- Mr Carlos Espinosa de los Monteros Bernaldo de Quirós

Mr Espinosa de los Monteros has been a director since May 1997. He is a law and business studies graduate from ICADE, and a Commercial Expert and State Economist. He has been the Chairman of the Board of Directors of Mercedes Benz España, Deputy Chairman of the *Instituto Nacional de Industria*, Chairman of the Board of Directors of Iberia and Aviaco, member of the Executive Committee of the International Air Transport Association and Chairman of the *Círculo de Empresarios*, of the Spanish Association of Car and Truck Manufacturers and of the International Organization of Motor-Vehicle Manufacturers. At the present time he chairs *Fraternidad-Muprespa*. He has been awarded the *Grandes Cruces del Mérito Civil* and *Mérito Aeronáutico*. He was appointed *Alto Comisionado del Gobierno para la Marca España* [High Commissioner for the Brand "Spain"] in July 2012.

Mr Espinosa was appointed to the Board of Directors in May 1997 and re-elected by the Annual General Meetings held on 20 July 2000, 16 July 2004, 14 July 2009 and 15 July 2014.

- Mr Emilio Saracho Rodríguez de Torres

Mr Saracho has been an independent director since June 2010. A graduate in economics from the Complutense University of Madrid, he has an MBA from the University of California in Los Angeles (UCLA), awarded in 1980. He was also a Fulbright scholar. Mr Saracho began his career in 1980 in Chase Manhattan Bank, where he was responsible for operations in different sectors such as Oil and Gas, Telecommunications and Capital Goods. In 1985, he took part in the launching and implementation of *Banco Santander de Negocios*, where he led the Investment Banking division. In 1989, he was appointed head of the Division of Large Companies of *Grupo Santander* and Deputy General Director. He has been a director of FISEAT, *Santander de Pensiones* and *Santander de Leasing*. In 1990, he worked for Goldman Sachs in London as co-head of Spanish and Portuguese operations. In 1995, he returned to Santander Investment as General Director in charge for the Investment Banking area worldwide. From 1996 to 1998, he was responsible for the Banking operations in Asia. Mr Saracho joined 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 is in charge of Investment Banking operations

of J.P. Morgan for Europe, the Middle East and Africa. He sits 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. He was Vice Chairman of JPMorgan Chase & Co. At present, he holds the office of director on the Board of International Consolidated Airlines Group, S.A. and chairs the Board of Directors of Banco Popular.

Mr Saracho was appointed to the Board of Directors on 13 July 2010 and re-elected by the Annual General Meeting held on 14 July 2015.

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 Inditex's Board Committees.

The appointment and removal of the Secretary of the Board must be approved by the Board of Directors in plenary session, after report of the Nomination Committee. The Secretary need not be a director.

The Secretary shall support the Chairman in his duties and must provide for the smooth running of the Board taking particular care to provide directors with necessary advice and information, keep the documents of the Company, minute proceedings and certify Board's resolutions. When directors or the Secretary himself/herself should express concern about some proposal 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 actions and ensure that the corporate governance principles and the Company's internal rules and regulations, are observed.

GENDER DIVERSITY

Pursuant to the internal regulations covered in the Board of Directors' Regulations and in 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 any new vacancies and when appointing new directors, selection processes 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 will 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 gender, experiences and knowledge diversity is fostered in recruitment processes of directors.

As at 31 January 2017 two female directors sat on the Board of Directors: Ms Flora Pérez Marcote (representing Pontegadea Inversiones, S.L., non-executive proprietary director) and Ms Denise Patricia Kingsmill (non-executive independent director); such presence represents 22.22% on the aggregate number of Directors, Inditex being above the average of IBEX35 companies.

Additionally, Ms Denise Patricia Kingsmill sits on the Audit and Control Committee, on the Nomination Committee and on the Remuneration Committee, which represents a percentage of 16.7% female directors versus the aggregate number of members of such Board Committees.

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 taking into account the different cultural background of each individual, fair treatment with zero tolerance for any manner of violence, harassment or abuse in the work place, or any manner of discrimination on account of race, religion, age, nationality, gender or any other personal or social circumstances.

MEMBERSHIP OF DIRECTORS ON BOARD OF DIRECTORS OF OTHER LISTED COMPANIES

The Board of Directors may not propose or appoint any persons to fill a vacancy on the Board who already performs the duties of Directors at the same time, in more than four listed companies outside the Company.

As at 31 January 2017, Directors who held offices in listed companies in Spain other than Inditex are shown below:

Name of the director (person or company)	Name of listed company	Office
Ms Denise Patricia Kingsmill	International Consolidated Airlines Group, S.A	Director
Ms Denise Patricia Kingsmill	Telecom Italia	Director
Mr Rodrigo Echenique Gordillo	Banco Santander	Executive Vice-Chairman of the Board of Directors
Mr Rodrigo Echenique Gordillo	Banco Santander México	Director
Mr José Luis Durán Schulz	Orange	Director
Mr Emilio Saracho Rodríguez de Torres	International Consolidated Airlines Group, S.A	Director
Mr Emilio Saracho Rodríguez de Torres	Banco Popular	Chairman

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 regulated 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 a supporting 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 recognised ability, competence, experience and merits.
- Be trustworthy professionals, whose conduct and career history 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 our meeting held on 13 June 2016, the Nomination Committee issued a report covering Board of Directors' needs regarding the ratification, appointment or re-election of directors. In this report, the Nomination Committee considered that, in order for the Board of Directors to duly perform its supervision duties, its members shall meet, as a whole, the following requirements:

(i) Have knowledge and expertise regarding the retail sector.

(II) Be well versed in economic and financial, as well as accounting, audit and risk management matters.

(iii) Be aware of and committed to regulatory compliance and corporate governance matters.

(iv) Have international experience as well as experience in different geographical matters.

(v) Have experience in management, leadership and business.

In the process of director selection, efforts shall be made to ensure that the Board of Directors reaches an appropriate balance of profiles, knowledge, skills, careers and experiences with a view to fostering diversity within the business and its management team's decision making.

Those persons who are on legal grounds disqualified from holding the office of director, or who do not meet the requirements laid down by the Company's corporate governance rules shall not be eligible to be a director.

The Board of Directors may not put forward or appoint, to fill any vacancy as director, anyone who holds the office of director in more than four listed companies out the Company.

The Nomination Committee shall take all necessary measures and make all appropriate enquiries to ensure that 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 proposals for the election, ratification or re-election of directors that the Board of Directors submits to be considered by 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 category to which the relevant director belongs, this classification being duly supported.

The proposals for the election of directors that the Board of Directors submits to be considered at the Annual General Meeting shall be accompanied 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 minutes 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 their dedication to office during their mandate, as

well as their 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 submit them on the record.

The Board of Directors shall explain to the Annual General Meeting in charge of appointing, ratifying or re-electing directors the class of such directors, and said class 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 has set a representation target for the least represented gender on the Board of Directors in addition to guidelines on how to reach a target.

At any rate, efforts shall be made to ensure that by 2020, the number of female directors would represent at least thirty percent of the aggregate number of Board members.

The Nomination Committee shall establish on an annual basis compliance with the Director Selection Policy and inform thereof the Board of Directors, which shall disclose such information in the Annual Corporate Governance Report.

During FY2016, Ms Denise Patricia Kingsmill, a non-executive independent director, Pontegadea Inversiones, S.L., a proprietary director, were appointed to the Board of Directors. Likewise, Ms Flora Pérez Marcote, legal representative of Pontegadea Inversiones, S.L., was also appointed.

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 the 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 the Law, 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 disappear.

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.

PROCEEDINGS OF THE BOARD OF DIRECTORS

QUORUM

Any Board meeting will be validly held when it is attended by at least half plus one of its members, 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 a 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 during FY2016 are shown below:

Governing body	Number of meetings	% Directors' attendance
Board of Directors	7	100%
Audit and Control Committee	6	100%
Nomination Committee	5	100%
Remuneration Committee	6	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 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 to vote for 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 required 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 representation to another director in writing, such proxy having to be granted specifically for each meeting, through prior wirtten communication 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 problems of a certain magnitude 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 technicians or; d) the confidentiality of the information to be provided to the expert may be jeopardized.

INFORMATION

The notice for the ordinary meetings of the Board of Directors 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 summarized and prepared relevant information.

Likewise, Directors have the widest powers to: obtain information on any issue of the Company (and its subsidiary companies); 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, putting appropriate spokespersons at the appropriate level in the organization or establishing such measures so as to enable them to conduct the desired examinations and inspections in situ.

Meanwhile, Directors are bound to diligently gather information on the course of business of the Company and prepare suitably for Board meetings and for any committees they belong to.

ASSESSMENT 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, its delegate bodies and its supervisory and control committees. The assessment system in respect of the Board of Directors, its members, its committees and of the Chairman, is carried out as follows:

1. The Nomination Committee is charged with preparing an annual programme for the evaluation of the performance of the duties of the Board of Directors, the Chairman, and the Committees.

2. Based upon this annual programme, each of the committees will prepare its own report assessing its performance and that of its members. This report shall be sent to the Board of Directors. At the same time, the Nomination Committee shall prepare a report in respect of the Board of Directors.

   To carry out this procedure, separate questionnaires are sent to each director, as described below:

   a) An individual self-assessment questionnaire for each director, sent by the Board of Directors (through its Chairman) to all its members.

   b) An assessment 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 – pursuant to statute and to the Board of Directors' Regulations–, the performance of the Board itself, the Directors and the Committees, as stated in section 2 above.

It should be noted that the company has been assisted by external consultant Spencer Stuart in the formulation of the evaluation process and in the review of the evaluation process in respect of the proceedings of the Board of Directors and of Directors.

The result of the assessment carried out in FY2016 is very positive in respect of the assessed topics. Mention should be made, among others, of the qualifications and structure, the duties, readiness and effectiveness and the planning and organization of the meetings of the Board of Directors, the Audit and Control Committee, the Nomination Committee and Remuneration Committee, as well as the contribution and performance of Independent Directors, and of the Executive Chairman.

4. BOARD OF DIRECTORS' COMMITTEES

AUDIT AND CONTROL COMMITTEE

COMPOSITION AND PROCEEDINGS

Name	Office	Category
Mr José Luis Durán Schulz	Chair	Non-executive independent
Ms Denise Patricia Kingsmill	Ordinary Member	Non-executive independent
Mr José Arnau Sierra	Ordinary Member	Non-executive proprietary
Mr Rodrigo Echenique Gordillo	Ordinary Member	Non-executive independent
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive independent

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.

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.

The Committee shall ordinarily meet on a quarterly basis in order to review the periodic financial information that has to be given to the Stock Market authorities, as well as the information that the Board of Directors has to approve and include in its annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board of Directors or the Chairman thereof requests the issue of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions.

Members of the management team or of the staff of the Company and its group shall be bound to attend the meetings of the Committee and to collaborate with it and make available the information at their disposal when the Committee so requests. Likewise, the Committee may require the attendance of the auditors to its meetings.

For the best performance of its functions, the Audit and Control Committee may obtain the advice of external experts.

REGULATIONS

Article 28 of the Articles of Association, section 15 of the Board of Directors' Regulations, as well as the Audit and Control Committee's Regulations set out the regulations governing the Audit and Control Committee. Namely, section 5 of this last set of rules sets forth the mission of the Audit and Control Committee:

"Without prejudice to other tasks it may be entrusted by the Board of Directors, and to other powers it may be reserved by these Regulations, the Audit and Control Committee shall have the following basic responsibilities:

(a) 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 ;

(b) 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 jeopardising 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;

(c) 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;

(d) 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 auditor, 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 auditor information about the audit plan and its performance, in addition to preserving its independence in the performance of its duties;

(e) To liaise with the external auditor 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 auditor, 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 auditor or by the persons, natural or legal related to such external auditor, pursuant to the provisions of the prevailing regulations on the audit activity;

(f) 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 jeopardised. 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;

(g) To ensure that the Board of Directors shall present the accounts to the General Meeting of Shareholders in an unqualified audit report and without reservations;

(h) 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;

(i) To inform the Board of Directors on such transactions that involve structural and corporate changes that the Company plans to carry out;

(j) To evaluate any question regarding non financial risks (including operational, technological, legal, social, environmental, political and reputational risks);

(k) To regularly evaluate the appropriateness of the corporate governance system of the Company and oversee compliance thereof, as well as compliance with the internal codes of conduct;

(l) To review the social responsibility and the environmental sustainability policies and to oversee compliance thereof;

(m) To oversee the strategy of communication and relations with shareholders and investors, including small and medium shareholders;

(n) To oversee and evaluate the relations systems with the different stakeholders of the company; and,

(o) To coordinate the process of reporting corporate information and information on diversity, pursuant to the applicable regulations and the international standards of reference."

Meanwhile, the duties entrusted to the Audit and Control Committee in respect of the preparation of the regulated financial information are addressed in section 6:

"With regard to the preparation of the regulated financial information of the Company and its Group, the Committee shall have the following main duties:

(a) To oversee 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 to oversee the review of the interim financial statements requested from the auditor,

with the scope and frequency that may be defined, as the case may be;

(b) To review 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; and

(c) To submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of the financial information;

(d) To advise the Board of Directors on any significant change of accounting standard and of any significant risks on the balance sheet or off the balance sheet."

The powers of the Audit and Control Committee with regard to the audit of the accounts are set out in section 7:

"With regard to the audit of the accounts of the Company and its Group, the Committee shall have the following main duties:

(a) To propose to the Board of Directors the selection, appointment, re-election and replacement of the external auditor, taking charge of the recruitment process pursuant to the provisions of the applicable regulations, as well as the terms and conditions of the contract to be executed with them, to be subsequently submitted to the General Meeting of Shareholders for approval ;

(b) To oversee the independence of the auditors and the absence of any or incompatibility, pursuant to the legislation on auditing. To perform such task, the Committee shall:

(i) Receive from the auditors on an annual basis, the statement on their independence regarding the Company or the companies related thereto, directly or indirectly;

(ii) Oversee the hiring of the auditor for services other than financial audit where the amount of the fees to be invoiced is significant, and supervise the terms and the performance of the contracts entered into with the external auditor of the Company for the rendering of such services;

(iii) Receive from the auditors detailed and separate information on any manner of additional services rendered, as well as the relevant fees received by the auditors or by the persons or entities related to them, pursuant to the provisions of the regulations on the audit activity;

(iv) Verify that the Company and the auditor comply with applicable regulations regarding the provision of services other than the auditing of accounts, the limits on the concentration of the auditor's business, the rules on professional fees and, generally, all other regulations established in order to ensure the independence of the auditors;

(v) Ensure that the remuneration of the external auditor for his works does not compromise the quality and independence thereof;

(vi) In the event of resignation of the auditor, examine the circumstances that may have given rise thereto; and,

(vii) Issue on an annual basis and prior to the issue of the auditor's report, a report setting forth its opinion on whether the independence of the auditor or of audit firms has been jeopardised. At any rate, such report must contain the reasoned assessment of the provision by the external auditor of each and every additional service other than the legal audit, considered both separately and as a whole, and its opinion regarding the independence system of the auditor pursuant to the regulations on the audit activity;

(c) To oversee compliance with the audit contract, regularly gathering from the auditor information on the audit plan and its implementation;

(d) To review the contents of the auditor's reports and, where appropriate, of the reports on limited review of interim accounts, as well as other mandatory reports to be prepared by the auditors, prior to the issue thereof, in order to avoid qualified reports, ensuring that the Board of Directors shall present the accounts to the General Meeting of Shareholders in an unqualified audit report and without reservations, and, where appropriate, in the exceptional circumstances where a qualified report is issued, that both the Chair of the Committee and the auditors would clearly explain to the shareholders the contents and scope of such reservations and qualifications;

(e) To assess the results of each financial audit and oversee the response of the Senior Executives to their recommendations;

(f) To promote that the auditors of the Group's consolidated accounts shall assume responsibility for the audit work of all or the majority of the companies that form part of such Group; and

(g) To ensure that the auditor carrying out the audit of the financial statements or of consolidated accounting documents shall assume full responsibility for the audit report issued, even though the financial

statements of the investee companies have been audited by other auditors;

(h) To serve as a communication channel between the Board of Directors and the auditors, endeavouring for the latter to have, at least once a year, a meeting with the Board of Directors for the purposes of reporting on the work done and the evolution of the accounting and risk situation of the Company; and,

(i) To verify that the change of auditor is disclosed as a relevant fact to CNMV and, where appropriate, that information is given on the eventual existence of any discrepancies with the outgoing auditor and the contents thereof."

Section 8 of the Audit and Control Regulations sets forth the powers regarding the internal audit function:

"With regard to the Internal Audit function of the Company and its Group, the Committee shall have the following main duties:

(a) To ensure the independence and effectiveness of the Internal Audit Function overseeing that it has sufficient resources, both human and material, internal and external, to carry out its duties;

(b) To approve the budget of the Internal Audit Department, the Internal Audit Plan and the annual activities report of such Department, ensuring that its activities are mainly focused on significant risks for the Company and its Group, and to receive periodic information regarding the activities carried out by the Internal Audit Department;

(c) To report on the appointment and removal of the Chief Audit Officer, after report of the Nomination Committee; and

(d) To verify that Senior Executives take into account the findings and recommendations resulting from the reports issued by the Internal Audit Department."

The powers of the Audit and Control Committee regarding the internal control and risk management policy are addressed in section 9:

"With regard to the internal control and risks management policy of the Company, the Committee shall have the following main duties:

(a) To oversee the control and risks management function;

(b) To submit recommendations or motions to the Board of Directors, with the relevant term for follow-up;

(c) To regularly review the internal control and risks management policy, including tax risks;

(d) To ensure that the internal control and risks management policy contains at least:

(i) The different types of risk (including without limitation, operational, technological, financial, legal, reputational and tax related) that the Company is faced with, 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 Company deems acceptable;

(iii) The measures planned to reduce the impact of the identified risks, should they materialize; and,

(iv) 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;

(e) To review the information about the risks that the Group is faced with, 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 Company; and

(f) To evaluate any question regarding non-financial risks (including without limitation operational, technological, legal, social, environmental, political and reputational) that the control policy and the risks management systems must contain."

The powers of the Audit and Control Committee regarding corporate governance are described in section 10 of its Regulations:

"With regard to the corporate governance policy of the Company and its Group, the Committee shall have the main basic duties:

(a) To regularly evaluate the appropriateness of the corporate governance system for the purposes of fulfilling its mission of promoting corporate interest taking into account the lawful interests of the different stakeholders of the company;

(b) To oversee compliance with the Internal Regulations of Conduct regarding transactions with Securities, with these Regulations and, generally, with the corporate governance rules of the Company, and to make the relevant motions to improve it;

(c) To receive from the Code Compliance Office or, as the case may be, from the Code Compliance Supervisory Board, at least every six months and whenever the Audit and Control Committee may deem

it fit for the appropriate exercise of its information functions, information on the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities and, namely, with the cases seen, if any, and the resolutions passed;

(d) To prepare and table to the Board of Directors for approval, the Annual Corporate Governance Report; and

(e) To oversee the operation of the Company's website with regard to the posting of information on corporate governance included in section 42 of the Board of Directors' Regulations."

Section 11 of the Audit and Control Regulations sets forth the powers regarding compliance with internal regulations:

"With regard to compliance with the internal regulations of the Company, the Committee shall have the following main duties:

(a) To establish and oversee the mechanisms required to allow all the Group's employees, manufacturers, suppliers or third parties with a direct relationship and a lawful business or professional interest, to report with all due guarantees of confidentiality, indemnity and in accordance with the regulations on data protection, any potential breach of the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and the remaining internal regulations of the Group;

(b) To receive from the Committee of Ethics at least every six months and whenever the Audit and Control Committee may deem it fit for the appropriate exercise of its functions, information on the degree of compliance with the Code of Conduct and Responsible Practices, on reports of any potential breach of the Code of Conduct for Manufacturers and Suppliers, and, generally, on the enforcement of the regulatory compliance system of the Company, and to submit motions to the Board of Directors for the adoption of measures and policies seeking to improve compliance with such model; and

(c) To receive information and, where appropriate, issue reports on the disciplinary measures that are intended for members of the senior management of the Company."

In turn, the powers of the Committee regarding corporate social responsibility are addressed in section 12:

With regard to the corporate social responsibility of the Company and its Group, the Committee has the following main duties:

(a) To oversee the corporate social responsibility policy, ensuring that it focuses on building value;

(b) To follow up the strategy and practices of such social responsibility and to evaluate the degree of compliance thereof;

(c) To verify the process of reporting corporate information and information on diversity pursuant to the applicable regulations and the international standards of reference; and

(d) To receive from the Sustainability Department, at least once a year and whenever the Audit and Control Committee may deem it fit for the appropriate exercise of its functions, information on the social responsibility policy and namely on the following topics:

(i) Compliance with the Code of Conduct for Manufacturers and Suppliers, especially underscoring the result of the social audits carried out, directly or indirectly, by the Company for the purposes of ensuring the enforcement of human and social rights throughout its production line;

(ii) Social investment of the Company in the areas of education, employment and humanitarian relief, or in any other area it may determine; and

(iii) Compliance with the health and safety standards of the products marketed by the Company."

The powers regarding environmental sustainability are addressed in section 13:

"With regard to the environmental sustainability of the Company and its Group, the Committee has the following main duties:

(a) To oversee the environmental sustainability policy of the Company, ensuring that it focuses on building value;

(b) To follow up the strategy and the practices of the environmental sustainability policy and to evaluate the degree of compliance thereof;

(c) To receive from the Sustainability Department at least once a year and whenever the Audit and Control Committee may deem it fit for the appropriate exercise of its functions, information on the environmental sustainability policy and namely on the fulfillment of the goals of the Strategic Environmental Plan from time to time in force.""

The powers of the Audit and Control Committee regarding tax issues are covered in section 14:

"With regard to tax issues of the Company and its Group, the Committee has the following main duties:

(a) To advice beforehand the Board of Directors on the creation or acquisition, as the case may be, of interests in special vehicles or entities resident in countries or territories considered tax havens;

(b) To receive from the Company's head of tax an update for the Board of Directors prior to the statement of the annual accounts and the filing of the Corporate Tax return, information on tax criteria followed by the Company during the financial year, and on the degree of compliance with the Code on Good Tax Practices; and,

(c) To inform the Board of Directors, based upon the information received from the Company's head of tax policies applied and, in the case of transactions or matters which must be referred to the Board of Directors for approval, on the tax consequences thereof, when they represent a relevant factor."

Finally, other powers entrusted to the Audit and Control Committee are included in section 15:

"Additionally, the Committee has the following duties:

(a) To oversee the strategy of communication and relations with shareholders and investors, including small and medium shareholders;

(b) To oversee and evaluate the relations systems with the different stakeholders of the Company;

(c) To inform the Board of Directors on transactions that the Company or the companies comprising the corporate Group intend to carry out with the directors or with shareholders who hold a significant stake or who have proposed the appointment of any director of the Company, or with their respective related parties, from an arm's length perspective and in accordance to the principle of equal treatment shareholders;

(d) To issue a report on transactions which entail structural and corporate changes that the Company intends to carry out, reviewing the economic terms and the accounting impact thereof, and namely, where appropriate, the proposed exchange ratio; and

(e) To prepare an annual report on the proceedings and activities of the Audit and Control Committee."

In addition, two Committees report periodically to the Audit and Control Committee:

- The Code Compliance Supervisory Board: composed of the Executive Chairman of the company, who chairs it; the General Counsel who is also the Code Compliance Officer; the Capital Markets Director, and the Chief Human Resources Officer. The Code Compliance Supervisory Board is responsible for promoting knowledge and ensuring compliance with the Internal Regulations of Conduct regarding Transactions in Securities of Inditex and its Corporate Group in areas regarding Securities Markets, (the "IRC").
- The Committee of Ethics: made up of the General Counsel and Code Compliance Officer, who chairs it; the Chief Audit Officer; the Chief Human Resources Officer and the Chief Sustainability Officer. The Committee of Ethics ensures compliance with the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group.

ANNUAL ACTIVITIES REPORT OF THE AUDIT AND CONTROL COMMITTEE

A report on the activities of the Audit and Control Committee is issued on a yearly basis. Said report is available on www.inditex.com.

PROCEEDINGS OF THE AUDIT AND CONTROL COMMITTEE: MEETINGS HELD, BUSINESS TRANSACTED, REPORTS AND ATTENDEES

During financial year 2016, the Audit and Control Committee met six times. Its main proceedings during the year are summarized below:

Date of meeting	Main business transacted	Reports and Motions tabled to the Board of Directors	Inditex's attendees
22/02/2016	- Presence of the director of the Corporate Social Responsibility Department and gathering of the following information: a. Observance of the Code of Conduct for Manufacturers and Suppliers. b. Social investment. c. Compliance with health and safety standards in respect of products put for sale. - Presence of the director of the Environment Department and gathering of information on environmental sustainability policy, mainly on achievement of the goals of the Environmental Strategic Plan. - IT Department: Follow-up on projects in the systems area. - Industrial Property: litigation.	- Report on compliance with health and safety standards in respect of products put for sale and on investment in social programmes. - Report from the Environmental Sustainability Department on achievement of the goals of the Environmental Strategic Plan. - Report from the IT Division. - Report on litigation and other responsibilities of the Legal Division of the IP Department.	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Mr Félix Poza Peña, Chief Sustainability Officer. - Mr Antonio Álvarez Sánchez, director of the Environmental Sustainability area. - Mr Gabriel Moneo Marina, Chief IT Officer. - Ms Susana Fernández Martín, director of the IP Area.
07/03/2016	- Review of the Company's annual accounts. Review of the annual financial report that the Board of Directors must provide to the market. - Meeting with the Company's external auditors. - Motion to appoint/re-elect auditors. - Report on the independence of auditors. - Internal Audit topics: a. Certification of Compliance with International Internal Audit Standards. b. 2015 Internal Audit Activities Report. Follow-up on recommendations. c. 2016 Internal Audit Plan and Budget. d. External Audit: 2015 fees and 2016 budget. - Review of the internal regulations of the Company: motion to amend the Internal Audit Charter. - Report on related-party transactions, pursuant to Recommendation 6 of the Good Governance Code. - 2015 Annual Corporate Governance Report. - Annual report of the Committee of Ethics: summary of proceedings and implementation of the Corporate Compliance System of the Inditex Group. - Report on tax policies followed during the year (Code of Good Tax Practices). - Half-yearly report (August 2015 - January 2016) from the Code Compliance Supervisory Board.	- Annual financial information (FY 2015). - Final findings 2015 Audit. - Report from the Internal Audit Department: Evaluation of compliance with international standards on internal audit professional practice. - 2015 Internal Audit Annual activities. - 2016 Internal Audit Plan and Budget. - External Audit: 2016 fees and budget. - Proposal for the Internal Audit Charter. - Report on related-party transactions. - Report on the independence of external auditors. - 2015 Annual Corporate Governance Report. - 2015 Annual report from the Committee of Ethics on the enforcement of the regulations on the Corporate Compliance System of the Inditex Group, and on the proceedings of the Committee. - Report on tax policy for 2015. - Half-yearly report (August 2015 - January 2016) from the Code Compliance Supervisory Board (CCSB). - Report on the re-election of auditors.	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Ignacio Fernández Fernández, Chief Financial Officer. - Mr. Carlos Crespo González, Chief Audit Officer. - Mr Andrés Sánchez Iglesias, Tax Director. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Mr Santiago Martínez-Lage Sobredo, Deputy-Secretary of the Board.
13/06/2016	- Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory bodies. - Financial Administration: review useful lives fixed assets. - Internal Audit: annual results review 1Q2016 results. - Review of External audit issues. - Financial management: Forex risk. - Internal Audit: Work done during first quarter 2016. - Related-party transactions. - Review of the Company's internal regulations: Articles of Association, Board of Directors' Regulations and Audit and control Committee's Regulations. - Preparation of the Triple Report (Integrated report). - Annual Report on the proceedings of the Audit and Control Committee.	- Financial information for 1Q2016. - Annual Report. - 2015 Annual activities report of the Audit and Control Committee. - Report on the useful life of fixed assets at stores. - Report issued by the IA Department on the 1Q2016 results. - Report of the Financial Management Department on foreign exchange risk. - Report issued by the IA Department on the work done during first quarter 2016. - Information on related-party transactions. - Motion to amend the Articles of Association, the Board of Directors' Regulations and the Audit and Control Committee's Regulations.	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Ignacio Fernández Fernández, Chief Financial Officer. - Mr Carlos Crespo González, Chief Audit Officer. - Mr Eliseo Oroza Rodríguez, director of the Administration Department. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Mr Fernando Sanjurjo Núñez, Mr Fernando de Bunes Ibarra and Mr Gorka García Tapia, members of the Financial Management Department.

Date of meeting	Main business transacted	Reports and Motions tabled to the Board of Directors	Inditex's attendees
18/07/2016	- Compliance Function: Zero Standard, Criminal Risk Prevention Model. - Market abuse regulations: Amendment of the Internal Regulations of Conduct regarding Transactions in Securities. - Engagement of the auditor to provide services other than audit. - Function of the distribution and operations department. Overview. - Risks Map: 2016 update.	- Proposal for the Zero Standard and the Criminal Risk Prevention Model. - Proposal for the amendment of the Internal Regulations of Conduct regarding Transactions in Securities. - Procedure to contract an Auditor for the provision of additional services other than Auditing of Annual Accounts. - Report on the function of the Distribution and Operations Department. - 2016 Risks Map. - Proposal for the Regulations of the Social Advisory Board. - Proposal for the Internal Audit Charter.	- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Mr Santiago Martínez-Lage Sobredo, Deputy Secretary of the Board. - Ms Piedad Barco Gurrea, lawyer from the General Counsel's Office. - Mr José Luis Goñi Alegre, director of the Distribution and Operations Department. - Ms Ane Insausti Altuna, head of the projects office of the Distribution and Operations Department. - Mr Iván Escudero Rial, head of the RFID Project. - Ms Martina Fernández Porto, head of the ERM Department.
19/09/2016	- Review of the periodic financial information that the Board of Directors must provide to the markets and its supervisory boards. - Meeting with the external auditors: Limited review report on 1H2016 results. - Review of corporate policies: Corporate Social Responsibility and Environmental Sustainability. - Policy on Official Internet and Social Networks Accounts and Profiles of the Inditex Group. - Internal Audit: - work done during second half 2016. - Report of the Committee of Ethics: summary of proceedings and implementation of the Corporate Compliance System of the Inditex Group. - Half-yearly report (February – July 2016) of the Code Compliance Supervisory Board (CCSB).	- Financial information 1H2016. - Report issued by external auditors on the review of the 1H2016. - Report on the Sustainability Policy. - Report on the Environmental Policy. - Policy on Official Internet and Social Networks Accounts and Profiles of the Inditex Group. - Report on the work done by IA Department during the second half 2016. - Report from the Committee of Ethics on the enforcement of the regulations on Corporate Compliance System of the Inditex Group and of the proceedings of the Committee during the first half 2016. - Half-yearly report (February – July 2016) of the Code Compliance Supervisory Board (CCSB).	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Mr Ignacio Fernández Fernández, Chief Financial Officer. - Mr Carlos Crespo González, Chief Audit Officer. - Mr Félix Poza Peña, Chief Sustainability Officer. - Mr Antonio Álvarez Sánchez, Environmental Sustainability director. - Ms Paula Mouzo Lestón, Deputy Chief Audit Officer.
12/12/2016	- Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory bodies. - Internal Audit: analytical review of the 3Q2016 results. - External audit: 2017 Audit Plan. - Internal Audit: work done during third quarter 2016. - Communication of a conflict of interest situation. - Evaluation of the appropriateness of the corporate governance system of the Inditex Group. - Compliance Policy. - Policy on Human Rights. - Report on the evaluation of the Committee and the performance of its members. - Provision by external auditors of services other than auditing of accounts.	- Financial information 3Q2016. - Report issued by the IA Department on the 3Q2016 results. - 2017 Audit Plan. - Report issued by the IA Department on the work done during third quarter 2016. - Report on the evaluation of the appropriateness of the corporate governance system. - Compliance Policy. - Policy on Human Rights. - Report on the evaluation of the Committee and the performance of its members.	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Mr Ignacio Fernández Fernández, Chief Financial Officer. - Mr Carlos Crespo González, Chief Audit Officer. - Ms Paula Mouzo Lestón, Deputy Chief Audit Officer. - Mr Félix Poza Peña, Chief Sustainability Officer. - Mr Antonio Álvarez Sánchez, Environmental Sustainability director.

MAIN ACTION LINES

During financial year 2016, the main activities of the Audit and Control Committee have focused on the following:

A. Periodic financial information, annual accounts and audit report

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 annul 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 7 March 2016 the results for FY2015. It reviewed the quarterly results of FY2016 and the relevant Results Releases and Press Releases in the meetings held on 13 June (1Q), 19 September (2Q) and 12 December (3Q). Such results – and the respective Results Releases and Press Releases – were provided by the Board of Directors to the market and its supervisory boards on a quarterly basis pursuant to the Period Public Information (PPI) format.

Likewise, the annual accounts and management reports, both individual and consolidated, and the Audit Report, all of them for FY2015, were also reviewed. The Committee verified that an unqualified Audit Report was issued.

B. Effectiveness and independence of Financial Auditors

The audit conducted during FY2015 was reviewed at the meeting of the Audit and Control Committee held on 7 March 2016, with the attendance of the external auditors who had been previously called to attend.

The work done by external auditors consisted of auditing the consolidated financial statements of the Group as at 31 January 2016 and auditing of the individual financial statements of certain Group companies, also as at 31 January 2016. Likewise, they issued 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.

The Audit and Control Committee approved on 7 March 2016 the report on the independence of the external auditors of the Company, which also addressed the provision of additional services other than auditing of annual accounts.

C. Internal Audit

The Chief Audit Officer and the external auditors attended the meetings of the Audit and Control Committee throughout FY2016 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, and approved its budget and its activities report.

D. External auditors

Following best practices in the field of corporate governance, members of the Audit and Control Committee met with the external auditors in the meetings held on 7 March, 13 June and 19 September 2016, without any member of the Management being present, to deal with different issues within its remit.

Moreover, external auditors attended the meeting of such Committee held on 12 December 2016, especially invited to do so by the Audit and Control Committee, to address the audit plan for FY2017.

E. Compliance and good corporate governance

Throughout financial year 2016, the Audit and Control Committee gave a favourable report on a number of policies, designed to meet the recommendations of the Good Governance Code, other regulatory development and recommendations in the fields of reference, and the internal regulations of Inditex.

Such policies, listed below, shall be addressed in detail in the respective section of this Annual Report:

a) Amendment of the Internal Audit Charter dated 7 March 2016.

b) Review of the internal regulations of the Company: By-laws, Board of Directors' Regulations and Audit and Control Committee's Regulations, dated 13 June 2016.

c) Amendment of the Internal Regulations of Conduct regarding Transactions in Securities dated 18 July 2016.

d) Compliance Function: Zero Standard, Criminal Risk Prevention Model (Criminal Risk Prevention Policy, Procedure and Scoping Matrix) dated 18 July 2016.

e) Procedure to contract an auditor for the provision of additional services other than auditing of annual accounts dated 18 July 2016.

f) Policy on Official Internet and Social Networks Accounts and Profiles of the Inditex Group dated 19 September 2016.

g) Review of the Corporate Social Responsibility Policy and the Environmental Policy on 19 September 2016.

h) Compliance Policy and Policy on Human Rights, dated 12 December.

All such policies and regulations were tabled by the Audit and Control Committee to the Board of Directors which approved them in the relevant meetings. With regard to the Articles of Association, the Board of Directors' Regulations and the Audit and Control Committee's Regulations, the approval of all three sets of rules was conditional upon the approval thereof by the Annual General Meeting, which took place on 19 July 2016.

F. Risks Map

The Audit and Control Committee acknowledged the Risks Map of the Company in the meeting held on 18 July 2016.

G. Annual Corporate Governance Report

The Audit and Control Committee approved on 7 March 2016 the Annual Corporate Governance Report for FY2015, drafted as regards its format, contents and structure, in accordance with the provisions of Circular 5/2013 of 12 June of CNMV. The Annual Corporate Governance Report was submitted by the Committee to the Board of Directors which approved it on 8 March 2016, and subsequently sent to the CNMV as a relevant fact.

H. Annual Report

The Committee issued a favourable report on the Annual Report for FY2015 in the meeting held on 13 June 2016. Information on the activities of Inditex and its Group of companies over the last years, and namely during FY2015 with regard to three areas: financial, social and environmental, was provided in such Annual Report.

The Annual Report has been prepared taking into account the principles established in the G4 Guide to Sustainability Reporting of the Global Reporting Initiative (GRI), the principles established in the International Integrated Reporting Framework, and AA1000 Accountability Principles Standard 2008 (AA1000APS). The results of this verification demonstrate that the application level (In Accordance – Exhaustive) declared for the GRI Guide (G4) is appropriate. Equally, a selection of relevant indicators was reviewed by KPMG Asesores in accordance with standard ISAE 3000.

I. Review of the reports of the Committee of Ethics and the Code Compliance Office

The Audit and Control Committee reviewed and approved the Annual Report of the Committee of Ethics for FY2015 in the meeting held on 7 March 2016 and the half-yearly report of such body for the first half of FY2016 in the meeting held on 19 September 2016.

The issues reviewed in such reports include, but are not limited to, the enforcement of the Code of Conduct and Responsible Practices and of the Code of Conduct for Manufacturers and Suppliers, with a detail of the cases seen by the Committee of Ethics, the proceedings of such Committee, the resolutions pronounced, the results of the supervision of the Manual on Criminal Risks Prevention of the Inditex Group, and the proceedings to implement the Corporate Compliance System at domestic and international level (disclosure and communication of the Corporate Compliance System, proceedings related to the acceptance of the Code of Conduct and Responsible Practices, and training with regard to the Corporate Compliance System).

J. Review of the reports of the Code Compliance Supervisory Board and the Code Compliance Office

The Audit and Control Committee reviewed the quarterly reports prepared by the Code Compliance Office in respect of the enforcement of the Internal Regulations of Conduct regarding Transactions in Securities of Inditex and its corporate group (hereinafter, the "IRC") pursuant to the provisions of section 26.4 thereof, and the half-yearly reports issued by the Code Compliance Supervisory Board in respect of measures taken to promote knowledge and ensure compliance with the provisions of the IRC, pursuant to the provisions of section 25.5 thereof.

K. Related-party transaction

The Audit and Control Committee gave a favourable report to the two related-party transactions below, in the meeting held on 13 June 2016:

a) Provision of certain services by one Group company to a company related to three directors; and

b) Sale of assets of Inditex to a company related to three directors.

Both transactions were authorized by the Board of Directors in the meeting held on 14 June 2016.

L. Conflict of interest situations

Pursuant to the provisions of section 229 of the Companies Act, as amended by act 3/2014 of 3 December, whereby such Act was amended to improve corporate governance, directors have not disclosed any conflict of interest situation, either direct or indirect, that they or any person related thereto might have any interest in the controlling company. One director reported to the Board of Directors a potential conflict of interest situation, which was acknowledged by said body. Such situation has not materialized during the year.

M. Report on its activities

The Audit and Control Committee issued the annual report on its activities on 13 June 2016. It was published in the 2015 Annual Report and it is available on www.inditex.com

N. Report on tax policies

Pursuant to the terms of the Company's Tax policy, the Audit and Control Committee acknowledged in meeting held on 7 March 2016 the tax policies pursued during financial year 2015.

MAIN RELATIONSHIPS OF THE AUDIT AND CONTROL COMMITTEE

A. With the General Meeting of Shareholders

The Chair of the Audit and Control Committee is available to the shareholders at the Annual General Meeting in order to address those questions raised by the same with regard to matters within its remit, pursuant to the provisions of statute, the Articles of Association, the Board of Directors' Regulations and the Audit and Control Committee's Regulations.

B. With the Board of Directors

At the beginning of each meeting of the Board of Directors, the Chair of the Audit and Control Committee apprises all Directors on the main business transacted in the last meeting of the Committee.

C. With the advisory Committees of the Board of Directors

Directors sitting on the Audit and Control Committee also sit on the Nomination Committee and on the Remuneration Committee.

D. With the Executive Chairman and the Senior Executives

For the purposes of permitting the Audit and Control Committee to be directly apprised of major business concerns, the Committee encourages the participation in its sessions of the Executive Chairman and of the executives and officers of the Company to explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent.

Additionally, the Committee may call any employee or officer of the Company and even arrange for their attendance without any other officer being present.

E. With the General Counsel's Office

The General Counsel and Secretary of the Board, in his capacity as Code Compliance Officer regularly informs the Audit and Control Committee on the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities and in general, on the degree of enforcement of the rules of the company on corporate governance.

Additionally, the General Counsel and Secretary of the Board, in his capacity as Chair of the Committee of Ethics regularly advices the Audit and Control Committee on the enforcement of the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers; the outcome of the supervision of the Manual on Criminal Risks Prevention of the Inditex Group and the proceedings undertaken to implement the Corporate Compliance system.

F. With the Internal Audit Department

The Internal Audit Department, ensures, under the supervision of the Audit and Control Committee, the good operation of the information and internal control systems. Internal Audit is a centralized function included in the current organizational structure by means of a direct link to the Board of Directors, achieved through functional reporting to its Chair and operational reporting to the Executive Chairman.

The Chief Audit Officer (CAO), being ultimately responsible for the Internal Audit function, regularly apprises the Audit and Control Committee of the annual Internal Audit work plan, as well as of the assignments carried out in the various auditing areas.

Meanwhile, the Audit and Control Committee oversees the Internal Audit Department, approving its budget, the Internal Audit Plan, the annual activities report and the resources of the Department to carry out its tasks as well as the contents of its proceedings.

G. With the external auditors

The relationship of the Board of Directors of the Company and the external auditors of the Group is channeled through the Audit and Control Committee.

Without prejudice to the annual meeting between external auditors and the Board of Directors, the former attends the meetings of the Committee wherein the Periodic Financial Information which the Board of Directors needs to approve and disclose on a half-yearly basis is subject to review.

In addition, the Committee tables to the Board of Directors, to be subsequently submitted to the Annual General Meeting, the motions on the appointment, re-election and replacement of the external auditors, as well as the terms for their engagement and the scope of their professional mandate. Likewise, the Committee oversees the enforcement of the audit contract; it evaluates the results of each audit and supervises the terms and enforcement of such contracts entered into with the auditors for the performance of assignments other than those covered by the audit contract, all of which is pursuant to the provisions of section 15 of the Board of Directors' Regulations and sections 8 and 30 of the Audit and Control Committee's Regulations.

Finally, in the meeting held on 18 July 2016, the Audit and Control Committee approved the Procedure to contract an auditor for the provision of additional services other than auditing of annual accounts whereby, further to the approval thereof, the prior authorization of the Audit and Control Committee shall be necessary before any of Inditex's areas or departments may engage the auditors to provide services other than auditing. Additionally, a list of services which under no circumstances may be rendered by external auditors, is included in such Procedure.

H. With the external advisors

In order to receive assistance in the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the Company's expense. The assignment entrusted to such external advisors must necessarily address specific issues of certain weight and complexity that the above referred directors might face in the discharge of their duties.

NOMINATION COMMITTEE

COMPOSITION AND PROCEEDINGS

Nombre	Cargo	Tipo de consejero
Name	Office	Category
Mr Emilio Saracho Rodríguez de Torres	Chair	Non-executive independent
Ms Denise Patricia Kingsmill	Ordinary Member	Non-executive independent
Mr José Luis Durán Schulz	Ordinary Member	Non-executive independent
Mr José Arnau Sierra	Ordinary Member	Non-executive proprietary
Mr Rodrigo Echenique Gordillo	Ordinary Member	Non-executive indepedent
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as Secretary non-member of the Audit and Control 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, a majority of whom must necessarily be independent directors.

The Nomination Committee shall meet at least once a year and each time that the Board of Directors or the Chairman thereof calls it. The Chairman of the Board of Directors shall call the Nomination Committee each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within its remit and, at any rate, 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 meeting notice shall be authorized by the signature of the Chair. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

REGULATIONS

Article 29 of the Articles of Association, section 16 of the Board of Directors' Regulations, and the Nomination Committee's Regulations set out the regulations governing the Nomination Committee.

Namely, section 5 of this last set of rules sets forth the mission of the Nomination Committee:

"Without prejudice to other tasks it may be entrusted by the Board of Directors, and to other powers it may be reserved by these Regulations, the Nomination Committee shall have the following basic responsibilities:

(a) 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;

(b) 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;

(c) To ensure that upon filling new vacancies or appointing new directors, selection procedures ensure the non-existence of any manner of discrimination;

(d) 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;

(e) 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 Shareholders;

(f) To issue a report regarding the motions to appoint and to remove senior executives;

(g) Without prejudice to the responsibilities of the Lead Independent Director, should there be any, 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."

Meanwhile, section 6 describes the powers of such Committee regarding the selection of prospective directors:

"With regard to the selection of directors, the Committee shall have the following main duties:

(a) To issue a report on the directors' selection policy approved by the Board of Directors and verify on an annual basis compliance thereof;

(b) To set up and review the criteria that must be adhered to regarding the composition of the Board or Directors and to select the prospective candidates. For such purposes, the Committee shall define the duties and qualifications required of candidates that must fill each vacancy, based upon the requirements of the Board of Directors and the areas that need to be reinforced;

(c) To ensure that, upon filling new vacancies or appointing new directors, selection procedures shall ensure the absence of any manner of discrimination. Namely, 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;

(d) To select the prospective candidates to be appointed, where appropriate, directors of the Company, assessing their required ability, qualifications, knowledge and experience and establishing the absence of any disqualifications or prohibitions and the circumstances required for them to qualify as a given class of directors and submit, therefore, its motions or reports, where appropriate, to the Board of Directors for their appointment through the co-option method or to be submitted to the decision of the General Meeting of shareholders;

(e) To issue a report on the motions that corporate directors may submit regarding the appointment of their representatives natural persons;

(f) To report on the appointment of internal offices of the Board of Directors and its Committees (Chairman, Deputy Chairman/Chairmen, Chief Executive Officer, Lead Independent Director, Secretary and Deputy-Secretary(ies));

(g) To propose to the Board of Directors such members that must sit on each Committee;

(h) To verify, where appropriate, the information provided in the Annual Corporate Governance Report about the reasons why certain proprietary directors may have been appointed, at the behest of any shareholders whose stake is below to the minimum stake that qualifies as significant under the prevailing regulations in force or why certain formal requests of presence in the Board of Directors made by shareholders whose stake is the same or higher than others at whose request proprietary directors may have been appointed, have not been attended; and

(i) Without prejudice to the responsibilities of the Lead Independent Director, should there be any, to review and arrange for the succession of the Chairman of the Board of Directors and of the chief executive of the Company and, to table, where appropriate, proposals to the Board of Directors for such succession to take place in an orderly and planned manner."

The powers regarding assessment and re-election of directors are addressed in section 7 of such Regulations:

"With regard to the assessment and re-election of directors, the Committee shall have the following main duties:

(a) To establish and oversee an annual programme for evaluating the performance of the Board of Directors, its Chairman, its delegated bodies and its supervisory and control committees. For such purposes, the Committee may gather such information and/or documentation as it may deem necessary or expedient;

(b) To take part in the annual process of evaluation of performance of the Chairman of the Board of Directors pursuant to the provisions of the Company's corporate governance system;

(c) To report on an annual basis to the Board of Directors on the evaluation of the Board of Directors itself, the Committee, the directors, and of the performance of the chief executive of the Company;

(d) To verify, where appropriate, the independence of the advisor which assists the Board of Directors with the evaluation process;

(e) To examine, prior to the end of the term for which a director has been appointed, the advisability of the director's re-election, as well as the director's continuance, if applicable, on the committees of the Board of Directors of which such director is a member;

(f) To verify that the director to be re-elected continues to comply with the general requirements applicable to all directors of the Company pursuant to law and the Company's corporate governance rules, as well as assess the quality of work, the dedication to office and the availability of the director in question during the preceding term of office; and

(g) To submit to the Board of Directors its motion (in the case of independent directors) or report (in the case of the remaining directors) regarding the re-election of directors by the General Meeting of Shareholders."

In turn, section 8 thereof covers the powers regarding removal and dismissal of directors:

"With regard to the removal and dismissal of directors, the Committee shall have the main duties of submitting to the Board of Directors the motion regarding the removal or, where appropriate, issuing a report on the motion of removal of directors by the General Meeting of Shareholders on account of the existence of grounds for resignation or dismissal pursuant to Statute or the corporate governance rules of the Company."

Finally, other powers entrusted to the Nomination Committee are included in section 9 of the Nomination Committee's Regulations:

"Additionally, the Committee shall have the following main duties:

(a) To issue a report on the appointment and removal of the Internal Audit Director, after report of the Audit and Control Committee;

(b) To issue a report on the motions to appoint and remove senior executives;

(c) To issue such reports and carry out such proceedings that fall within its remit, pursuant to the corporate governance system of the Company, or which are required by the Board of Directors or its Chairman; and,

(d) To issue a report before the authorization or release by the Board of Directors of the obligations arising from the duty of loyalty of directors, when this does not fall within the remit of the General Meeting of shareholders."

ANNUAL ACTIVITIES REPORT OF THE NOMINATION COMMITTEE

The Nomination Committee issues a report on its activities during the year on an annual basis. Such report is available on www.inditex.com.

PROCEEDINGS OF THE NOMINATION COMMITTEE: MEETINGS HELD, BUSINESS TRANSACTED, REPORTS AND ATTENDEES.

Below is a summary of the main activities of the Nomination Committee from 1 February 2016 through 31 January 2017 regarding its powers:

Date of meeting	Main business transacted	Reports and Motions tabled to the Board of Directors	Inditex's attendees
13/06/2016	- Report in support of the prior analysis of the needs of the Board of Directors for the purposes of re-election or appointment of directors. - Motion to appoint Ms Denise Patricia Kingsmill as independent director [and as member of the Executive Committee, the Audit and Control Committee, the Nomination Committee and the Remuneration Committee]. - Report on the ratification and appointment of Pontegadea Inversiones, S.L. as proprietary director and of Ms Flora Pérez Marcote as its legal representative. - Annual Report on the Proceedings of the Nomination Committee.	- Report in support of the prior analysis of the needs of the Board of Directors for the purposes of re-election or appointment of directors. - Motion to appoint Ms Denise Patricia Kingsmill as independent director [and as member of the Executive Committee, the Audit and Control Committee, the Nomination Committee and the Remuneration Committee]. - Report on the ratification and appointment of Pontegadea Inversiones, S.L. as proprietary director and of Ms Flora Pérez Marcote as its legal representative. - Annual Report on the Proceedings of the Nomination Committee.	- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.
18/07/2016	- Acknowledgement of removal of a director upon expiry of their term of office. - Report on the appointment of members of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee. - Acknowledgement of removal and report on the appointment of a new Chair of the Audit and Control Committee.	- Report on the appointment of members of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee. - Report on the proposed election of Mr José Luis Durán Schulz as Chair of the Audit and Control Committee.	- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.
20/09/2016	- Supervision of the annual programme for the evaluation of the performance of the Board of Directors and its Chairman, the Directors and its advisory and control committees.	- Annual programme for the evaluation of the performance of the Board of Directors and its Chairman, the Directors and its advisory and control committees.	- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.
13/12/2016	- Report on the evaluation of the proceedings of the Board of Directors, the performance of directors, the proceedings of the Nomination Committee and the performance of the Executive Chairman. - Acknowledgement of resignation of a member of the Social Advisory Board.	- Report on the evaluation of the proceedings of the Board of Directors, the performance of directors, the proceedings of the Nomination Committee and the performance of the Executive Chairman.	- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.

MAIN ACTION LINES

During FY2016, the most relevant proceedings of the Nomination Committee have focused on the following issues:

A. Appointments

In the meeting held on 13 June 2016, the Committee gave a favourable report to the ratification and appointment of Pontegadea Inversiones, S.L., as non-executive proprietary director, and to the motion to appoint Ms Flora Pérez Marcote as the legal representative of Pontegadea Inversiones, S.L. on the Board of Directors.

Likewise, during that same meeting, the Nomination Committee drafted the motion to appoint Ms Denise Patricia Kingsmill as non-executive independent director and member of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee.

The pertaining reports issued by the Nomination Committee were made available to the shareholders on the corporate website (www.inditex.com) from the date of the notice calling the Annual General Meeting.

Prior to such appointments, the Nomination Committee had approved an explanatory report on the prior analysis of board needs for the purpose or re-electing or appointing Directors.

In the meeting held on 18 July 2016, the Nomination Committee acknowledged the removal of Ms Irene R. Miller, non-executive independent director who stepped down from the Board as a result of the expiry of her term of office. During that same meeting, the Committee gave a favourable report to the appointment of Mr José Luis Durán Schulz as Chair of the Audit and Control Committee.

B. Assessment

Pursuant to the provisions of the Board of Directors' Regulations and the Nomination Committee's Regulations, and in line with the recommendations of the Good Governance Code of Listed Companies, approved by CNMV and with Programme approved on 2 December 2015, the Nomination Committee proposed in the meeting held on 20 September 2016 to submit to the Board of Directors the supervisory efforts of the "Programme for evaluating the performance of the Board of Directors, the Directors, the Committees and the Executive Chairman". Such programme covers the establishment and annual supervision of the evaluation of the performance of the delegated bodies and the supervision and control committees of the Board of Directors.

Likewise, in accordance with Inditex's internal regulations and best practices in the field of corporate governance, the Nomination Committee approved in the meeting of 13 December 2016 the report on the evaluation of the proceedings of the Board of Directors, the Directors, the Nomination Committee and of the performance of its members and the Executive Chairman. This report went on to be approved by the Board of Directors in the meeting held on 13 December 2016.

The outcome of the evaluation conducted during FY2016 has been very positive as regards the issues assessed, including the qualification and structure, the duties, the effectiveness and the proceedings, planning and organization of the meetings of the Board of Directors, the Audit and Control Committee, the Nomination Committee, the Remuneration Committee, as well as the contributions and performance of Independent Directors and of the Executive Chairman.

MAIN RELATIONSHIPS OF THE NOMINATION COMMITTEE

A. With the Board of Directors

At the beginning of each meeting of the Board of Directors, the Chair of the Nomination Committee reports on the main business transacted in the last meeting of the Committee.

B. With the advisory Committees of the Board of Directors

Directors sitting on the Nomination Committee also sit on the Audit and Control Committee and on the Remuneration Committee.

C. With the Executive Chairman and with Senior Executives

For the purposes of allowing the Nomination Committee to be directly apprised of major business concerns, the Committee encourages the presence in its meetings of the Executive Chairman and of the different officers and supervisors of the business areas of the Company, so that they are able to explain their view on issues directly linked with the remit of the Committee and which are recurrent in its meetings.

D. With the Lead Independent Director

Mr Rodrigo Echenique Gordillo, the Lead Independent Director is also a member of the Nomination Committee.

E. With the Human Resources Department

In order to keep the Nomination Committee duly and permanently informed, the Human Resources Department regularly apprises the Committee of the changes, if any, in the global talent management and career development programmes, and of the succession plans.

F. With the external advisors

In order to receive assistance in the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the Company's expense. The assignment entrusted to such external advisors must necessarily address

specific issues of certain weight and complexity that the above referred directors might face in the discharge of their duties.

During FY2016, the Committee has been advised by the firm Spencer Stuart, an independent external consultant, which has assisted it with the evaluation of the Board of Directors, its members and its Committees.

REMUNERATION COMMITTEE

COMPOSITION AND PROCEEDINGS

Name	Office	Category
Mr Rodrigo Echenique Gordillo	Chair	Non-executive Independent
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive Independent
Ms Denise Patricia Kingsmill	Ordinary Member	Non-executive Independent
Mr José Luis Durán Schulz	Ordinary Member	Non-executive Independent
Mr José Arnau Sierra	Ordinary Member	Non-executive Proprietary
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate

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, a majority of whom shall be independent directors.

The Remuneration Committee shall meet at least once a year, and each time that the Board of Directors or the Chairman thereof calls it; the Chairman of the Board of Directors shall call the Remuneration Committee each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within its remit and, in any case, whenever this is required 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 valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

REGULATIONS

Article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations, and the Remuneration Committee's Regulations set out the regulations governing the Remuneration Committee.

Namely, section 5 of this last set of rules sets forth the mission of the Remuneration Committee:

"Without prejudice to other tasks it may be entrusted by the Board of Directors, and to other powers it may be reserved by these Regulations, the Remuneration Committee shall have the following basic responsibilities:

(a) To propose to the Board of Directors policies on remuneration of the directors and senior executives as well as the regular review and update thereof;

(b) To propose to the Board of Directors the system and amount of the annual remuneration of directors, to be submitted to the General Meeting of Shareholders, as well as the individual remuneration of executive directors and the remaining basic terms and conditions of their contracts, including the eventual compensation or indemnities which may be payable in the event of removal, pursuant to the provisions of the Company's corporate governance system and the remuneration policy for directors approved by the General Meeting of Shareholders;

(c) To propose to the Board of Directors the basic terms and conditions of the contracts of senior executives;

(d) To verify that the remuneration policy fixed by the Company is observed; and

(e) To ensure that no eventual conflict of interest situation would affect the independence of the external advice given to the Committee."

Meanwhile, section 6 provides the powers regarding remuneration and remuneration policy for directors and senior executives:

"With regard to remuneration, remuneration policy for directors and senior officers, the Committee shall have the following main duties:

(a) To regularly review the remuneration policy for directors and senior executives, including share based remuneration systems and the application thereof and to ensure that their individual remuneration is proportional to that of the remaining directors and senior executives of the Company;

(b) To propose the individual remuneration of executive directors and the remaining terms and conditions of their contracts, to be approved by the Board of Directors, including any eventual compensation or indemnity which may be payable in the event of early removal from office and the amounts to be paid by the Company as insurance premiums or contributions to savings schemes, pursuant to the provisions of the internal regulations of the Company and to the remuneration policy approved by the General Meeting of Shareholders;

(c) To prepare and submit to the Board of Directors, for approval, the Annual Report on Remuneration of Directors, and to verify the information on the remuneration of directors and senior executives provided in the corporate documents, the notes to the annual accounts and the interim financial statements of the Company; and

(d) 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."

ANNUAL ACTIVITIES REPORT OF THE REMUNERATION COMMITTEE

The Remuneration Committee issues a report on its activities during the year on an annual basis. Such report is available on www.inditex.com.

PROCEEDINGS OF THE REMUNERATION COMMITTEE: MEETINGS HELD, BUSINESS TRANSACTED, REPORTS AND ATTENDEES

Below is a summary of the main activities of the Remuneration Committee from 1 February 2016 through 31 January 2017 regarding its powers:

Date of meeting	MAIN BUSINESS TRANSACTED	Reports and motions tabled to the Board of Directors	Attendees
22/02/2016	- Report on the 2016-2020 Long-term Incentive Plan.	- Report on the 2016-2020 Long-term Incentive Plan.	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Ms Begoña López-Cano Ibarreche, Chief Human Resources Director.
07/03/2016	- Remuneration of the Executive Chairman. - Remuneration of the Senior Executives. - Report on the 2013-2016 Long-term Performance Cash Plan. - Extraordinary Plan for employees participating in the increase of the economic benefits of the Inditex Group. Report on the results of the first calculation period. - Annual report on the remuneration of directors.	- Motion regarding the remuneration of the Executive Chairman. - Motion regarding the remuneration of Senior Executives. - Report on the 2013-2016 Long-term Performance Cash Plan. - Report on the results of the first calculation period of the Extraordinary Plan for employees participating in the increase of the economic benefits of the Inditex Group. - Annual Report on the Remuneration of Directors.	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Ms Begoña López-Cano Ibarreche, Chief Human Resources Director. - Mr Ignacio Fernández Fernández, Chief Financial Officer.
13/06/2016	- Annual Report on the proceedings of the Remuneration Committee.	- Annual Report on the proceedings of the Remuneration Committee.	- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.
19/07/2016	- Report on the 2013-2016 Long-term Performance Shares Plan. Report on the Regulations of the 2016-2020 Long-term Incentive Plan. Delegation of powers.	- Report on the 2013-2016 Long-term Performance Shares Plan. - Report on the Regulations of the 2016-2020 Long-term Incentive Plan. Delegation of powers.	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Ms Begoña López-Cano Ibarreche, Chief Human Resources Officer. - Mr Ignacio Fernández Fernández, Chief Financial Officer.
20/09/2016	- Beneficiaries of the Long-term Incentive Plan addressed to members of management, including the Executive Chairman and other employees of the Inditex Group.		- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Ms Begoña López-Cano Ibarreche, Chief Human Resources Director. - -Mr Ignacio Fernández Fernández, Chief Financial Officer.
13/12/2016	- Report on the evaluation of the Committee and the performance of its members. - Report of the HR Department.	- Report on the evaluation of the Committee and the performance of its members. - Report of the HR Department.	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Ms Begoña López-Cano Ibarreche, Chief Human Resources Director. - Ms Rocío Casal Comendador, member of the HR Department. - Ms Cristina Vega López, member of the HR Department.

MAIN ACTION LINES

During FY2016 the most relevant proceedings of the Remuneration Committee have focused on the following issues:

A. Remuneration of the Executive Chairman

The Remuneration Committee approved in the meeting held on 7 March 2016 the motion to be submitted to the Board of Directors, regarding the remuneration of the Executive Chairman in respect of the following issues:

a. The determination of the pluri-annual variable remuneration accrued during 2015;

b. The determination of the pluri-annual variable remuneration accrued during FY2015 in the framework of the 2103-2016 Long Term Performance Cash Plan;

c. The remuneration for FY2016; and

d. The contract with the Executive Chairman.

Such motion was approved by Board of Directors in the meeting held on 8 March 2016.

B. Annual Report on Remuneration of Directors for FY2015

Pursuant to the regulations then in force and the Recommendations of the CBG, and on the advice of external consultant Towers Watson, the Committee approved on 7 March 2016 the Annual Report on the Remuneration of Directors for FY2015.

Such report was tabled to the Board of Directors, who approved it on 8 March 2016, and sent it to CNMV as a relevant fact.

It was subsequently submitted to the advisory say-on-pay vote of the Annual General Meeting last 19 July 2016 and approved with an aggregate 98.39% of votes for.

C. Remuneration of Senior Executives

The Committee gave a favourable report to the remuneration of Senior Executives in the meeting held on 7 March 2016, and submitted it to the Board of Directors, which approved it on 8 March 2016.

D. Long-term Incentive Plan

The Committee acknowledged the settlement and final payment in cash of the 2013-2016 Long-term Performance Cash Plan in the meeting held on 7 March 2016 as well as the payment of the first cycle of the 2013-2016 Long-term Performance Shares Plan in the meeting held on 18 July 2016.

Additionally, in the course of this last meeting, the Committee gave a favourable report to the 2016-2020 Long-term Incentive Plan Regulations, which were subsequently approved by the Board of Directors on 19 July 2016.

Plan for Employees participating in the increase of economic benefits of the Inditex Group.

Finally, on 20 September 2016, the Remuneration Committee acknowledged the list of beneficiaries of the 2016-2020 Long-term Incentive Plan.

E. Extraordinary Plan for employees participating in the increase of the economic benefits of the Inditex Group

In the meeting held on 7 March 2016, the Remuneration Committee gave a favourable report to the results of the first calculation period of the Extraordinary Plan for employees participating in the increase of the economic benefits of the Inditex Group, and resolved to table it to the Board of Directors, which approved such results on 8 March 2016.

EXECUTIVE COMMITTEE

COMPOSITION

Name	Office	Category
Mr Pablo Isla Álvarez de Tejera	Chair	Executive
Mr José Arnau Sierra	Deputy Chair	Non-executive proprietary
Mr Amancio Ortega Gaona	Ordinary Member	Non-executive proprietary
Mr José Luis Durán Schulz	Ordinary Member	Non-executive independent
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive indpedent
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive independent

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 also sit on the Executive Committee.

REGULATIONS

The Executive Committee holds in delegation all the powers of the Board, except for those that cannot be delegated by law or by its 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 Chairman of the Board of Directors acts as Chair of the Executive Committee and the Secretary of the Board, who may also be assisted by the Deputy Secretary, performs the duties of secretary. The office of Deputy Chair of the Executive Committee is held by the Deputy Chairman of 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 in favour and may include, at the Board's discretion, all or a part of the powers of the Board itself.

5. REMUNERATIONS

REMUNERATION OF DIRECTORS

During FY2016, the aggregate remuneration of the Board of Directors amounted to €12,302k.

ANNUAL REPORT ON REMUNERATION OF DIRECTORS

The Board of Directors approved on 8 March 2016 the Annual Report on Remuneration of Directors for FY2015 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 Annex I of Circular 7/2015 of 22 December of CNMV, whereby Circular 4/2013 of 12 June of CNMV, that provides the standard forms for the annual report on remuneration of directors of listed public companies is amended. This report is available on www.inditex.com.

Pursuant to the provisions of section 529 *novodecies* of the Companies Act and of Transitory Provision of Act 32/2014, the 2014 Annual Report on Remuneration of Directors covered the applicable remunerations policy for the following financial years and it was put to the advisory say-on-pay vote of the Annual General Meeting of Shareholders held on 14 July 2015, as a separate item on the agenda.

6. SENIOR EXECUTIVES

As at 31 January 2017, Inditex's senior executives, excluding the Executive Chairman were:

Name (person or company)	Office
Mr Antonio Abril Abadín	General Counsel and Secretary of the Board
Mr Marco Agnolin	Director of BERSHKA
Ms Lorena Alba Castro	Chief Logistics Officer
Ms Eva Cárdenas Botas	Director of ZARA HOME
Mr Carlos Crespo González	Chief Audit 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
Ms 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
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
Mr José Luis Rodríguez Moreno	Director of UTERQÜE
Ms Carmen Sevillano Chaves	Director of OYSHO
Mr Jordi Triquell Valls	Director of STRADIVARIUS

REMUNERATION OF SENIOR EXECUTIVES

During financial year 2016 the aggregate remuneration accrued by senior executives referred to in the section above, amounted to €31,379k.

SEVERANCE OR GOLDEN PARACHUTE CLAUSES

This type of clause is included in the employment agreements entered into with 22 officers, including the Executive Chairman. The main description of these clauses is included in the Annual Corporate Governance Report, available on www.inditex.com.

102-18, 102-19, 102-20, 102-33, 102-35, 102-36, 102-38, 102-39

7. RELATED-PARTY TRANSACTIONS AND SITUATIONS OF CONFLICT OF INTEREST

TRANSACTIONS WITH RELATED PARTIES

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 the transactions which entail or might entail any conflict of interest situation, on related-party transactions or transactions which entail the use of corporate assets.

Under no circumstance shall the Board of Directors approve the transaction if a report has not previously been issued by the Audit and Control Committee evaluating the transaction from the standpoint of market conditions.

In the event of transactions with significant shareholders, the Audit and Control Committee shall examine it also from the standpoint of an equal treatment for 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 be sufficient.

The Company shall inform of the transactions conducted with directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, within the scope of the Law. Likewise, the Company shall include in 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 clients;

ii. they are conducted at prices or rates generally established by the suppliers of the good or service in question; and.

iii. their amount is not in excess of 1% of the Company's annual revenues.

The detail of the transactions carried out by the Inditex Group with related individuals or entities, 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 included in the relevant section of the Annual Corporate Governance Report.

MECHANISMS TO PREVENT CONFLICT OF INTEREST SITUATIONS

The definition of "conflicts of interest" is provided in the Board of Directors' Regulations, which also lay down the rules governing such situations. The rendering of professional services in competing companies, the use of corporate assets, the use of non-public company information for private ends, and the taking advantage of business opportunities of the Company are addressed therein. The heading "Duties of information of the director" of the Board of Directors' Regulations provides the specific questions regarding which Directors must provide information to the Company.

Additionally, the Board of Directors' Regulations provide that the rules of conduct established thereon for the Directors shall apply, to the extent that they are compatible with their specific nature, to the senior management of the Company who are not directors. More particularly and with the due nuances, the following shall apply to senior executives: duty of confidentiality, 32 conflicts of interest, in connection with the duty of informing the Company, use of corporate assets, 34 non-public information, 35 business opportunities and a prohibition on misuse 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 transactions which entail or might entail any conflict of interests, 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.

Meanwhile, section 5 of the Internal Regulations of Conduct regarding Transactions in Securities sets forth the principles that affected persons must abide by with regard to conflicts of interest (Independence, abstention and confidentiality) and provides that they shall undertake in writing to act independently in their activities and to make known to the Code Compliance Office those conflicts of interest to which they are subject due to their activities outside the Inditex Group, their family relationships, their personal property, or for any other cause with suppliers, agents and franchisees or external advisors.

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

FINANCIAL INFORMATION

The individual and 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 by the Chief Financial Officer.

The Audit and Control Committee, mostly made up of independent, non-executive directors, meets with the auditors of the individual and consolidated annual accounts in order to review the Company's annual accounts and certain periodic financial information that the Board of Directors must provide to the markets and their supervisory boards, overseeing compliance with the legal requirements and correct application of generally accepted accounting principles in the drawing up thereof. In such meetings, any disagreement or difference of opinion existing between the management of the Company and the external auditors is put forward, so that the Board of Directors can take the necessary steps in order for the auditors' reports to be issued without qualifications. In line with best practices in the area of corporate governance, members of the Board of Directors meet with the financial auditors without any officer of the Company being present.

Furthermore, prior to the drafting of the annual, half-yearly or quarterly financial statements, the management of the Company also holds a meeting 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 in the preparations of financial statements. Such topics are subject to discussion with the external auditors.

The auditors' report on Financial Statements for financial year 2016 has been issued without qualifications.

AUDITORS' INDEPENDENCE

Mechanisms set to preserve the independence of the external auditor are:

- The relations of the Board of Directors with the financial auditors of the Company shall be channeled through the Audit and Control Committee.
- The Audit and Control Committee shall abstain from submitting 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 auditing firm given rise to any incompatibility in accordance with the legislation on auditing as well as an auditors firm where the fees that it expects to pay them, for all services in all areas is 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 of the financial auditors, so that it would be submitted to the Annual General Meeting of Shareholders, 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 financial 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 financial 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 the independence of the audit firm as a whole and of the members of the team charged with auditing the financial statements of the Group, as well as for information on any additional services of any type provided by auditors or any related-party thereto, 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 independence, implemented by the auditor. The Committee shall oversee the hiring of the auditor for services other than financial auditing, where the amount of the fees to be invoiced is significant.
- 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 addressing at the rendering by the external auditors of any manner of additional services other than those covered in the audit agreement.
- The Audit and Control Committee oversees the terms and the enforcement of the contracts 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.

- The Company reports in its consolidated annual report on the fees paid to its external auditors for each item other than the auditing of the financial statements.

As regards the mechanisms established to guarantee the independence of the financial analysts, the Company releases information to the market following the principles included in the Internal Regulations of Conduct regarding Transactions in Securities, especially relating to the obligation that the information must be accurate, clear, quantified and complete, avoiding subjective assessments that lead or could lead to confusion or deceit.

The Company has not contracted services from Investment Banks or Credit Rating Agencies during financial year 2016.

EXTERNAL AUDIT FEES

	Company	Group	Total
Amount of assignments other than auditing (€k)	47	134	181
Amount of assignments other than auditing/aggregate amount billed by the audit firm (in %)	13.1%	2.11%	2.7%

9. CODE OF CONDUCT AND RESPONSIBLE PRACTICES AND THE COMMITTEE OF ETHICS

For the purposes of reaffirming the core values and principles which drive Inditex's activity and adapting the risk management and control system to the social and regulatory environment, the Code of Conduct and Responsible Practices of the Inditex Groups (which replaces both the Internal Guidelines for Responsible Practices of the Inditex Group's Personnel and the Code of Conduct) was approved by the Board of Directors in 2012, which also adapted the "Code of Conduct for Manufacturers and Suppliers" (previously named "Code of Conduct for Manufacturers and External Workshops"). Additionally, the Board of Directors approved the Manual of Criminal Risks Prevention and the Procedure of the Whistle Blowing Channel.

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 geographic or functional location may report to the Committee of Ethics through this Whistle Blowing Channel any breach of Inditex's conduct and regulatory compliance policies which affect the Group, and which arise from any employees, manufacturers, suppliers or third parties with whom the Inditex Group has any direct employment, business or professional relationship, by means of a report made in good faith.

Throughout financial year 2016, the Committee of Ethics processed 111 dossiers, 98 of them after receipt of a notice or report and the other 13 ex-officio.

The main reasons underlying the notices received were the report of conducts which might be in breach of the commitments or ethical values addressed in the Code of Conduct and Responsible Practices or the Code of Conduct for Manufacturers and Suppliers, and clearing up doubts on certain issues regarding the enforcement of the Code of Conduct for Manufacturers and Suppliers. All reports received were handled by the Committee of Ethics in a timely manner.

THE CODE OF CONDUCT AND RESPONSIBLE PRACTICES

The Code of Conduct and Responsible Practices provide the action lines which must be followed by the Inditex 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 reflection 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, clients, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices of the Inditex Group is based upon a number of general principles, inter alia, that the operations of the Inditex Group shall be developed in an ethical and responsible manner; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationship with the Inditex Group shall be treated in a fair and honourable manner and that, all the activities of the Group shall be carried out in the manner that most respects the environment, promoting biodiversity and the sustainable management of natural resources.

Additionally, the Code includes a number of conduct commitments and commitments towards responsible practices, including: compliance with applicable laws and regulations, internal regulations, conventions to which Inditex has acceded; enforcement of human and labour rights, and of the regulations and best practices in the area of employment, health and safety at work; the obligation to act in accordance with the following principles: respect, dignity and justice, taking into account the different cultural sensitivities of employees and/or customers, their diversity, multiculturalism, not allowing any form of violence, harassment or abuse, or discrimination; compliance with the health and safety of the product standards which ensure that Inditex's goods do not entail any health and/or security hazard; the creation of fair, ethical and respectful relations with suppliers and

public authorities, in line with the international provisions on corruption and bribery prevention; the obligation to prevent and monitor any conflict of interest situations; 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; the obligation to protect industrial and intellectual property, both of the Group and of third parties; the duty to clearly and accurately record any transaction of significant financial weight in the appropriate accounting records, and the conduct of Inditex's business promoting social and environmental sustainability, as a way to build value for the stakeholders.

THE COMMITTEE OF ETHICS

For the purposes of ensuring compliance with the Code of Conduct and Responsible Practices and with the Code of Conduct for Manufacturers and Suppliers, Inditex relies on a Committee of Ethics, whose composition has been provided above.

The Committee of Ethics reports to the Board of Directors through the Audit and Control Committee and has the following duties:

- To oversee compliance with the Code and the internal circulation thereof to the Group's s personnel.
- To receive any manner of written instruments with regard to the enforcement of the Code and to send them, where appropriate, to the relevant body or Department which may be responsible for dealing with and settling such instrument.
- To monitor and supervise the management and settlement of any file.
- 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 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 judicial order.
- The thorough review of any information or document that originated its action.
- The commencement of such proceedings required by the circumstances, acting always 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 employee as a result of bringing complaints in good faith to the Committee.

The Committee of Ethics submits a report twice a year to the Audit and Control Committee, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices and of the Code of Conduct for Manufacturers and Suppliers.

Additionally, the Audit and Control Committee reports to the Board of Directors, on an annual basis (twice during FY2016) 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 Corporate Compliance policy of the Group from time to time in force.

The Committee of Ethics may act of its own motion or at the behest of any of Inditex employees, manufacturer, supplier or any third party involved in a direct relationship and with a lawful business or professional interest, further to a report made in good faith.

Decisions of the Committee of Ethics are binding for the company and for the employees.

SOCIAL ADVISORY BOARD

Inditex's Social Advisory Board, the advisory body in the area of Sustainability, met twice during FY2016. Members of the Social Advisory Board do not receive any type of remuneration for their participation in this advisory body.

Members of Inditex's Social Advisory Board:
Mr Alfredo Vernis Domenech
Mr Ezequiel Reficco
Ms Cecilia Plañiol Lacalle
Ms Paula Farias Huanqui
Mr Francisco Javier Sardina López
Mr Víctor Viñuales Edo

Meetings held by the Social Advisory Board in 2016:

Date of meeting	**Place of meeting**	**% attendance by members**
06-06-16	Arteixo (Spain)	100%
12-12-16	Arteixo (Spain)	100%

Regulations of the Social Advisory Board:

The Social Board is the advisory body of Inditex in the field of sustainability. In December 2002, the Board of Directors authorized its creation and approved its Regulations, which

determine the principles of action, the basic rules governing its organization and proceedings and the rules of conduct of its members.

The Regulations of the Social Advisory Board were amended by the Board of Directors in 2015 for the purposes of driving the Group's strategy in the following areas: (i) the Social Responsibility Policy; (ii) the Code of Conduct for Manufacturers and Suppliers of the Group; (iii) the Environmental Sustainability Policy; and, (iv) the Code of Conduct and Responsible Practices of the Group.

10. CORPORATE COMPLIANCE

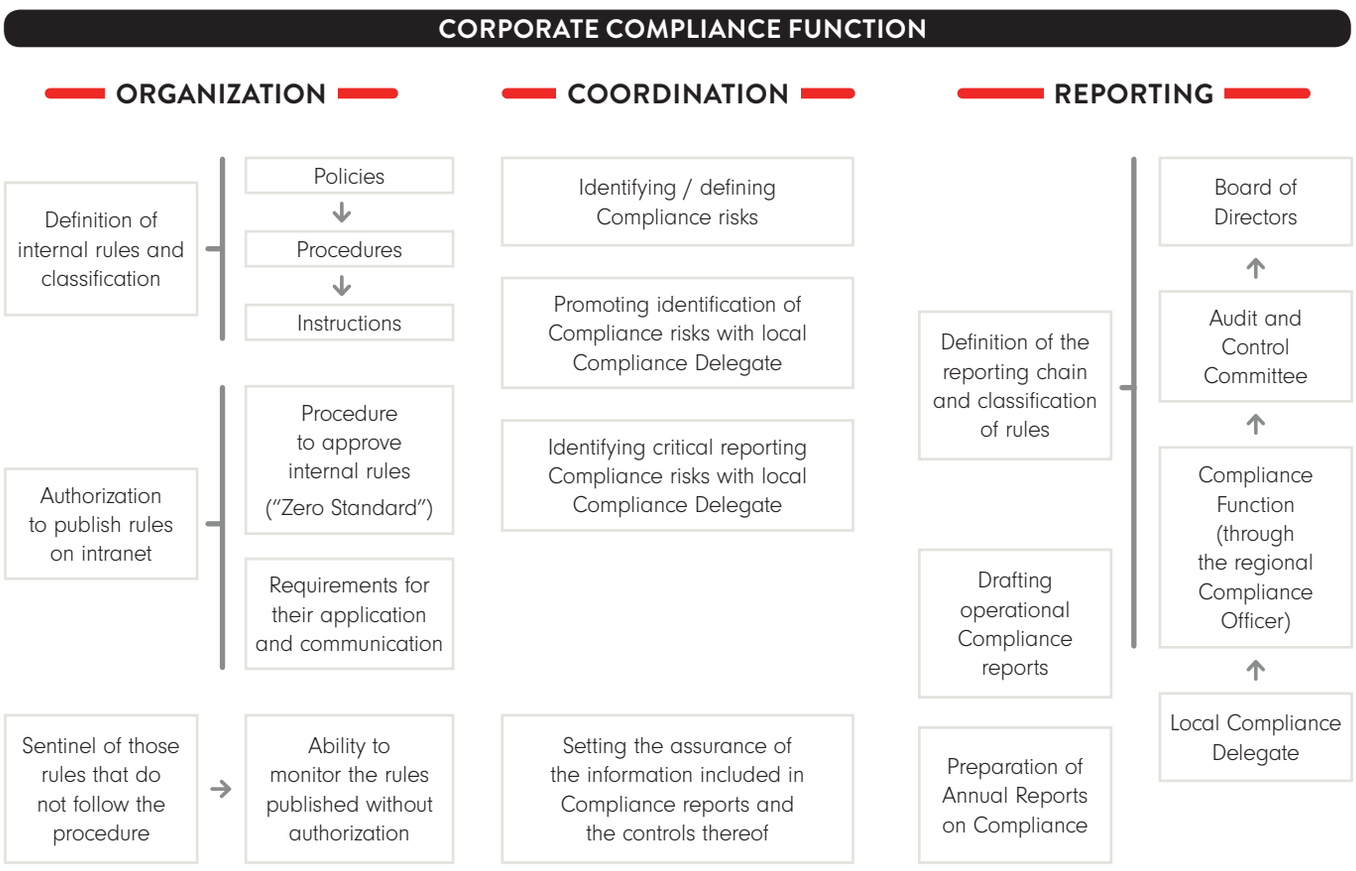
For Inditex, the main goal sought with the implementation of a strong Compliance Model (hereafter, the **"Compliance Model"** or the **"Model"**) has gone beyond adopting mere risk prevention and control systems to limit its responsibility in case of any potential regulatory non-compliance from its employees, to instilling an ethical corporate culture both to its employees and its suppliers, manufacturers and other stakeholders. In order to achieve this goal and in accordance with internal regulation in force since 2010, Inditex has established a number of policies, procedures and directions which make up its Compliance Model and reinforce the Company's compliance culture.

COMPLIANCE FUNCTION

One of the corporate functions shared by all the formats of the Group is the Corporate Compliance Function. Such function is incumbent on the General Counsel's Office and Code Compliance Office of the Inditex Group (hereinafter, **"General Counsel's Office-Code Compliance Office"**). At the present time, the General Counsel and Secretary of the Board of Directors also holds the office of the Group's Code Compliance Officer.

From inception, Inditex has relied on a solid corporate compliance system, whose main feature is a continous evaluation and improvement process for the purposes of bringing such system into line with the Group's development and growth.

Although the whole Company is responsible for compliance matters, with many of Inditex's departments carrying out regulatory and ethical compliance tasks, the coordination of the Compliance function falls on the General Counsel's Office – Code Compliance Office. For such purposes, the Compliance function is divided into three areas: (i) organization; (ii) coordination; and, (iii) reporting, as shown in the graph below:



STRUCTURE OF THE COMPLIANCE MODEL

Based upon the guidelines provided in the regulatory framework, namely the provisions of the amended Criminal Code, in 2012 Inditex prepared a set of high-level core regulations and a number of organizational documents which constitute the main lines of the Company's Compliance Model. The high-level core regulations at the basis of the Model are:

a. **The Code of Conduct and Responsible Practices:** it reflects Inditex's ethical compliance culture and sets forth the ethical action lines that must be followed by all employees in the performance of their professional duties.

b. **The Code of Conduct for Manufacturers and Suppliers:** this defines the minimum standards for ethical behaviour which must be met by manufacturers and suppliers of the Inditex Group.

Meanwhile, organizational documents are shown below:

a. **The Whistle Blowing Channel Procedure:** whereby any employee, manufacturer, or supplier of Inditex, or any third party with a direct relationship and a lawful business or professional interest must report any irregular or unlawful conduct to the Committee of Ethics.

b. **The Regulations of the Committee of Ethics:** which cover the main duties of the Committee of Ethics.

previous 2015 and further to the passing of Act 1/2015 of 30 March, whereby the Criminal Code was amended – with the new requirement of relying on appropriate organizational and management models to prevent offences – and to ISO 19600 (2014) Standard, which provides the main guidelines to establish a compliance model, Inditex reviewed its own Model, with the approval of a new Criminal Risk Prevention Model, that supersedes the previous one. Such Model is embodied by the following documents:

a. **The Policy on Criminal Risk Prevention:** this Policy intends to exact an ethical and responsible professional conduct from all employees and from the Group itself, as well as to prevent the perpetration of criminal offences. To achieve this, the Policy on Criminal Risk Prevention associates the commitments to ethical conduct covered in the Code of Conduct with criminal offences whose perpetration by employees and the Group it attempts to prevent.

b. **The Criminal Risk Prevention Procedure:** it addresses the duties of the Committee of Ethics in the field of criminal risk prevention and the organizational measures of the Company in the area.

c. **The Scoping Matrix of Criminal Risks and Controls:** this lists the criminal risks and controls which have been established to prevent the perpetration of criminal offences.

Additionally, together with high level regulations, organizational documents and the Criminal Risk Prevention Model, Inditex approved throughout FY2016 a number of cross-cutting compliance regulations which seek to ensure a streamlined disclosure of the compliance Model and function:

a. **The Zero Standard:** such standard describes the process to draft internal regulations (production, approval and internal publication of the regulations issued by the Inditex Group).

b. **The Compliance Policy:** this sets forth commitments to be undertaken by all the employees of the Group, irrespective of their place of work and their job.

c. **The Compliance Management Procedure:** such Procedure implements the provisions of the Compliance Policy, and establishes the organizational measures to prevent, detect and manage Noncompliance Risks events, reinforcing an ethical compliance culture.

Regulations which make up the Compliance Model.

In addition to the structure described above, a number of regulations have been approved to (i) comply with obligations provided in statute or in the by-laws, stemming from the regulatory framework which applies to Inditex (e.g., such regulations arising from the powers of the Board of Directors which such body cannot delegate, pursuant to statute or to the terms of the Articles of Association); and/or, (ii) to comply with the latest regulatory requirements resulting from the business itself.

With regards to the first group of regulations, addressed above, mention should be made of the following policies, which were approved on 9 December 2015:

a. The Director Selection Policy

b. The External Financing Policy

c. The Financial Risk Management Policy

d. The Enterprise Risk Management Policy

e. The Sustainability Policy

f. The Environmental Sustainability Policy

g. The Tax Policy and Strategy

As for the second group of regulations, a number of sets of rules which embody Inditex's corporate ethical culture have been approved, particularly since 2015, in the different

environments where the Group implements its business model. The following regulations may be pointed out:

a. The Health and Safety Policy

b. The Procurement Policy

c. The Policy on Prevention and Mitigation of Sexual Harassment in India

d. The Policy on Official Internet and Social Networks Accounts and Profiles

e. The Policy on Human Rights

f. The Corporate Citizenship Policy

INFORMATION AND TRAINING

No real Compliance Function can be in place without the appropriate information (clear regulations available to all the employees and, where appropriate, the remaining stakeholders), and training (on compliance culture, provided to employees). Being aware of such facts, Inditex has carried out the following proceedings:

a. With regard to information: a repository of duly arranged easy to find regulations has been set on the relevant Compliance folder available on INET. Likewise, main regulations are available to the stakeholders, on the corporate website, and on the web of the suppliers. Likewise, the main regulations are also available to all stakeholders who wish to consult them in a prominent place on the corporate website and on the suppliers' website.

b. With regard to training: Inditex pays special attention to training and/or awareness-raising for all its stakeholders in respect of the ethical culture of the Company. To achieve this, appropriate training is provided (both on-site and through an e-learning platform) which may be useful for their activity in the Company, reflecting the risks they are faced with.

INTERNATIONAL ROLL-OUT

As previously mentioned, the Compliance Function, which is incumbent on the General Counsel – Code Compliance Office, is key for all the companies in the Group, and all the markets where Inditex is present. For such reason, in line with the Group's development and expansion, the Compliance Model has become increasingly sophisticated.

Consequently, the Board of Directors has resolved to encourage in 2017 the international roll-out of the Compliance Model.

To achieve such goal, a global system has been put in place with regional officers (Europe, Asia and America) to lead and coordinate the international roll-out of the Compliance Model, with the help of Compliance Delegates at each market.

The goal sought consists of establishing a system to detect, prevent and manage noncompliance risk events. Such system will be duly monitored from the Compliance Function.

The management of the Compliance Model is coordinated from the Corporate Compliance Function. However, regional officers are charged with overseeing and ensuring compliance with such Model in their respective territories, with the support of the compliance delegates within their region.



Team of employees at the Bershka store in London (UK).

SUSTAINABILITY BALANCE SHEET



SUSTAINABILITY INDICATORS

SUMMARY OF SUSTAINABILITY INDICATORS

	2016	2015
OUR PEOPLE		
Total number of employees	162,450	152,854
Employees by gender (Percentage)		
Men	24%	24%
Women	76%	76%
Employees by activity (Percentage)		
Logistics	5%	5%
Stores	87%	87%
Central Services	7%	7%
Manufacturing	1%	1%
Number of Nationalities	99	90
Average seniority of the staff [1]		
Under 5 years	69%	45%
Between 5 and 10 years	18%	29%
Over 10 years	13%	26%
Type of contract [1]		
Permanent	80%	73%
Temporary	20%	27%
Type of employment [1]		
Full-time	39%	42%
Part-time	61%	58%
SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN		
Number of suppliers with purchase [2]	1,805	1,725
Number of A suppliers	694	724
Number of B suppliers	917	794
Number of C suppliers	83	116
Number of CAP suppliers	61	35
Number of PR suppliers	50	56
Number of rejected suppliers	76	65
Number of active suppliers	1,729	1,660
Number of active factories	6,959	6,298
Number of audits	10,883	10,977
Number of pre-assessment audits	2,302	2,703
Number of social audits	4,011	3,824
Number of special audits	1,794	1,584
Number of traceability audits	2,776	2,866
Number of External Audits	7,245	8,178
Number of Internal Audits	3,638	2,799

(1) The data for 2016 represent 82% of the Group's employees, while the data for 2015 represented only 30% of the workforce in Spain. Therefore, the data is not comparable.
(2) Supplier A: complies with the Code of Conduct
Supplier B: breaches a non-material aspect of the Code of Conduct
Supplier C: breaches a sensitive aspect of the Code of Conduct
Supplier subject to Corrective Action Plan (CAP): breaches the Code of Conduct triggering the immediate implementation of a Corrective Action Plan.
PR supplier: Undergoing an auditing process.

102-7, 102-9, 412-1, AF8

	2016	2015
COMMITMENT TO THE EXCELLENCE OF OUR PRODUCTS		
Number of chemicals on *The List by Inditex* (1)	19,736	15,036
Number of installations audited in the *Ready to Manufacture* Programme	1,702	311
Percentage of Improvement in the Factories in the *Ready to Manufacture* Programme	72%	89%
Picking Programme Inspections	51,619	48,716
Number of analyses performed on garments	619,854	803,336
Investment in innovation (euros)	2,000,000	1,550,000
RECYCLING AND EFFICIENT USE OF RESOURCES		
Relative global energy consumption (MJ/garment) (2)	4.83	5.56
Renewable Energy Generation, Trigeneration and purchasing of renewable energy (kWh) (3)	563,434	223,900
CO_2 emissions per garment released on the market (4)	405.83	548.38
Products recovered to be sent for recycling (t) (5)	16,847	16,479
IMPROVING COMMUNITY WELFARE		
Investment in social programmes (euros)	40,042,744	35,126,623
Total number of direct beneficiaries	1,092,941	1,008,545
Total number of community organizations benefitting	367	361
Total number of social initiatives executed	519	456
Number of garments donated to social causes	2,083,980	1,098,708
Total number of hours dedicated by employees to social initiatives during working hours	64,327	49,967
Number of Social Advisory Board meetings	2	2
TRANSPARENCY AND GOOD GOVERNANCE		
Dow Jones Sustainability Indexes Score	80/100	81/100
FTSE4Good score	4.6/5	4.3/5
SUSTAINABILITY TEAM		
Total number of people in the Sustainability Team	5,131	3,510
Internal team	135	113
External team	4,996	3,397

AWARDS RECEIVED BY THE INDITEX GROUP IN 2016

INDITEX

Award	Entity	Score / Position
Dow Jones Sustainability Index	DOW JONES	80/100
FTSE4Good	FTSE4Good	4.6/5
The Most Innovative Companies	Forbes	77
Global 2000 Leading companies	Forbes	310
MercoEmpresas	merco	1
MercoTalento	merco	1
MercoResponsabilidad y Gobierno Corporativo	merco	4
The Gartner Supply Chain Top 25	Gartner	6
Detox Catwalk	GREENPEACE	1

INDITEX

Award	Entity	Score / Position
Most Attractive Employers Spain		3
Top Green Companies in The World	Newsweek	205

ZARA

Award	Entity	Score / Position
Best Global Brands	Interbrand	27
The World's Most Valuable Brands	Forbes	53
BrandZ Top 100. Most Valuable Global Brands	WPP (Millward Brown)	35
Global 500 The World's Most Valuable Brands		115

(1) The data correspond to the 3rd Edition of *The List by Inditex* that was set up in 2015.
(2) Includes the total energy consumption of our own installations among the total of garments put on the market by our stores, both our own and franchised.
(3) Certified renewable energy purchased in Spain is accounted for by calendar year instead of by fiscal year.
(4) Includes emissions scopes 1 and 2.
(5) Includes waste generated in headquarters, brand headquarters, all Inditex factories and logistic centres.

1. SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN

SUPPLIER CLUSTERS - TRACEABILITY

	2016	2015
SPAIN		
Number of suppliers with purchase during the year	208	216
Number of garment factories associated with suppliers with purchase	167	172
Number of factories involved in other processes associated with suppliers with purchase (1)	299	212
Workers who make up the staff of manufacturers working for Inditex in Spain	10,298	8,362
PORTUGAL		
Number of suppliers with purchase during the year	170	171
Number of garment factories associated with suppliers with purchase	868	887
Number of factories involved in other processes associated with suppliers with purchase (1)	489	449
Workers who make up the staff of manufacturers working for Inditex in Portugal	49,714	46,494
MOROCCO		
Number of suppliers with purchase during the year	121	106
Number of garment factories associated with suppliers with purchase	207	211
Number of factories involved in other processes associated with suppliers with purchase (1)	76	42
Workers who make up the staff of manufacturers working for Inditex in Morocco	73,772	62,333
TURKEY		
Number of suppliers with purchase during the year	175	183
Number of garment factories associated with suppliers with purchase	732	748
Number of factories involved in other processes associated with suppliers with purchase (1)	695	640
Workers who make up the staff of manufacturers working for Inditex in Turkey	192,173	155,256
INDIA		
Number of suppliers with purchase during the year	136	134
Number of garment factories associated with suppliers with purchase	224	219
Number of factories involved in other processes associated with suppliers with purchase (1)	170	110
Workers who make up the staff of manufacturers working for Inditex in India	200,139	131,435
BANGLADESH		
Number of suppliers with purchase during the year	94	81
Number of garment factories associated with suppliers with purchase	151	139
Number of factories involved in other processes associated with suppliers with purchase (1)	111	87
Workers who make up the staff of manufacturers working for Inditex in Bangladesh	479,859	386,916

	2016	2015
VIETNAM		
Number of suppliers with purchase during the year	4	5
Number of garment factories associated with suppliers with purchase	132	130
Number of factories involved in other processes associated with suppliers with purchase (1)	2	7
Workers who make up the staff of manufacturers working for Inditex in Vietnam	152,101	143,206
CAMBODIA		
Number of suppliers with purchase during the year	1	1
Number of garment factories associated with suppliers with purchase	99	68
Number of factories involved in other processes associated with suppliers with purchase (1)	26	33
Workers who make up the staff of manufacturers working for Inditex in Cambodia	126,843	104,695
CHINA		
Number of suppliers with purchase during the year	393	340
Number of garment factories associated with suppliers with purchase	1,243	1,106
Number of factories involved in other processes associated with suppliers with purchase (1)	411	255
Workers who make up the staff of manufacturers working for Inditex in China	368,428	302,816
PAKISTAN (2)		
Number of suppliers with purchase during the year	42 not available	
Number of garment factories associated with suppliers with purchase	68 not available	
Number of factories involved in other processes associated with suppliers with purchase (1)	39 not available	
Workers who make up the staff of manufacturers working for Inditex in Pakistan	125,316 not available	
ARGENTINA (3)		
Number of suppliers with purchase during the year	45	64
Number of garment factories associated with suppliers with purchase	41	53
Number of factories involved in other processes associated with suppliers with purchase (1)	42	66
Workers who make up the staff of manufacturers working for Inditex in Argentina	5,099	5,505
BRAZIL (3)		
Number of suppliers with purchase during the year	15	37
Number of garment factories associated with suppliers with purchase	45	103
Number of factories involved in other processes associated with suppliers with purchase (1)	20	75
Workers who make up the staff of manufacturers working for Inditex in Brazil	10,712	18,930

(1) Includes fabric, cutting, dyeing and washing, printing and finishing.
(2) Due to the creation of the new Pakistan cluster, the data shown only comprises 2016.
(3) In order to make the data representative, all the active suppliers in the region have been taken into consideration.

SUPPLY CHAIN PROGRAMMES - FEATURED ACTIONS IN 2016

	Related Human Rights	Spain	Portugal	Morocco	Turkey	India	Bangladesh	Vietnam	Cambodia	China	Brazil	Argentina	Pakistan
Worker participation	Freedom of association			■	■		■	■		■			
Living Wages	Right to equitable and satisfactory remuneration	■			■		■			■			
Responsible purchasing practices	Fair remuneration, not excessive hours of work, fair working conditions	■											
Women empowerment	Equality and non-discrimination			■	■	■							
Occupational health and safety	Right to health			■	■	■	■	■	■	■			
Protection of migrants	Freedom of movement Equality and non-discrimination				■					■			
Training and awareness	Right to education	■	■	■	■	■	■	■	■	■	■	■	
Strategic Plan 2014-2018	Human Labour Rights	■	■	■	■	■	■	■	■	■	■	■	■

STRATEGIC PLAN 2014 - 2018. 2016 REVIEW

RATING AND PRODUCTION VOLUME OF SUPPLIERS WITH PURCHASE IN 2016 (*)

	2016		2015		2016	2015
	Number of Suppliers	% Suppliers	Number of Suppliers	% Suppliers	% production	% production
A	694	38%	724	42%	40%	41%.
B	917	51%.	794	46%	55%	54%.
C	83	5%	116	7%	1%	3%
CAP	61	3%	35	2%	3%	1%
PR	50	3%	56	3%	1%	1%
General total	1,805	100%	1,725	100%	100%	100%

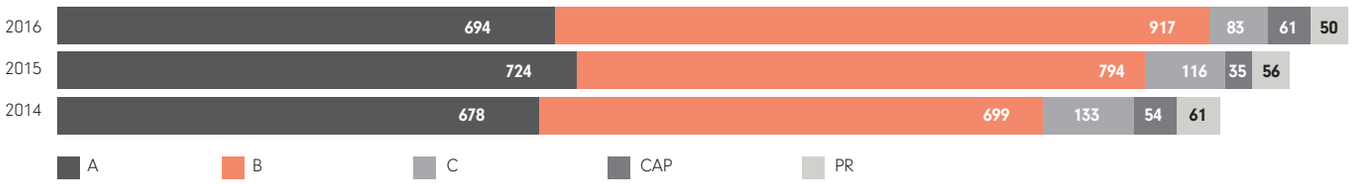
(*) Supplier A: complies with the Code of Conduct.
Supplier B: breaches a non-material aspect of the Code of Conduct.
Supplier C: breaches a sensitive aspect of the Code of Conduct.
Supplier subject to Corrective Action Plan (CAP): breaches of the Code of Conduct that trigger the immediate implementation of a Corrective Action Plan.
PR supplier: Undergoing an auditing process.

RATING AND PRODUCTION VOLUME OF SUPPLIERS WITH PURCHASE IN 2016 BY REGION (*)

	2016		2015		2016	2015
Africa	**Suppliers**	**% Suppliers**	**Suppliers**	**% Suppliers**	**% production**	**% production**
A	63	45%	67	52%	45%	54%.
B	59	42%	52	40%	42%	38%
C	6	4%	7	5%	4%	5%
CAP	10	7%	3	2%	8%	2%
PR	3	2%	1	1%	1%	1%
Total	141	100%	130	100%	100%	100%
America	**Suppliers**	**% Suppliers**	**Suppliers**	**% Suppliers**	**% production**	**% production**
A	44	68%	52	70%	40%	44%
B	17	26%	17	23%	58%	44%
C	1	1%	4	5%	1%	11%
CAP	3	5%	1	1%	1%	1%
PR	0	0%	0	0%	0%	0%
Total	65	100%	74	100%	100%	100%
Asia	**Suppliers**	**% Suppliers**	**Suppliers**	**% Suppliers**	**% production**	**% production**
A	253	27%	225	27%	28%	24%
B	598	64%	507	61%	67%	71%
C	57	6%	82	10%	2%	4%
CAP	21	2%	18	2%	3%	1%
PR	9	1%	4	0%	0%	0%
Total	938	100%	836	100%	100%	100%
Europe (non-EU)	**Suppliers**	**% Suppliers**	**Suppliers**	**% Suppliers**	**% production**	**% production**
A	84	47%	93	50%	57%	60%
B	70	39%	71	38%	38%	38%
C	5	3%	6	3%	1%	1%
CAP	15	8%	7	4%	3%	0%
PR	5	3%	8	4%	1%	1%
Total	179	100%	185	100%	100%	100%
European Union	**Suppliers**	**% Suppliers**	**Suppliers**	**% Suppliers**	**% production**	**% production**
A	250	52%	287	57%	54%.	59%
B	173	36%	147	29%	43%	37%
C	14	3%	17	3%	0%	1%
CAP	12	2%	6	1%	1%	0%
PR	33	7%	43	9%	2%	3%
Total	482	100%	500	100%	100%	100%

(*) Supplier A: complies with the Code of Conduct Audited at most every two years.
Supplier B: breaches a non-material aspect of the Code of Conduct Audited at most every 18 months.
Supplier C: breaches a sensitive aspect of the Code of Conduct Audited at most every 12 months.
Supplier subject to Corrective Action Plan (CAP): breaches of the Code of Conduct that trigger the immediate implementation of a Corrective Action Plan. Maximum duration of six months.
PR supplier: Undergoing an auditing process.

EVOLUTION OF SUPPLIER RATING OVER THE LAST THREE YEARS



TOTAL AUDITS BY REGION 2016

Geographic area	Pre-assessment	Social	Special(*)	Traceability	Total
Africa	71	191	127	388	777
America	19	288	26	1,313	1,646
Asia	1,510	2,022	1,418	617	5,567
Europe (non-EU)	350	685	141	418	1,594
European Union	352	825	82	40	1,299
TOTAL	2,302	4,011	1,794	2,776	10,883

INTERNAL AND EXTERNAL AUDITS 2016

	Pre-assessment	Social	Special(*)	Traceability	Total
Internal	90	537	1,140	1,871	3,638
External	2,212	3,474	654	905	7,245
TOTAL	2,302	4,011	1,794	2,776	10,883

EVOLUTION OF AUDITS IN THE LAST THREE YEARS

	Pre-assessment			Social			Special(*)			Traceability			Total		
Geographic area	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014	2016	2015	2014
Africa	71	79	74	191	178	145	127	375	462	388	542	163	777	1,174	844
America	19	113	154	288	460	404	26	57	2	1,313	1,642	1,751	1,646	2,272	2,311
Asia	1,510	1,420	1,199	2,022	1,876	1,723	1,418	1,069	1,030	617	609	488	5,567	4,974	4,440
Europe (non-EU)	350	594	441	685	508	736	141	20	24	418	40	57	1,594	1,162	1,258
European Union	352	497	499	825	802	885	82	63	33	40	33	4	1,299	1,395	1,421
GENERAL TOTAL	2,302	2,703	2,367	4,011	3,824	3,893	1,794	1,584	1,551	2,776	2,866	2,463	10,883	10,977	10,274

CORRECTIVE ACTION PLANS 2016

Geographic area	Factories that initiated an improvement process	Factories that improved their compliance	Factories in the process of improvement	Percentage of CAPs completed successfully
Africa	40	12	26	86%
America	5	1	2	33%
Asia	161	43	97	67%
Europe (non-EU)	160	38	56	37%
European Union	87	30	36	59%
GENERAL TOTAL	453	124	217	53%

(*) Special audits include, among others, health and safety verification and competence visits to verify the degree of compliance with Corrective Action Plans.

2. INVESTMENT IN SOCIAL PROGRAMMES INDICATORS 2016

Investment in social programmes	2016	2015	Variation
Investment in social programmes (in euros)	40,042,744	35,126,623	14%
Investment in social programmes / Net profit	1.14%	1.22%	-6.83%

Type of contribution	2016 (in euros)	2016 (in percentages)	2015 (in euros)	2015 (in percentages)	Variation	
Cash	27,980,509	70%	24,150,184	69%	16%	% management costs included
Time	1,929,798	5%	1,499,008	4%	29%	
In kind	9,584,482	24%	8,949,348	25%	7%	
Management costs	547,955	1%	528,083	2%	4%	
Total	40,042,744	100%	35,126,623	100%	14%	

Category	2016 (in euros)	2016 (in percentages)	2015 (in euros)	2015 (in percentages)	Variation	
Charitable gifts	3,395,686	9%	5,166,313	15%	-34%	% management costs excluded
Community investment	29,245,004	74%	25,889,487	75%	13%	
Commercial initiatives in the community	6,854,099	17%	3,542,739	10%	93%.	
Total	39,494,789	100%	34,598,539	100%	14%	

Activity area	2016 (in euros)	2016 (in percentages)	2015 (in euros)	2015 (in percentages)	Variation	
Education	6,396,302	16%	6,352,871	18%	1%	% management costs excluded
Health	1,964,536	5%	2,831,178	8%	-31%	
Economic development	1,246,446	3%	1,880,525	5%	-34%	
Environment	2,368,334	6%	1,254,919	4%	89%	
Art and culture	1,069,238	3%	806,356	2%	33%	
Social welfare	15,768,106	40%	12,082,333	35%	31%	
Emergency relief	10,681,827	27%	9,390,357	27%	14%	
Total	39,494,789	100%	34,598,539	100%	14%	

Geographical area	2016 (in euros)	2016 (in percentages)	2015 (in euros)	2015 (in percentages)	Variation	
Spain	18,230,407	46%	9,587,037	28%	90%	% Costs of management included
Europe	5,364,428	14%	9,358,195	27%	-43%	
America	10,459,233	26%	6,739,970	19%	55%	
Africa	822,485	2%	1,166,747	3%	-30%	
Asia	4,429,605	11%	7,746,590	22%	-43%	
Australia	188,631	1%	0	not applicable	not applicable	
Total	39,494,789	100%	34,598,539	100%	14%	

Investment in social programmes by SDG	2016 (in euros)	2016 (in percentages)
1. No poverty	1,373,014	3.5%
2. Zero hunger	498,408	1.3%
3. Good health and well-being	4,467,632	11.3%
4. Quality education	4,755,360	12.0%
5. Gender equality	1,086,758	2.8%
6. Clean water and sanitation	869,033	2.2%
7. Affordable and clean energy	70,850	0.2%
8. Decent work and economic growth	7,433,487	18.8%
9. Industry, innovation and infrastructure	1,069,291	2.7%
10. Reduced inequalities	6,784,429	17.2%
11. Sustainable cities and communities	1,608,358	4.1%
12. Responsible consumption and production	6,673,675	16.9%
13. Climate action	65,514	0.2%
14. Life below water	453,811	1.1%
15. Life on land	492,714	1.2%
16. Peace, justice and strong institutions	590,613	1.5%
17. Partnerships	1,201,842	3.0%
TOTAL	39,494,789	100%

Results indicators	2016	2015	% Variation
Total number of hours dedicated by employees to social initiatives during working hours	64,327	49,967	29%
Total number of social initiatives executed	519	456	14%
Number of garments donated to social causes	2,083,980	1,098,708	90%
Total number of direct beneficiaries	1,093,401	1,008,545	8%
Total number of community organizations benefitting	367	361	2%
Number of children in education	46,406	89,129	-48%
Number of people receiving occupational training	38,096	25,790	48%
Number of migrants, refugees and displaced persons assisted	185,262	208,844	-11%
Number of people receiving healthcare	255,078	206,695	23%
Number of jobs generated among beneficiaries of social initiatives	14,290	4,417	224%

SOCIAL CASH FLOW

(millions of euros)	2016	2015
Net cash received for sale of products and services	23,311	20,901
Cash flow received from financial investments	21	23
Total value-added cash flow	23,332	20,924

Distribution of value-added cash flow

Remuneration to employees for their services	3,643	3,336
Tax payments	798	977
Financial debt return	53	-5
Dividends paid out to shareholders	1,871	1,626
Investment in social programmes	40	35
Retained earnings for future growth	833	460
Payments made outside the Group for the purchase of goods, raw materials and services	14,649	12,943
Payments for investments in new productive assets	1,445	1,552
Total distribution of value-added cash flow	23,332	20,924

3. ENVIRONMENTAL INDICATORS

This chapter includes Inditex's system of environmental indicators and the results obtained during the year 2016. These quantitative indicators allow us to take stock of the progress made in managing natural and energy resources during 2016. Through them, we seek to show the results obtained by the Group, derived from our commitment to sustainability, and set the development lines that we must follow in order to satisfactorily fulfil our strategic environmental objectives for 2020.

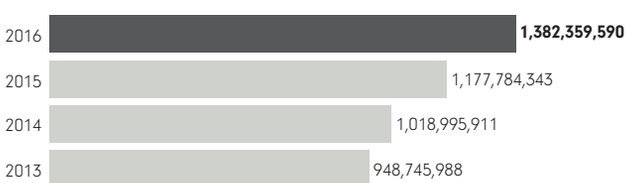
To this end, the data is shown in absolute and relative terms. The latter is represented in terms of the garments put on the market and, as a new feature this year, in terms of our sales, representating the efficiency achieved in our activities and the continuous improvement derived from our management.

The environmental indicator system includes data collected from 1 February 2016 to 31 January 2017.

The calculation of the relative indicators is carried out according to the following formulas:

- Ratio by garments = (absolute value of the year / number of garments put on the market in the year) x 1000

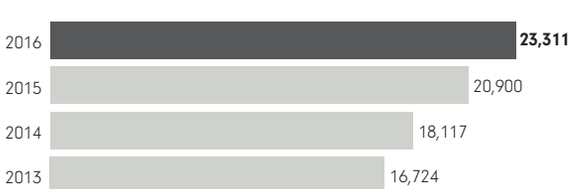
GARMENTS RELEASED ON THE MARKET*



* Includes all product units released on the market through all the stores, both owned and franchised.

- Sales ratio = (absolute value of the year / €) x 1000

SALES (IN BILLIONS OF EUROS)*



* Includes sales made by all stores, both own and franchised.

The scope of the indicators includes the facilities of the Inditex Group, namely:

- Headquarters and all brand head offices: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe and Tempe, all located in Spain.
- All the factories of the Group, all located in Spain: Goa, Fios, Indipunt, Samlor, Stear, Denllo, Sabón and Inditex Cogeneración.
- All the Group's logistics centres.
- All of the Group's own stores and franchises throughout the world.

International offices are not included within this scope. Those indicators in which the scope differs will be indicated at the beginning of the section or next to the data in question.

Therefore, the conversion factors used to calculate energy consumption are:

- 1 tonne diesel = 1.035 tonnes of oil equivalent (toe).
- Oil density = 0.832 kg/litre at 15°C (Joint Research Centre, 2007).
- 1 toe = 41.868 GJ.
- 1 GJ = 277.728 KWh.

To calculate GHG emissions, we follow the recommendations of the *Intergovernmental Panel on Climate Change*, the IPCC (*Guidelines for National Greenhouse Gas Inventories*, 2006) and the *World Resources Institute GHG Protocol* (2015). The emissions factors used are as follows:

- Natural gas: 0.2021 Kg CO_2eq/kWh
- Diesel: 2.6853 Kg CO_2eq/litre

The emission factors applied to natural gas and diesel are taken from the GHG Protocol tool for calculating emissions derived from stationary combustion v.4.1 by the *World Resources Institute* (WRI), 2015. Emissions from electricity consumption have been calculated using the emissions factor corresponding to the energy mix of each of the 93 countries in which Inditex operates. The database used corresponds to the GHG Protocol tool for calculating emissions derived from purchased electricity. Version 4.9 of the *World Resources Institute* (WRI), 2017).

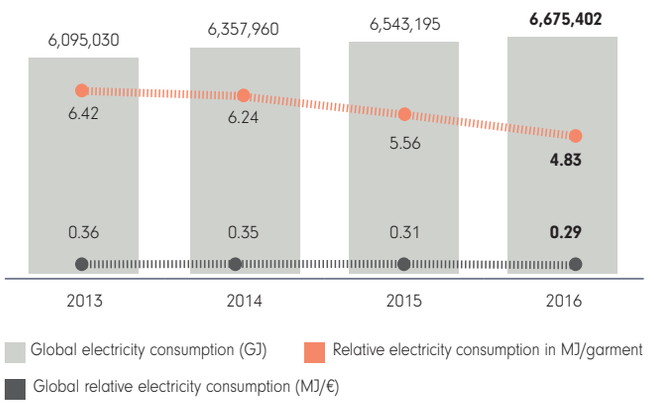
ENERGY CONSUMPTION

The overall energy consumption of the various Inditex facilities, expressed in Gigajoules (GJ) and Megawatt hours (MWh), comes mainly from electricity consumption from the grid and, to a lesser extent, the consumption of fossil fuels (natural gas and diesel oil). In this indicator we

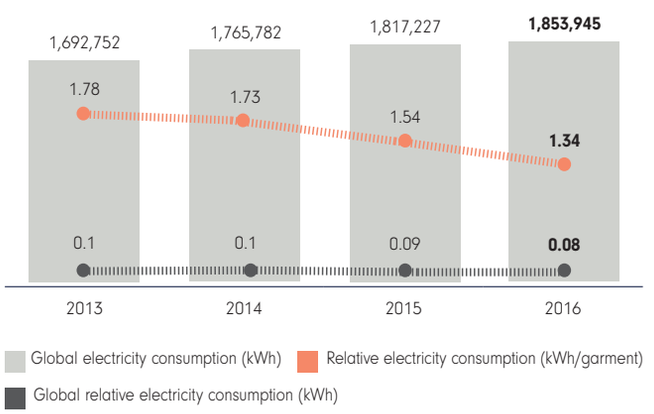
include the energy consumptions derived from all our own factories, headquarters and brand head offices, as well as our logistics centres and all our own stores located in different countries around the world.

In 2016, we expanded the headquarters of Pull&Bear in Narón, which, together with the increase in our commercial area, produced a slight increase in energy consumption of 2% in absolute terms compared to the previous year. However, if we look at the relative consumption per garment, we achieved a reduction of 13% in relation to 2015. Regarding sales, we have reduced energy consumption by 6%, showing the improvement in efficiency in our activities. Likewise, all our facilities are built according to sustainable architectural criteria and their equipment features the most innovative technology for efficient energy management and saving.

GLOBAL ENERGY CONSUMPTION (GJ)

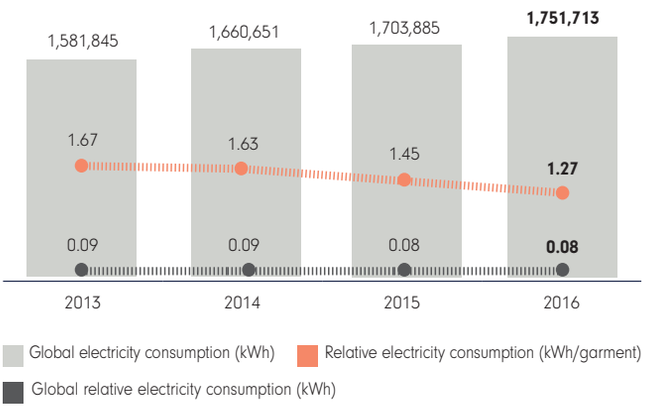


GLOBAL ENERGY CONSUMPTION (MWh)

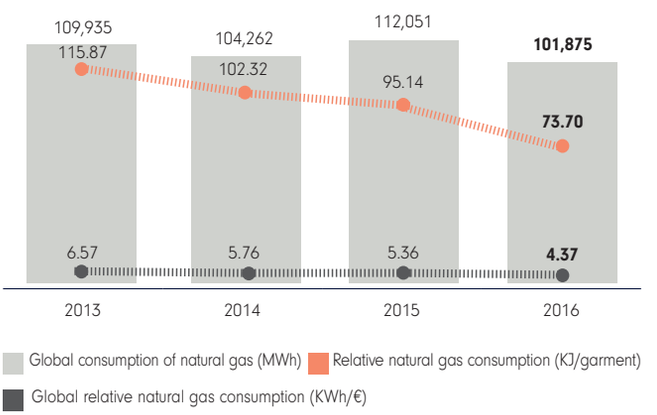


The total electricity consumption in these facilities is tending to increase slightly. However, we continue to reduce consumption per garment by 12% and 8% relative to sales compared to 2015. Of note is the purchase of energy of certified renewable origin, which this year has amounted to 520 million KWh that were consumed in our facilities in Spain and Germany.

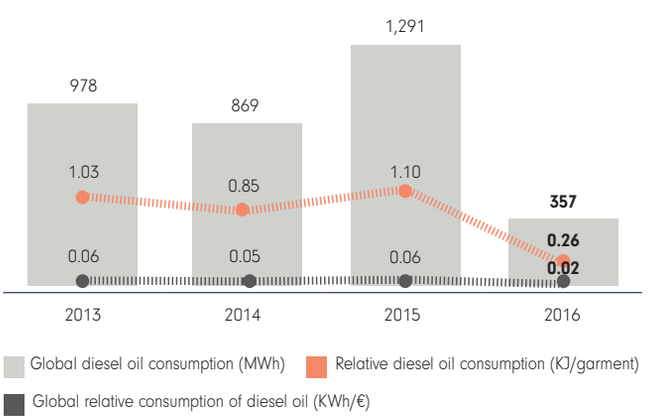
GLOBAL CONSUMPTION OF ELECTRICITY (MWh)



GLOBAL CONSUMPTION OF NATURAL GAS (MWh)

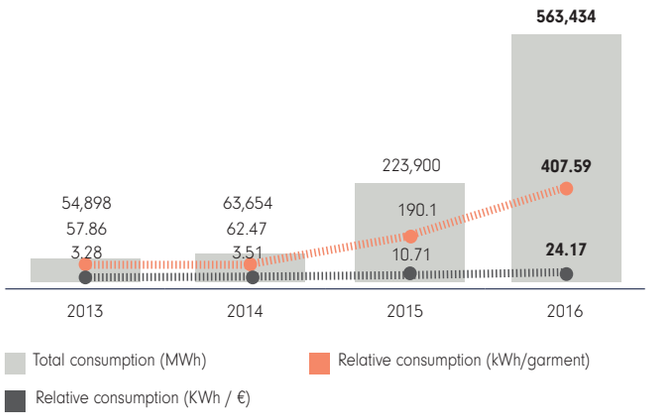


GLOBAL CONSUMPTION OF DIESEL OIL (MWh)



At Inditex we prioritize renewable energies, reducing our consumption of diesel oil and natural gas in both absolute and relative terms, as can be seen in both graphs. In their place, our energy supply scheme features photovoltaic and solar thermal panels, as well as facilities for the use of geothermal and wind generation. If we add the trigeneration and cogeneration plants and the purchase of energy from certified renewable sources, the result is that we meet 30% of the Group's energy needs sustainably and we avoid emitting 178,508 tonnes of carbon dioxide into the atmosphere.

CONSUMPTION OF ENERGY FROM RENEWABLE SOURCES, AND TRIGENERATION AND COGENERATION (MWh) (*)

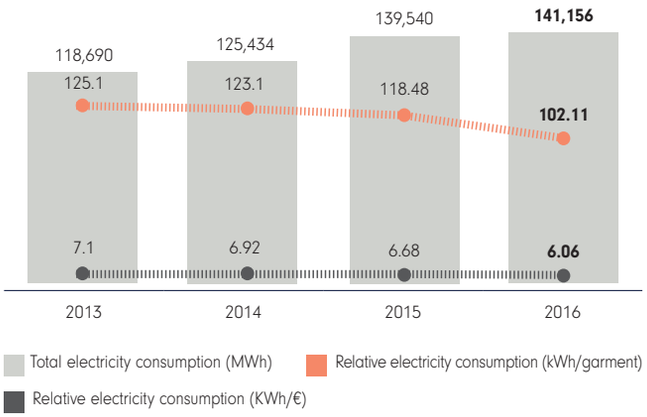


(*) The energy purchased from renewable sources consumed in Spain corresponds to the calendar year.

OWN LOGISTIC CENTRES, OWN HEAD OFFICES AND OWN FACTORIES

These facilities are built according to eco-efficiency criteria; in their daily management we promote the development of sustainable practices among our employees to guarantee the exemplary respect for the environment. In addition, we are implementing an Efficient Management Plan whose objective is to reduce the consumption of resources.

ELECTRICITY CONSUMPTION IN OWN LOGISTIC CENTRES, OWN HEAD OFFICES AND OWN FACTORIES (MWh)



Due to the increase in the logistics area resulting from the expansion of our Pull&Bear headquarters in Narón this year, we have slightly increased our energy consumption in absolute terms. Although thanks to the various measures carried out, such as the Efficiency Plan in logistics centres and offices started in 2015, we have managed to improve the efficiency of the installations, reducing the consumption of electricity in logistic centres, offices and factories per garment on the market by 14% and per sales by 9% compared to 2015. Measures carried out include the replacement of fluorescent tubes with high-efficiency LED bulbs and the renovation of old equipment with lithium-ion batteries, reducing their energy requirements.

OWN STORES

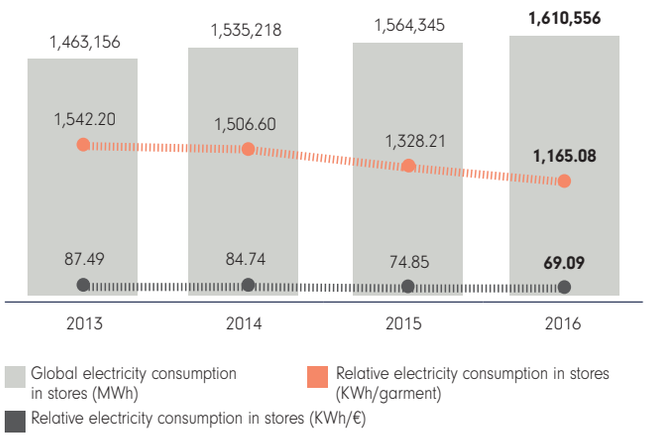
Thanks to the measures of the Eco-efficient Store Manual applied in our new openings and renovations, we reached a total of 4,519 eco-efficient stores in 2016. This represents 71.6% of the total of our own stores, without counting the franchises, and we expect to reach 100% in 2020. Likewise, we continued to increase the number of stores connected to the centralized platform for efficiency to 2,246 connected stores around the world at the end of the year. These sustainability and energy efficiency measures have

IN 2016 WE HAVE REDUCED ELECTRICITY CONSUMPTION FOR EACH GARMENT PUT ON THE MARKET BY 14% IN OUR LOGISTICS CENTRES, HEADQUARTERS AND OWN FACTORIES

302-1, 302-3, 302-4, 302-5, AF21

reduced the consumption of electricity per garment put on the market in our stores by 12%. And this in spite of the increase in the number of openings and the increase of the surface area of our facilities. Compared with sales, it decreased by 8% on the previous year.

ESTIMATED ELECTRICITY CONSUMPTION IN OWN STORES* (MWh)



* Electricity consumption was calculated using actual data from the central monitoring platform. To estimate the average consumption data from 766 stores was taken into account, with 100% being eco-efficient. The goal is that 100% of our own stores will be eco-efficient by 2020.

INDITEX GREENHOUSE GAS EMISSIONS (GHG)

The Group's Greenhouse Gas (GHG) emissions are calculated and reported in line with the international directives of the *Intergovernmental Panel on Climate Change, the IPCC (Guidelines for National Greenhouse Gas Inventories, 2006)* and the *World Resources Institute* (*GHG Protocol*, 2015). The emission factors applied to natural gas and diesel are taken from the *GHG Protocol tool for calculating emissions derived from stationary combustion,* v.4.1 by the *World Resources Institute (WRI),* 2015. Emissions from electricity consumption have been calculated using the emissions factor corresponding to the energy mix of each of the 93 countries in which Inditex operates. The database used corresponds to the *GHG Protocol tool from purchased electricity*, version 4.9 of the *World Resources Institute (WRI),* 2017. The Inditex Group's GHG emissions inventory includes direct and indirect emissions for the period from 1 February 2016 to 31 January 2017.

A data history based on each of the scopes considered by the *GHG Protocol* is presented below.

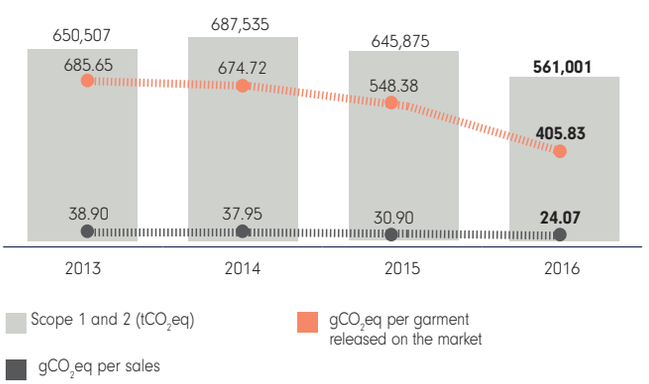
EMISSIONS SCOPE 1 AND 2

- **Scope 1:** Direct emissions. These are GHG emissions associated with sources under the Inditex Group's control. It includes:
  - Emissions associated with electricity and heat generation in owned premises, detailed at the beginning of the section. Emissions associated with occasional leaks (or isolated leaks) of HFC and PFC gases from air-conditioning equipment 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. The calculation was based on the GHG emissions from all the Group's facilities, as defined at the beginning of the section. Electricity used in international offices is not included.

	2013	2014	2015	2016
Scope 1 (t CO_2eq)	22,525	21,347	22,996	20,689
Scope 2* (t CO_2eq)	627,982	666,188	622,879	540,312
Number of garments released on the market	948,745,988	1,018,995,911	1,177,784,343	1,382,359,590
gCO_2eq per garment released on the market** (1)	685.65	674.72	548.38	405.83

* The Scope 2 data is calculated using the market-based method, following the GHG Protocol guide for calculating Scope 2, World Resources Institute (WRI), 2015.
** The efficiency ratio includes emissions associated with the Group's operations (scope 1 and 2).
(1) Includes all garments released on the market through all the stores, both owned and franchised.

GHG EMISSIONS FROM SCOPE 1 AND 2



The set of actions to promote energy efficiency coupled with the materialization of our commitment to renewable energy through the purchase of 520 million kWh of electricity from certified renewable sources, has allowed us to reduce GHG emissions in absolute terms. On a relative basis, we note a reduction of 26% per garment, as well as 22% in relative terms with respect to sales compared to 2015.



Zara store in Ho Chi Min city (Vietnam).

SCOPE 3 EMISSIONS

- **Scope 3:** Optional scope that includes indirect emissions associated with the goods and services supply chain produced outside the organization. Included are emissions from the transport of products from our suppliers to our logistics centres *(upstream)* and from these to our stores *(downstream)*, both being performed by external logistics operators (air, land and sea transport) as well as the emissions associated with electricity consumption in franchise stores.

In the case of the indirect emissions of our franchised stores, we see a slight increase, due to the growth of the franchised commercial surface area.

	2013	2014	2015	2016
Scope 3 - *Downstream* transport (t CO_2eq)	462,120	596,316	672,307	825,294
Scope 3 - *Upstream* (t CO_2eq)	n.a.	n.a.	428,258	549,913
Scope 3 - Franchised stores (t CO_2eq)*	108,035	113,094	94,262	103,923

n.a.: Not available

*Electricity consumption for calculating emissions was obtained from real data from the central monitoring platform. To estimate the average consumption data has been considered from 766 stores, with 100% being eco-efficient. The goal is 100% of our own stores will be eco-efficient by 2020.

The transport calculation has been carried out based on the weight of the product dispatched and the number of kilometres travelled by each means. The following emission factors, as proposed by the *GHG Protocol for mobile combustion V2.6,* are used: (*World Resources Institute* (WRI), 2015).

- Kg of CO_2 /tonne and km truck (load over 33 t)= 0.08678
- Kg of CH_4/tonne and km truck (load over 33 t)= 2.3973*10-6
- Kg of N_2O /tonne and km truck (load over 33 t)= 1.8494*10-6
- Kg of CO_2 /tonne and km short haul flight (< 463 Km)= 1.96073
- Kg of CH_4 /tonne and km short haul flight (< 463 Km)= 2.8562*10-5
- Kg of N_2O /tonne and km short haul flight (< 463 Km)= 3.2809*10-5
- Kg of CO_2 /tonne and km medium haul flight (between 463 and 1108 Km)= 1.47389
- Kg of CH_4/tonne and km medium haul flight (between 463 and 1108 Km)= 2.8562*10-5
- Kg of N_2O /tonne and km medium haul flight (between 463 and 1108 Km)= 3.2809*10-5
- Kg of CO_2 /tonne and km long haul flight (> 1108 Km)= 0.61324
- Kg of CH_4/tonne and km long haul flight (> 1108 Km)= 2.8562*10-5
- Kg of N_2O /tonne and km long haul flight (> 1108 Km)= 3.2809*10-5
- Kg of CO_2 /tonne and km ship= 0.0079
- Kg of CH_4/tonne and km ship= 2.8083*10-6
- Kg of N_2O /tonne and km ship= 9.5892*10-7

INDITEX, ZERO WASTE TO LANDFILL

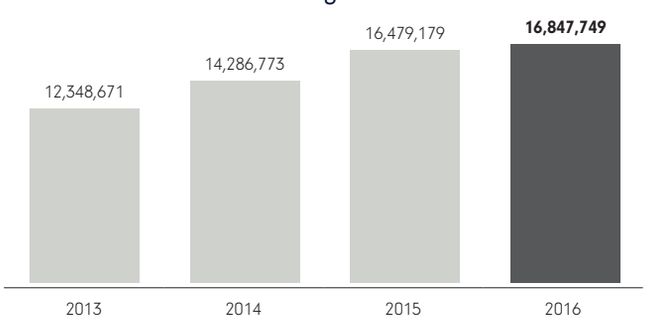
In the framework of our Sustainable Strategic Plan, we continue to work on integrating the circular economy into our business model. The aim is that by 2020, none of the waste from our activities ends up in a landfill. To this end, we use different tools, such as the Waste Minimization Plan or the In-Store Waste Management Manual, which enable us to manage waste more efficiently in our centres. In addition, we develop training projects aimed at our employees, in which we promote actions for reducing in origin and improving recycling, such as the use of reusable bottles.

Similarly, we are aware of the need to generate less waste in our value chain, and so we implement projects such as *Closing the Loop*, an initiative for collecting used clothes, or the *Green to Pack*, which contributes to the efficiency of shipments. The waste generation data presented below, refers to the waste generated in headquarters, brand headquarters, all Inditex factories and logistics centres. It does not include the waste generated in stores.

EVOLUTION OF RECOVERED PRODUCTS TO SEND TO RECYCLING (Kg)

All waste generated by Inditex is collected and managed by a legally authorized body that sends the waste for recycling (in the case of paper and cardboard, plastic, metal, textile remains, among others), and other appropriate treatments which allow it to be recovered. In 2016, more than 87% of our waste was managed in a way that does not harm the environment.

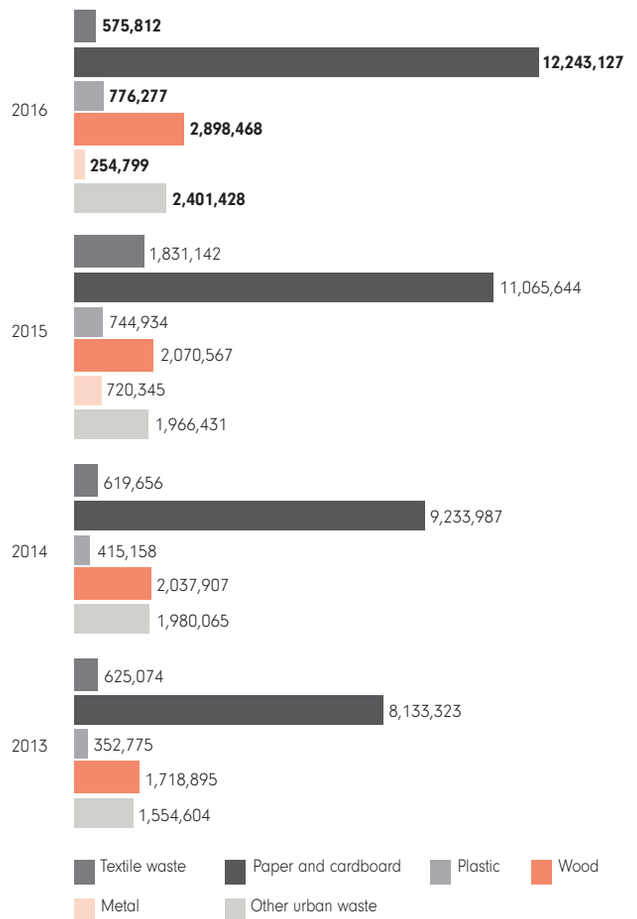
PRODUCTS RECOVERED TO BE SENT FOR RECYCLING (Kg)



ANNUAL GENERATION OF URBAN WASTE OR SIMILAR

Waste is classified by the European Waste List (EWL) and its transposition into national and regional legislation. The main waste generated is cardboard and paper, plastic, wood, metal and textile remnants, which are managed by legally authorized waste managers who send it to be recycled. The increase in the generation of these wastes is due to the expansion of the logistics capacity of the Group, as well as the maintenance of the current capacity and improvement in source separation processes.

ABSOLUTE DATA (Kg)



EVOLUTION OF PRINCIPAL HAZARDOUS WASTE

In 2016 we achieved recycling and recovery of 90% of our hazardous waste, preventing it from going to a landfill and reducing the need to obtain new raw materials. Thanks to separation at source and subsequent shipment to legally authorized waste managers, we promote recycling or other suitable treatments that allow recovery of hazardous waste.

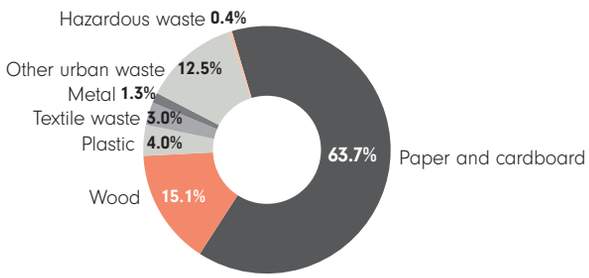
Below is the generation of the main hazardous wastes. The increase of certain residues such as fluorescents or batteries is a consequence of the implementation of the Efficiency Improvement Plan in the logistics centres. These are being replaced by more efficient equipment such as lamps with LED technology and lithium-ion batteries. Both fluorescents and batteries have been managed by authorized waste managers for recycling.

Type of waste (kg)	Final treatment	2013	2014	2015	2016
Batteries	Recycling	2,929	5,597	9,532	7,945
Electronic waste	Recycling	6,673	6,901	10,094	9,776
Fluorescents	Gas extraction and recycling	2,827	3,183	5,387	26,000
Oil filters	Recycling	671	500	761	659
Contaminated metal containers	Recycling	530	865	2,284	1,064
Used mineral oil	Recycling	4,432	8,302	15,080	8,242
Contaminated absorbents	Valuation of energy recovery and controlled disposal	3,259	4,262	2,786	4,969
Nickel Cadmium Batteries	Recycling	784	751	562	594
Contaminated plastic containers	Recycling	1,648	1,578	1,366	1,521

DESTINATION OF WASTE ACCORDING TO TYPE AND TREATMENT

Thanks to the Waste Minimization Plan and the effort and commitment of our employees, the waste generated by Inditex is separated at source. All waste is collected and managed by legally authorized managers, who send it to be recycled (mainly paper and cardboard, wood, plastics, metal and textile remnants) and other appropriate treatments that allow its recovery and environmentally suitable management.

PROPORTION OF WASTE GENERATED BY WEIGHT



The packaging materials released on the market (paper and plastic bags, tags, protective elements) along with the products sold by Inditex are properly managed by authorized bodies. Inditex subscribes to the Integrated Management Systems for Packaging and Wrapping available in countries that employ them. The company's commitment to these systems means that each Inditex brand pays a non-profit management agency to collect and manage the waste generated by the stores. This management entity, established with the recognition of each country's authorities (for example in Spain, Ecoembes), guarantees that the waste generated by the stores is properly collected, managed and recycled.

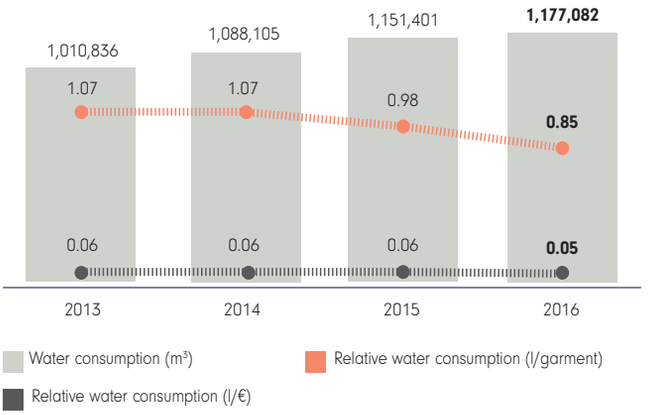
With regard to the recovery of marketed products, it is not possible to assess the volume generated and the management carried out at a global level, since there is no specific collection and management system for textile materials at a global level. Through our *Closing the Loop* we contribute to generating a channel that allows the reuse and recycling of said products.

WATER CONSUMPTION IN INDITEX'S HEAD OFFICES, FACTORIES, LOGISTICS CENTRES AND OWN STORES

Water consumption data come from direct measurements and receipts from suppliers (public supply networks) of our headquarters, Inditex's factories, logistics centres and our own stores.

Thanks to the efficiency and water-saving measures carried out in our centres, we continue to improve the downward trend in relative water consumption per garment and in relation to sales (€), by 13% and 8% respectively. The increase observed in absolute terms is due to the growth of our sales area.

WATER CONSUMPTION (M³)



Water supplied to all the centres for use in processes and for consumption comes from public, authorized supply networks. The greatest water consumption is for domestic use, fundamentally cleaning and sanitation, guaranteeing its discharge to municipal sewage systems.

In industrial activities, water is mainly required for steam generation and industrial refrigeration in a closed cycle, where recirculation systems are used. The amount of wastewater can be calculated as equal to the amount of water consumed, as there are no productive processes that consume water and the cooling systems use a closed cycle. Discharge of wastewater from all installations is carried out via sanitation networks, in all cases with the corresponding administrative authorization. In addition, periodic analyses are carried out to ensure compliance with current legislation. Inditex has no impact on protected habitats

SUSTAINABLE DEVELOPMENT GOALS IN INDITEX'S STRATEGY

SUSTAINABLE DEVELOPMENT GOAL	INDITEX'S PRIORITIES	HIGHLIGHTED INDICATOR IN 2016	RESULTS 2016	RELATED GRI CONTENTS
	**Improving community welfare**	Investment in social programmes whose main objective is directly related to the goal of eradicating poverty	€1,373,014	203-2
	**Improving community welfare**	Investment in social programmes whose main objective is directly related to the goal of zero hunger	€498,408	203-2
	**Commitment to the excellence of our products**	Number of substances and chemical components on *The List by Inditex*	19,736 chemical products	not applicable
	People	Incident rate of accidents requiring leave in Spain	Store: 24.47 Central services: 4.81 Logistics: 138.44 Manufacturing: 71.19	403-2
	Sustainable management of the supply chain	Workers involved in continuous health and safety improvement programmes in factories	321,863	not applicable
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of good health and well-being	€4,467,632	203-2
	**People**	Number of employees trained	89,291	404-1
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of quality education	€4,755,360	not applicable
	**People**	Implementation and application of equality plans	Approval of the Equality Plan of the Cabanillas Logistics Centre. Start of the process of renewal of the plans for Zara and Massimo Dutti	not applicable
	Sustainable management of the supply chain	People specifically trained in issues related to women empowerment throughout the supply chain	6,564	414-2
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of gender equality	€1,086,758	not applicable
	Corporate Governance	Percentage of women present in Governance bodies	22% (Board of Directors)	405-1
	**Commitment to the excellence of our products**	Improving the quality of water discharged in the supply chain through the Programme Partnership for a Cleaner Textile in Bangladesh	The discharge of 15.9 million cubic metres of wastewater has been avoided	306-1
	Recycling and efficient use of resources	Relative water consumption	0.85 litres/garment	303-2
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of clean water and sanitation	€869,033	not applicable
	**Commitment to the excellence of our products**	Development of an internal standard for garments in the manufacturing process of which energy has been consumed from renewable sources or made of materials that represent a technological advance in the reduction of emissions	Care for Planet	302-5
	Recycling and efficient use of resources	Percentage of own stores that meet the energy-efficient criteria of eco-efficient stores	71.6%	302-4
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of affordable and clean energy	€70,850	203-1

SUSTAINABLE DEVELOPMENT GOAL	INDITEX'S PRIORITIES	HIGHLIGHTED INDICATOR IN 2016	RESULTS 2016	RELATED GRI CONTENTS
	**People**	Employees participating in the e-Fashion internal talent promotion and development programme since its inception	702	404-2
	Sustainable management of the supply chain	Percentage of compliance of active factories with the prohibition of forced labour	+90%	409-1
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of decent work and economic growth	€7,433,487	not applicable
	Corporate Governance	Percentage of Inditex employees covered by policies that formalize the company's commitment to decent work	100% (through the Code of Conduct and Responsible Practices)	not applicable
	**Commitment to the excellence of our products**	Number of units audited in the *Ready to Manufacture* Programme	1,702	not applicable
	Recycling and efficient use of resources	Stores with LEED Certification	16 stores with LEED Gold and 7 stores with LEED Platinum	not applicable
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of industry, innovation and infrastructure	€ 1,069,291	203-1
	**Improving community welfare**	Investment in social programmes whose main objective is directly related to the goal of reduced inequalities	€6,784,429	203-2
	Sustainable management of the supply chain	Suppliers trained in human and labour rights included in the Code of Conduct for Manufacturers and Suppliers	927	not applicable
	**Recycling and efficient use of resources**	Kilometres of transport saved, thereby saving associated CO_2 emissions	1,140,000 km	not applicable
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of sustainable cities and communities	€1,608,358	not applicable
	**Commitment to the excellence of our products**	Clothing put on the market with the *Right to Wear* + environmental sustainability standard	42.3 million	not applicable
	Recycling and efficient use of resources	Materials reused through the *Green to Pack* Programme	1 billion security tags 101.8 million coat hangers	not applicable
	People	Number of people dedicated internally to sustainability	135	not applicable
	Our Customers	Number of enquiries received by different customer service channels	15,429,661	not applicable
	Sustainable management of the supply chain	Traceability audits held	2,776	not applicable
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of responsible consumption and production	€6,673,675	not applicable
	**Recycling and efficient use of resources**	Consumption of electrical energy from renewable energy sources	520 million kWh	302-4
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of climate action	€65,514	203-1
	**Recycling and efficient use of resources**	Significant discharges that may affect underwater life	0	306-3
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of life below water	€ 453,811	not applicable
	**Commitment to the excellence of our products**	Consumption of environmentally advantageous textile fibres that reduce the water, energy and natural resource consumption in the creation of new fibres, thus protecting and conserving biodiversity	Development of Refibra™Lyocell in collaboration with Lenzing	not applicable
	Recycling and efficient use of resources	GHG emissions from Scope 2	528,993 (tCO_2eq)	305-2
	Improving community welfare	Investment in social programmes whose main objective is directly related to the goal of life on land	€492,714	not applicable
	**Improving community welfare**	Investment in social programmes whose main objective is directly related to the goal of peace, justice and strong institutions	€590,613	not applicable
	Corporate Governance	Percentage of employees covered by anti-corruption policies	100% (through the Code of Conduct and Responsible Practices)	205-2
	**Improving community welfare**	Investment in social programmes whose main objective is directly related to the goal of partnerships for the goals	1,201,842 €	not applicable
	Corporate Governance	Meetings of the Social Advisory Board	2	not applicable
	Sustainable management of the supply chain	Collaboration with renowned international entities	Collaborations with ETI, ILO, among others	not applicable

TAX CONTRIBUTION IN 2016

During fiscal year 2016, Inditex's activity in the 93 markets in which it operates entailed a disbursement of 5.647 billion euros in taxes, of which 2.515 billion were direct taxes. Included in this concept are taxes on benefits, contributions to social security systems, taxes on products and services or environmental taxes, paid in countries where the Group is active.

By geographical area, in Spain –where the headquarters of all its brands are located and 16.9% of the Group's total sales are made– Inditex paid 870 million euros in direct taxes; that is, 35% of its global tax contribution. It paid 22% in the European Union and 11% in European non-EU countries. America received 19% of the direct taxes that the Group paid in 2016 and Asia and the rest of the world, 13%.

Looking at corporate tax, the average global tax rate was 22.5%, while in Spain it rose to 24.7% after the payment of 395 million euros during the year; this represents over 2% of the total collection in Spain by corporate taxes.

Moreover, Inditex contributes important returns derived from its activity through taxes generated in all markets where it operates, such as VAT or Income Tax. In 2016, this amount amounted to 3.132 billion euros. In terms of the geographical distribution of this indirect tax contribution, 746 million euros were collected in Spain (24% of the total), and 1.713 billion euros were collected in the remaining EU countries. A further 224 million euros were collected in countries in non-EU Europe (7%), and 248 million euros in America, 8% of the total. In Asia and the rest of the world, this amount was 201 million euros (6% of the total).

This contribution is the materialization of the guiding principles of the Inditex Group's Fiscal Strategy, approved by the Board of Directors in 2015. In this regard, we maintain a commitment of maximum fiscal responsibility in all markets in which we operate, according to a transparent model based on ethical fiscal practices.

To this end, Inditex maintains relations with the different tax authorities of the countries where it operates based on principles of good faith, collaboration and mutual trust. The Group seeks to avoid tax disputes by preferentially applying interpretative criteria on the tax regulations established by said authorities.

Inditex also rejects the use of opaque corporate structures and tax havens. In this way, the Group operates through companies located in those territories only to the extent that it is strictly necessary to carry out commercial activities in them.

In this respect, the Group's vertically integrated business model means that Inditex is involved in all stages of the value chain of the textile industry (design, manufacturing, distribution and sales). This leads to the performance of operations in different countries pursuant to prevailing legislation in each territory, in accordance with the OECD transfer pricing guidelines, and subject to regular inspection by the tax authorities.

TAX CONTRIBUTION

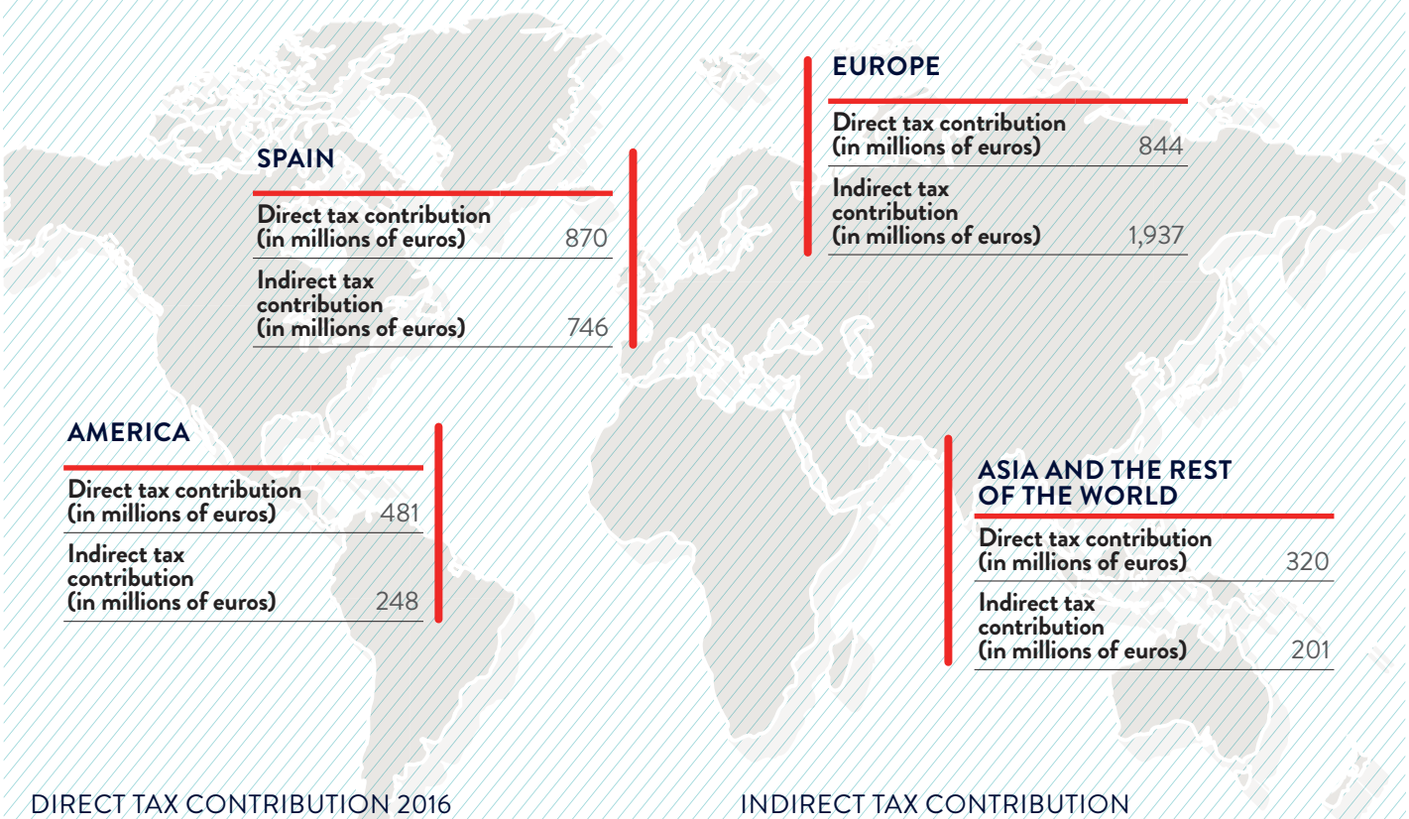
Total tax contribution (in billions of euros)	5.647
Direct taxes	2.515
Taxes collected for the State	3.132

DIRECT AND INDIRECT TAXES (in millions of euros)

Tax contribution	**Direct taxes**	**Indirect taxes**
Spain	870	746
European Union (not Spain)	564	1,713
Europe (non-EU)	280	224
America	481	248
Asia and the rest of the world	320	201
Total	2,515	3,132

INDITEX PAID 5.6 BILLION EUROS IN TAXES, OF WHICH 2.5 BILLION WAS DIRECT TAXES AND 870 MILLION, 35% OF THE TOTAL, WAS PAID IN SPAIN

DIRECT AND INDIRECT CONTRIBUTION TAXES BY GEOGRAPHICAL AREA (in millions of euros)



SPAIN

Direct tax contribution (in millions of euros)	870
Indirect tax contribution (in millions of euros)	746

EUROPE

Direct tax contribution (in millions of euros)	844
Indirect tax contribution (in millions of euros)	1,937

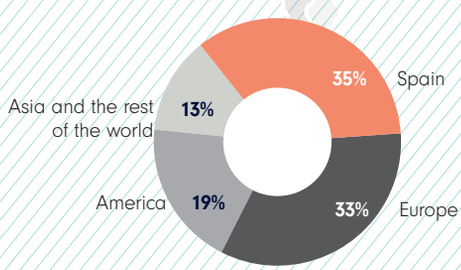
AMERICA

Direct tax contribution (in millions of euros)	481
Indirect tax contribution (in millions of euros)	248

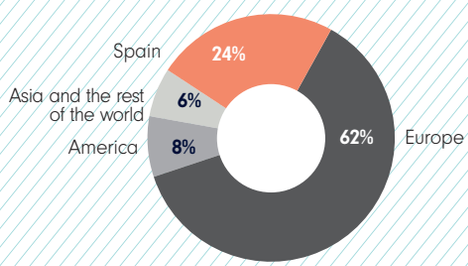
ASIA AND THE REST OF THE WORLD

Direct tax contribution (in millions of euros)	320
Indirect tax contribution (in millions of euros)	201

DIRECT TAX CONTRIBUTION 2016



INDIRECT TAX CONTRIBUTION



BALANCE OF MATERIAL ISSUES

Material issues	GRI standards	Content	Boundary*	Implication**
PEOPLE				
Labour practices	GRI 103: Management approach 2016 GRI 401: Employment 2016 GRI 402: Labour/management relations 2016 GRI 403: Occupational health and safety 2016 GRI 405: Diversity and equal opportunity 2016 GRI 406: Non-discrimination 2016 GRI 407: Freedom of association and collective bargaining 2016	103-1 to 103-3 401-1 to 401-3 402-1 403-1, 403-4 405-1 to 405-2 406-1 407-1	Within and outside the organization	Direct
Attracting and retaining talent	GRI 103: Management approach 2016 GRI 401: Employment 2016 GRI 201: Economic performance 2016	103-1 to 103-3 401-1 to 401-2 201-3	Within and outside the organization	Direct
Developing human capital	GRI 103: Management approach 2016 GRI 404: Training and education 2016	103-1 to 103-3 404-1 to 404-3	Within and outside the organization	Direct
SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN				
Health and safety at suppliers and manufacturers	GRI 103: Management approach 2016 GRI 403: Occupational health and safety 2016 GRI 414: Supplier social assessment 2016	103-1 to 103-3 403-1, 403-4 414-1 to 414-2	Within and outside the organization	Direct and Indirect
Human Rights and industrial relations 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	103-1 to 103-3 408-1 409-1 412-1 to 412-3	Within and outside the organization	Direct and Indirect
Traceability of the supply chain	GRI 102: General Disclosures 2016 GRI 103: Management approach 2016 GRI 308: Supplier environmental assessment 2016 GRI 414: Supplier social assessment 2016	102-9 103-1 to 103-3 308-1 to 308-2 414-1 to 414-2	Within and outside the organization	Direct and Indirect
Responsible purchasing practices	GRI 102: General Disclosures 2016 GRI 103: Management approach 2016 GRI 308: Supplier environmental assessment 2016 GRI 414: Supplier social assessment 2016	102-9 103-1 to 103-3 308-1 to 308-2 414-1 to 414-2	Within and outside the organization	Direct and Indirect
OUR CUSTOMERS				
Commitment to customers	GRI 102: General Disclosures 2016 GRI 103: Management approach 2016	102-43 103-1 to 103-3	Within and outside the organization	Direct
Changes in consumption habits	GRI 103: Management approach 2016	103-1 to 103-3	Outside the organization	Direct and Indirect
New sales channels	GRI 103: Management approach 2016	103-1 to 103-3	Outside the organization	Direct
COMMITMENT TO THE EXCELLENCE OF OUR PRODUCTS				
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	Within and outside the organization	Direct
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	Within and outside the organization	Direct
Eco-Design	GRI 103: Management approach 2016 GRI 301: Materials 2016 GRI 302: Energy 2016 GRI 304: Biodiversity 2016	103-1 to 103-3 301-1 to 301-3 302-5 304-2	Within and outside the organization	Direct
Managing product end-of-life and recycling systems	GRI 103: Management approach 2016 GRI 301: Materials 2016 GRI 306: Effluents and waste 2016	103-1 to 103-3 301-3 306-2, 306-4	Within and outside the organization	Direct and Indirect
Animal welfare	GRI 103: Management approach 2016 GRI 304: Biodiversity 2016	103-1 to 103-2 304-2	Outside the organization	Direct and Indirect
RECYCLING AND EFFICIENT USE OF RESOURCES				
Energy consumption and GHGs	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	Within and outside the organization	Direct and Indirect
Water consumption and controlling discharges	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	Within and outside the organization	Direct and Indirect
Waste control and management	GRI 103: Management approach 2016 GRI 306: Effluents and waste 2016	103-1 to 103-3 306-2, 306-4	Within and outside the organization	Direct and Indirect
Protecting biodiversity	GRI 103: Management approach 2016 GRI 304: Biodiversity 2016	103-1 to 103-3 304-1 to 304-4	Outside the organization	Direct and Indirect

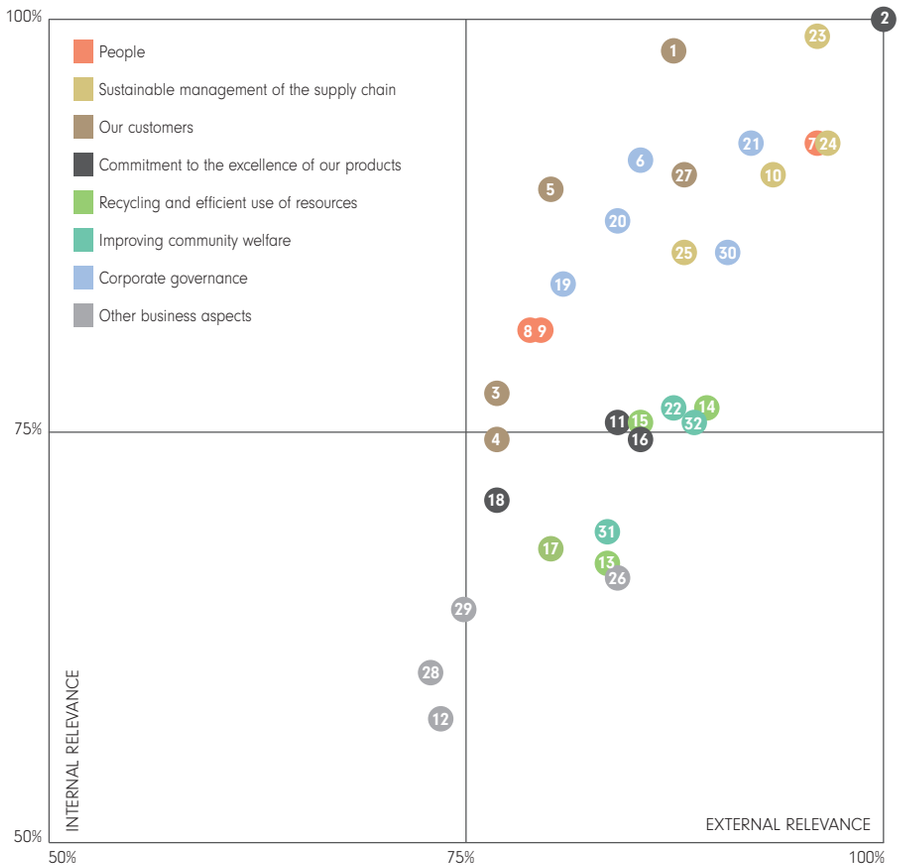
Within the organization · Outside the organization · within and outside the organization · Direct · Indirect

* Indicates where the impact occurs, within the organization, outside the organization or both
** Indicates the organization's involvement in the impact.
Direct: The organization is directly linked to the impact
Indirect: The organization is linked to the impact through its business relations

102-44, 102-47, 102-49, 103-1

Material issues	GRI standards	Content	Boundary*	Implication**
IMPROVING COMMUNITY WELFARE				
Socio-economic impact on the community	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		
Investment in the community	GRI 103: Management approach 2016 GRI 203: Indirect economic impacts 2016 GRI 413: Local communities 2016	103-2 to 103-3 203-1 to 203-2 413-1 to 413-2		
Stakeholder engagement and dialogue	GRI 102: General disclosures 2016 GRI 103: Management approach 2016	102-40, 102-42 - 102-44 103-1 to 103-3		
CORPORATE GOVERNANCE				
Security and protection of data and information systems	GRI 103: Management approach 2016 GRI 418: Customer privacy 2016	103-1 to 103-3 418-1		
Corporate governance	GRI 102: General contents 2016 GRI 103: Management approach 2016 GRI 415: Public policy 2016	102-18 to 102-39 103-1 to 103-3 415-1		
Transparency and tax contribution	GRI 103: Management approach 2016 GRI 201: Economic performance 2016	103-1 to 103-3 201-1		
Compliance with regulations and responsible practices	GRI 102: General disclosures 2016 GRI 103: Management approach 2016 GRI 205: Anti-Corruption 2016 GRI 206: Anti-competitive practices 2016 GRI 307: Environmental compliance 2016 GRI 419: Socioeconomic compliance 2016	102-16, 102-17 103-1 to 103-3 205-1 to 205-3 206-1 307-1 419-1		
Risk management and control systems	GRI 103: Management approach 2016	103-1 to 103-3		
OTHER BUSINESS ASPECTS				
Volatility of raw material prices	GRI 103: Management approach 2016	103-1 to 103-3		
Changes in regulation	GRI 103: Management approach 2016	103-1 to 103-3		
Logistics model	GRI 103: Management approach 2016	103-1 to 103-3		
Expansion in new markets	GRI 103: Management approach 2016	103-1 to 103-3		
Exposure in mature markets	GRI 103: Management approach 2016	103-1 to 103-3		

MATERIALITY MATRIX



1 Commitment to customers
2 Product quality, health and safety
3 Product information and labelling
4 Changes in consumption habits
5 New sales channels
6 Security and protection of data and information systems
7 Labour practices
8 Attracting and retaining talent
9 Developing human capital
10 Health and safety at suppliers and manufacturers
11 Eco-Design
12 Volatility of raw material prices
13 Energy consumption and GHGs
14 Water consumption and controlling discharges
15 Waste control and management
16 Managing product end-of-life and recycling systems
17 Protecting biodiversity
18 Animal welfare
19 Corporate governance
20 Transparency and tax contribution
21 Compliance with regulations and responsible practices
22 Socio-economic impact on the community
23 Human Rights and industrial relations in the supply chain
24 Traceability of the supply chain
25 Responsible purchasing practices
26 Changes in regulation
27 Logistics model
28 Expansion in new markets
29 Exposure in mature markets
30 Risk management and control systems
31 Investment in the community
32 Stakeholder engagement and dialogue

The following organizations, among others, have been consulted in the definition of material issues for 2016
Inditex Social Advisory Board, Cáritas Spain, Centre for Business and Public Sector Ethics of Cambridge, Spanish Committee of UNHCR, Spanish Red Cross, Economics for Energy, Entreculturas, Every Mother Counts, Fundación Seres. Sociedad y Empresa Responsable, IndustriALL Global Union, Medicus Mundi, University of Santiago de Compostela, University of A Coruña, The Humane Society of the United States, International Labour Organization (ILO), UN Global Compact, Textile Exchange, Water.org.

102-43, 102-44, 102-47, 102-49, 103-1



Stradivarius employee at the store in London (UK).

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Zara employee at the Fifth Avenue store in New York (USA).

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INVERTORS AND STOCK MARKET INDEXES

1. INVESTORS RELATIONS

1.1. SHAREHOLDER BASE

1.1.1. SHAREHOLDERS' OFFICE

1.1.2. DEPARTMENT OF INVESTOR RELATIONS

1.1.3. ACTIVITIES WITH INSTITUTIONAL INVESTORS

1.2. EURO STOXX 50/ IBEX 35

1.3. DOW JONES SUSTAINABILITY INDEX (DJSI)

1.4. FTSE4GOOD

1. INVESTORS RELATIONS

1.1. SHAREHOLDER BASE

Inditex shares are represented by means of account annotations. Keeping the register of these annotations is the responsibility of the Management Company for Share Registration, Compensation and Liquidation Systems (Iberclear).

Inditex had 68,894 shareholders according to data from form H-TITU which the company requested from Iberclear for the 2015 Ordinary General Shareholders Meeting. Of these 64,279 were individual shareholders and the remainder institutional investors. With the incorporation of significant holdings registered in the Spanish National Securities Market Commission (CNMV), the approximate overview of shareholder structure is as follows:

Shareholder body	Shares	%
Institutional investors	1,222,008,480	39.14%
Individuals	48,643,205	1.56%
Partler 2006 SL	289,362,325	9.28%
Pontegadea Inversiones SL	1,558,637,990	50.01%
Total	3,116,652,000	100%

Among its operating principles, Inditex includes compliance with a policy of transparency with communication channels and maintenance of those channels. It guarantees that all of its current and potential shareholders have clear, complete, homogeneous and simultaneous information, adequate for evaluating company management and its economic and financial results. The Rules of the Board set down, in Article 41, a series of measures which regulate the relations with the shareholders.

1.1.1. SHAREHOLDERS' OFFICE

Any individual shareholder can visit the Shareholders' Office to request detailed information on the performance of the business and future strategy. Through this channel individual shareholders can formulate any request for information that they deem relevant on the performance of Inditex. The Shareholders' Office dealt with more than 800 petitions from individual investors during 2016.

The Shareholders' Office takes on special relevance during the period that the General Meeting of Shareholders is called and celebrated. It is traditionally held halfway through July at Inditex's corporate headquarters in Arteixo (A Coruña). Information and documentation is sent specifically to provide shareholders with appropriate knowledge on the convening and content of the General Meeting as well as to facilitate their participation in the decision making process of the Group's highest governing body.

1.1.2. DEPARTMENT OF INVESTOR RELATIONS

- 42 financial firms publish analytical reports relating to Inditex shares.
- 4,615 institutional investors, holding 39.1% of corporate capital, play a key role in the formation of the share price and liquidity.

Relevant information on the performance of the business is communicated through the corporate website of Inditex (www.inditex.com) and is distributed to a database of more than 1,100 investors and analysts.

Inditex complements this information each quarter with freely accessible multiconferences. Additionally, Inditex carries out presentations and holds meetings with investors and analysts throughout the year in the principal financial capitals of the world.

1.1.3. ACTIVITIES WITH INSTITUTIONAL INVESTORS

a) Roadshows.

Inditex holds four annual main roadshows where it presents the quarterly results, visiting the world's principal financial capitals. During these roadshows, the principal investors have access - mainly by means of individual meetings - to the strategic viewpoint of the management team. During these visits direct contact is established with more than 250 investors.

b) Sector Conferences.

Other forums for communication with investors are the sector conferences organised by financial institutions. Inditex participates in the principle events held in Europe, each having an average attendance of 50 leading institutional investors.

c) Individual meetings.

Apart from the programmed events, large numbers of meetings are held with investors during the year. In the case of specific requests, visits to investors from a certain country or geographical area are also organised. In the past year presentations have been made in the principal financial capitals of Europe, America and Asia to more than 150 institutional investors.



Massimo Dutti store on Calle Presidente Masaryk in Mexico City (Mexico).

d) Investor visits to corporate facilities.

There are also many visits to Inditex facilities from institutional investors. The purpose of these visits is to gain a deeper knowledge of our organisation, its business model, and corporate strategy. Throughout 2016, meetings have been held with approximately 80 institutional investors from all over the world. 200 videoconferences and multiconferences were also held.

1.2. EURO STOXX 50/ IBEX 35

Inditex has been a member of Europe's leading blue-chip index for the Eurozone the Euro STOXX 50 since 2011 and the IBEX 35 since 2001.

1.3. DOW JONES SUSTAINABILITY INDEX (DJSI)

Inditex was included in the latest update of this family of indices as a member of DJSI World and DJSI Europe for the sixteenth consecutive year. In addition, Inditex was named leader in its sector and was awarded the gold medal in the Sustainability Yearbook 2017, the highest distinction given by the study conducted by investment consultant RobecoSAM, which acknowledges the leading companies in sustainability worldwide. Inditex scored a total of 80 points on a scale of 100, a result much higher than the average of companies in the sector, which stands at 36 points.

The Dow Jones Index is a benchmark for investors, which annually measures the economic, environmental and ethical behaviour of shares on the Stock Exchange. The ranking, published since 1999, has this year featured the participation of 2,535 companies from all over the world.

A total of 316 companies from 24 different sectors have been included in this 2016 edition.

2016	Inditex Score	Percentile Ranking*	Sector Average Score
Economic	76	100	42
Environmental	97	100	33
Social	76	98	29
Total	80	100	36

(*) Percentage of companies in the same sector which scored lower than Inditex.

1.4. FTSE4GOOD

Inditex has been a member of the FTSE 4Good since October 2002. This stock exchange index of sustainability includes worldwide companies with a major commitment to corporate responsibility, taking into consideration their environmental, social and corporate governance practices. In the latest index update in 2016, Inditex scored 4.6 out of 5, the highest in the sector.



Members of the Zara Home team at its head office in Arteixo (Spain).

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ECONOMIC AND FINANCIAL REPORT

INDITEX GROUP CONSOLIDATED ANNUAL ACCOUNTS AT 31 JANUARY 2017

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APPENDIX I - COMPOSITION OF THE INDITEX GROUP

Deloitte.

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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 and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the company. 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

We have audited the accompanying consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and subsidiaries ("the Group"), which comprise the consolidated balance sheet at 31 January 2017 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended ("2016").

Director's responsibility for the consolidated financial statements

The Parent's directors are responsible for the preparation of the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Industria de Diseño Textil, S.A. and subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, identified in the accompanying notes to the consolidated financial statements, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion of these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's Director of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

[illegible]

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Industria de Diseño Textil, S.A. and subsidiaries at 31 January 2017, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated Directors' report for 2016 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2016. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Industria de Diseño Textil, S.A. and subsidiaries.

DELOITTE, S.L.
Registered in R.O.A.C. under Nº S0692

Germán de la Fuente

15 March 2017



Zara on calle Compostela, A Coruña (Spain).

1. CONSOLIDATED INCOME STATEMENT

(Amounts in thousands of euros)	(Notes)	2016	2015
Net sales	(3)	23,310,532	20,900,439
Cost of sales	(4)	(10,031,982)	(8,811,139)
GROSS PROFIT		13,278,550	12,089,300
		57.0%	57.8%
Operating expenses	(5)	(8,175,581)	(7,391,832)
Other losses and income, net	(6)	(19,548)	1,691
GROSS OPERATING PROFIT (EBITDA)		5,083,420	4,699,159
Amortization and depreciation	(7)	(1,062,686)	(1,021,717)
NET OPERATING PROFIT (EBIT)		4,020,734	3,677,442
Financial results	(8)	9,997	10,069
Results of companies accounted for using the equity method	(17)	47,588	55,607
PROFIT BEFORE TAXES		4,078,319	3,743,118
Income tax	(24)	(917,214)	(860,917)
NET PROFIT		3,161,105	2,882,201
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**4,148**	**7,617**
NET PROFIT ATTRIBUTABLE TO THE PARENT		3,156,957	2,874,584
BASIC AND DILUATED EARNINGS PER SHARE, euros	(9)	1.014	0.923



2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in thousands of euros)	(Notes)	2016	2015
Net profit		3,161,105	2,882,201
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognised directly in equity:			
Translation differences relating to finanial statements of foreign operations		70,058	(244,395)
Cash flow hedges			
Profit	(26)	24,950	45,429
Loss	(26)	(7,635)	(7,746)
Tax effect		(3,997)	(9,688)
Total		83,376	(216,400)
Transfers to profit or loss:			
Cash flow hedges			
Profit	(26)	(36,439)	(97,569)
Loss	(26)	457	211
Tax effect		9,688	27,708
Total		(26,293)	(69,650)
Total comprehensive income for the year		3,218,188	2,596,151
Total comprehensive income attributable to:			
Equity holders of the Parent		**3,214,040**	**2,588,534**
Non-controlling interests		**4,148**	**7,617**
Total comprehensive income for the year		3,218,188	2,596,151

3. CONSOLIDATED BALANCE SHEET

(Amounts in thousands of euros)	(Notes)	31/01/17	31/01/16
ASSETS			
NON-CURRENT ASSETS		**9,723,088**	**8,907,913**
Rights over leased assets	(15)	505,046	504,447
Other intangible assets	(15)	210,502	190,324
Goodwill	(16)	195,704	193,488
Property, plant and equipment	(13)	7,283,428	6,597,467
Investment property	(14)	21,221	21,152
Financial investments	(17)	231,423	183,804
Other non-current assets	(18)	553,734	523,802
Deferred tax assets	(24)	722,029	693,429
CURRENT ASSETS		**9,898,347**	**8,449,235**
Inventories	(12)	2,549,195	2,195,015
Trade and other receivables	(11)	861,027	668,807
Income tax receivable	(24)	107,473	89,086
Other current assets		141,190	139,401
Other financial assets	(26)	86,923	45,751
Current financial investments	(20)	2,036,627	1,085,648
Cash and cash equivalents	(20)	4,115,912	4,225,527
TOTAL ASSETS		19,621,435	17,357,148
EQUITY AND LIABILITIES			
EQUITY		**12,751,554**	**11,450,793**
Equity attributable to the Parent		12,713,380	11,410,197
Equity attributable to non-controlling interests		38,174	40,596
NON-CURRENT LIABILITIES		**1,419,307**	**1,236,204**
Provisions	(21)	241,613	145,294
Other non-current liabilities	(22)	920,053	804,966
Financial debt	(20)	498	749
Deferred tax liabilities	(24)	257,143	285,195
CURRENT LIABILITIES		**5,450,574**	**4,670,151**
Financial debt	(20)	61,696	10,254
Other financial liabilities	(26)	63,685	68,536
Income tax payable	(24)	230,061	77,095
Trade and other payables	(19)	5,095,132	4,514,266
TOTAL EQUITY AND LIABILITIES		19,621,435	17,357,148

4. CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in thousands of euros)	(Notes)	2016	2015
Profit before taxes and non-controlling interest		4,078,319	3,743,118
Adjustments to profit			
Amortization and depreciation	(7)	1,062,686	1,021,717
Foreign exchange translation differences		(11,184)	(15,717)
Provisions for impairment		52,136	15,269
Results of companies consolidated by equity method	(17)	(47,588)	(55,607)
Other		69,297	165,935
Income tax		(797,608)	(977,349)
Funds from operations		4,406,058	3,897,366
Variation in assets and liabilities			
Inventories		(388,775)	(425,134)
Receivables and other current assets		(176,838)	187,222
Current payables		290,960	840,074
Changes in working capital		(274,653)	602,162
Cash flows from operating activities		4,131,404	4,499,528
Payments relating to investments in intangible assets		(173,034)	(164,301)
Payments relating to investments in property, plant and equipment		(1,258,523)	(1,353,610)
Collections relating to investments in other financial investments		27,493	22,308
Payments relating to investments in other financial investments		(12,538)	-
Payments relating to investments in other assets	(18)	(52,749)	(72,891)
Collections relating to investments in other assets	(18)	24,424	16,422
Changes in current financial investments		(951,375)	(863,606)
Cash flows from investing activities		(2,396,301)	(2,415,678)
Payments relating to non-current financial debt		(353)	(2,929)
Payments relating to acquisitions of treasury shares		(34,613)	-
Changes in current financial debt		53,365	4,907
Dividends		(1,871,456)	(1,625,949)
Cash flows used in financing activities		(1,853,058)	(1,623,971)
Net increase in cash and cash equivalents		(117,954)	459,879
Cash and cash equivalents at the beginning of the year	(20)	4,225,527	3,797,930
Effect of exchange rate fluctuations on cash and cash equivalents		8,340	(32,282)
Cash and cash equivalents at the end of the year	(20)	4,115,912	4,225,527

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the Parent										
(Amounts in thousands of euros)	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 2015	**93,500**	**20,379**	**10,296,350**	**63,304**	**109,521**	**(73,354)**	**(148,695)**	**69,650**	**10,430,655**	**38,046**	**10,468,701**
Profit for the year	-	-	2,874,584	-	-	-	-	-	2,874,584	7,617	2,882,201
Distribution of results	-	-	(32,125)	-	32,125	-	-	-	-	-	-
Distribution of dividends	-	-	10,415	-	(10,415)	-	-	-	-	-	-
Other movements	-	-	(4,411)	-	-	-	-	-	(4,411)	2,043	(2,368)
Other comprehensive income for the year	-	-	-	-	-	-	(244,395)	(41,655)	(286,050)	-	(286,050)
Translation differences relating to finanial statements of foreign operations	-	-	-	-	-	-	(244,395)	-	(244,395)	-	(244,395)
Cash flow hedges	-	-	-	-	-	-	-	(41,655)	(41,655)	-	(41,655)
Operations with equity holders or owners	-	-	(1,618,839)	14,259	-	-	-	-	(1,604,580)	(7,110)	(1,611,690)
Share-based payments	-	-	-	14,259	-	-	-	-	14,259	-	14,259
Dividends	-	-	(1,618,839)	-	-	-	-	-	(1,618,839)	(7,110)	(1,625,949)
Balance at 31 January 2016	93,500	20,379	11,525,973	77,563	131,231	(73,354)	(393,090)	27,995	11,410,197	40,596	11,450,793
Balance at 1 February 2016	**93,500**	**20,379**	**11,525,973**	**77,563**	**131,231**	**(73,354)**	**(393,090)**	**27,995**	**11,410,197**	**40,596**	**11,450,793**
Profit for the year	-	-	3,156,957	-	-	-	-	-	3,156,957	4,148	3,161,105
Distribution of results	-	-	(55,607)	-	55,607	-	-	-	-	-	-
Distribution of dividends	-	-	27,744	-	(27,744)	-	-	-	-	-	-
Transfers	-	-	(82,739)	-	-	-	82,739	-	-	-	-
Other movements	-	-	(29,049)	-	1,784	-	-	-	(27,265)	(3,304)	(30,569)
Other comprehensive income for the year	-	-	-	-	-	-	70,058	(12,975)	57,083	-	57,083
Translation differences relating to finanial statements of foreign operations	-	-	-	-	-	-	70,058	-	70,058	-	70,058
Cash flow hedges	-	-	-	-	-	-	-	(12,975)	(12,975)	-	(12,975)
Operations with equity holders or owners	-	-	(1,868,190)	(1,645)	-	(13,757)	-	-	(1,883,592)	(3,266)	(1,886,858)
Treasury shares	-	-	-	-	-	(13,757)	-	-	(13,757)	-	(13,757)
Additions relating to share-based payments	-	-	-	16,929	-	-	-	-	16,929	-	16,929
Exercise of share-based payments	-	-	-	(18,574)	-	-	-	-	(18,574)	-	(18,574)
Dividends	-	-	(1,868,190)	-	-	-	-	-	(1,868,190)	(3,266)	(1,871,456)
Balance at 31 January 2017	93,500	20,379	12,675,090	75,918	160,878	(87,111)	(240,294)	15,020	12,713,380	38,174	12,751,554

Translation of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see below and Note 6.34). In the event of a discrepancy, the Spanish-language version prevails.

6. NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE INDITEX GROUP AT 31 JANUARY 2017

The consolidated annual accounts of the Inditex Group for 2016 were prepared by the Board of Directors on 14 March 2017 and will be submitted for approval at the corresponding annual general shareholders' meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2015 were approved by the annual general shareholders' meeting held on 19 July 2016.

These annual accounts were prepared in accordance with the International Financial Reporting Standards (IFRSs) and related interpretations (IFRICs and SICs) adopted by the European Union (EU-IFRSs) and 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 2016 will hereinafter be referred to as "2015", the twelve-month period ended 31 January 2017 as "2016", and so on.

Unless otherwise stated, the amounts shown in these consolidated annual accounts are expressed in thousands of euros.

The consolidated annual accounts are presented in euros, since the euro is the Group's functional currency.

The separate annual accounts of the Parent (Inditex) for 2016 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 2017, 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 2016 were prepared on the basis of the accounting records of Inditex and the other Group companies.

The Group uses certain performance measures additional to those defined in IFRSs, 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 net sales and the cost of sales. Notes 3 and 4 contain detailed information on the items included in these consolidated income statement line items. 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, depreciation and amortization, 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 amortization and depreciation.

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).

- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent divided by average shareholders' equity for the year.

In preparing the consolidated annual accounts at 31 January 2017 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 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 2017 and 2016. 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.

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. ("Inditex"), domiciled in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the Parent of a group of companies whose principal activity is the retail distribution of fashion items, mainly clothing, footwear, accessories and household textile products. Inditex carries out its activity through various commercial formats such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Inditex is listed on all four Spanish stock exchanges and, together with its subsidiary companies, composes the Inditex Group ("the Group").

Each format's commercial activity is carried out through an integrated store and on-line 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 retail selling 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 does not have any significant non-controlling interests.

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.

Inditex's business model is characterized by the search for flexibility in adapting production to market demand through control of the supply chain in the various stages of design, manufacture and distribution. This enables it to focus both its own and suppliers' production on changes in trends within each sales campaign.

The Group's logistics system is based on continuous deliveries to stores, throughout each season, from the distribution centers of the various commercial formats. This system essentially operates through centralized logistics facilities for each of the concepts, at which inventory is stored and from which it is distributed to all the stores worldwide.

At 31 January 2017, the various Group formats had stores in 93 different markets with the following geographical distribution:

Number of stores	Company managed	Franchises	Total
Spain	1,748	39	1,787
Rest of Europe	3,073	155	3,228
Americas	578	165	743
Rest of the world	915	619	1,534
Total	6,314	978	7,292

At 31 January 2016, the geographical distribution of stores was as follows:

Number of stores	Company managed	Franchises	Total
Spain	1,790	36	1,826
Rest of Europe	2,941	146	3,087
Americas	539	143	682
Rest of the world	835	583	1,418
Total	6,105	908	7,013

The majority of company-managed store premises are held under operating leases. Information on the main terms of the leases is provided in Note 25.

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 Appendix I. The identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are stated at their acquisition-date fair values, provided the acquisition took place after 1 January 2004, the date of transition to EU-IFRSs.

For business combinations subsequent to that date, 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 recognized 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 recognized 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 recognized 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 recognized 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. A detail of the subsidiaries is provided in Appendix I.

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 a joint venture. 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 consolidated Group 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 accounting 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 realized vis-à-vis third parties, are eliminated in the consolidation process.

v) Translation of annual accounts denominated in foreign currencies

The Group applied the exemption relating to cumulative translation differences envisaged in IFRS 1 First-time Adoption of International Financial Reporting Standards and, therefore, any translation differences recognized in the consolidated annual accounts that were generated prior to 1 January 2004 are recorded in reserves. Since that date, the annual accounts of companies with a functional currency other than the euro have been translated as follows:

- Assets and liabilities are translated to euros at the exchange rates prevailing at the balance sheet date.
- Items composing the equity of these companies are translated to euros at the historical exchange rates (or, for retained earnings, at the average exchange rates for the year in which they were generated).
- Income and expenses are translated to euros at the exchange rates prevailing at the dates on which they were recognized, 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 recognized in profit or loss for the year.

vi) Annual accounts in hyperinflationary countries

The annual accounts of companies based in countries meeting the requirements for classification as hyperinflationary economies were adjusted prior to translation to euros to account for the effect of changes in prices. There are currently no companies in the Group's consolidation scope that operate in countries considered to be hyperinflationary economies.

vii) Companies with a reporting date that differs from that of the Group

Companies with a reporting date which differs from that of the consolidated annual accounts were consolidated using the annual accounts at their respective reporting dates (see Appendix 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 consolidation scope

Appendix I lists all the companies included in the scope of consolidation. The detail of the main companies

incorporated and consolidated for the first time in 2016 is as follows:

Companies incorporated:

Constituciones
ZARA RETAIL NZ LIMITED
ZARA HOME SRB DOO BEOGRAD
UTERQÜE POLSKA SP. Z O.O.
MASSIMO DUTTI FINLAND OY
UTERQÜE KAZAKHSTAN LLP

During the financial year, Massimo Dutti Puerto Rico INC has merged with Zara Puerto Rico INC, and the company ITX Japan Corporation as merged with Zara Japan Corporation.

The inclusions in the consolidated Group referred to above did not have a material impact on equity in the consolidated annual accounts for 2016.

6.2.2. ACCOUNTING POLICIES

New standards and amendments applied in 2016

The following standards, amendments and interpretations recently came into force for all reporting periods beginning on or after 1 January 2016:

- Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16, Property, Plant and Equipment and IAS 38, Intangible Assets): These amendments clarify the acceptable methods of depreciation and amortization of property, plant and equipment and intangible assets.

- Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11, Joint Arrangements): The amendments provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.

- Improvements to IFRSs, 2012-2014 cycle - a series of minor amendments to the following standards was introduced:

  · IFRS 5, Non-Current Assets Held for Sale and Discontinued Operations.

  · IFRS 7, Financial Instruments: Disclosures.

  · IAS 19, Employee Benefits.

  · IAS 34, Interim Financial Reporting.

- Equity Method in Separate Financial Statements (Amendments to IAS 27, Separate Financial Statements): the amendments permit the use of the equity method in the separate financial statements of an investor.

- Disclosure Initiative (Amendments to IAS 1, Presentation of Financial Statements): the amendments included clarifications in relation to disclosures (materiality, aggregation, order of specific items within the notes to the financial statements, etc.)

- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, Consolidated Financial Statements, IFRS 11, Disclosure of Interests in Other Entities and IAS 28, Investments in Associates and Joint Ventures). The amendments introduce certain clarifications on the consolidation exception for investment entities.

- Agriculture: Bearer Plants (Amendments to IAS 16, Property, Plant and Equipment and IAS 41, Agriculture). Bearer plants shall be measured at cost rather than at fair value.

The application of the aforementioned amendments and improvements did not give rise to a material impact on the Group's annual accounts. Also, certain standards and amendments do not have an impact due to their subject-matter (e.g. IAS 41, Agriculture).

Standards approved for use in the European Union

At the date of formal preparation of these consolidated annual accounts, the following standards and interpretations with a potential impact on the Group had been issued by the IASB and adopted by the European Union for their application in annual reporting periods beginning on or after 1 January 2018 (they were not applied early):

- IFRS 15, Revenue from Contracts with Customers, and the related clarifications. This standard, which supersedes the current standards on revenue IAS 18, Revenue and IAS 11, Construction Contracts and the interpretations issued (IFRIC 13, IFRIC 15, IFRIC 18 and SIC-31), establishes a new model for revenue recognition based on the concept of control, whereby revenue is recognized when (or as) the entity satisfies a performance obligation by transferring a promised good or service to a customer. To this end, IFRS 15 introduces a five-step approach to the recognition of revenue and more extensive disclosure requirements. Also, certain clarifications to the standard issued by the IASB are yet to be adopted.

  As detailed in Notes 1 and 3, the main activities for which the Group recognizes revenue are retail sales through company-managed stores and online, franchises and other online channels. In a preliminary assessment, Group management considered that the aforementioned activities represent mainly the performance obligation to transfer certain goods to customers, revenue from which is recognized at the point in time at which control over the aforementioned products is transferred, which does not differ significantly from the current identification of independent price components performed pursuant to IAS 18. Also, management does not expect the allocation of the transaction price to the various

performance obligations in each contract, where applicable, or the timing of recognition of the revenue in the income statement as a result of applying IFRS 15 to differ significantly from those provided for in the current standard IAS 18.

- IFRS 9, Financial Instruments. This standard supersedes IAS 39. There are significant differences with respect to the current standard for the recognition and measurement of financial instruments, the most important being as follows:

- Classification and measurement of financial instruments:

  Two categories are established with respect to financial assets:

  · Debt and equity instruments: they are measured at fair value through profit or loss. However, entities may make an election to present in other comprehensive income subsequent changes in the fair value of certain investments in equity instruments and, in general, only the dividends from those investments will be recognized subsequently in profit or loss.

  · Debt instruments held within a business model whose objective is to hold financial assets in order to collect contractual cash flows that are solely payments of principal and interest are measured at amortized cost. Debt instruments held within a business model whose objective is achieved by both collecting contractual cash flows (payments of principal and interest) and selling financial assets are in general measured at fair value through other comprehensive income.

  In relation to the measurement of financial liabilities designated optionally as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income (unless this would create or enlarge an accounting mismatch in profit or loss) and shall not be reclassified subsequently to profit or loss.

  On the basis of the Group's financial assets and liabilities at 31 January 2017, application of IFRS 9 vis-à-vis measurement and clarification of financial instruments is not expected to have a significant effect on the consolidated annual accounts.

- Impairment: a new impairment model based on expected credit losses is established, as opposed to the current incurred loss model. Under the expected credit loss model, it is no longer necessary for an impairment event to have occurred before credit losses are recognized. Given the nature of the Group's business, in which the majority of sales are collected in cash and there are no material accounts receivable of another kind, the impact of applying this new impairment model is not expected to be significant.

- Hedge accounting: IFRS 9 eases the rules for determining transactions that qualify for hedge accounting and revises the rules of the hedge effectiveness test. Given that the new hedge accounting requirements will be more closely aligned with the Group's risk management policies, a preliminary assessment of the Group's current hedging relationships indicates that they will meet the conditions to continue as hedging relationships on application of IFRS 9. Application of IFRS 9 vis-à-vis hedge accounting is not expected to have a significant impact on the consolidated annual accounts.

  The aforementioned assessment was made by reference to an analysis of the Group's financial assets and liabilities at 31 January 2017 and of the facts and circumstances that existed at that date. Since the facts may change in the period until the date of initial application of IFRS 9 (expected to be 1 February 2018, since the Group does not intend to apply the standard early), the assessment of its potential effect is subject to change.

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 interpretations with a potential impact on the Group had been issued by the IASB but had not yet been adopted by the European Union:

- Disclosure Initiative (Amendments to IAS 7, Statement of Cash Flows). Effective for annual periods beginning on or after 1 January 2017, the amendments introduce new additional disclosure requirements relating to the reconciliation of changes in financial liabilities to cash flows from financing activities.

- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12, Income Taxes). Effective for annual periods beginning on or after 1 January 2017, the amendments introduce clarifications to the principles established for the recognition of deferred tax assets for unrealized losses on debt instruments measured at fair value.

- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2, Share-based Payment). Effective for annual periods beginning on or after 1 January 2018, the amendments relate to specific issues concerning the classification and measurement of share-based payment transactions.

- Applying IFRS 9, Financial Instruments with IFRS 4, Insurance Contracts (Amendments to IFRS 4). Effective for annual periods beginning on or after 1 January 2018. The amendments provide entities within the scope of IFRS 4 with the option of applying IFRS 9 or the temporary exemption therefrom.

- Transfers of Investment Property (Amendments to IAS 40, Investment Property). Effective for annual periods beginning on or after 1 January 2018, these amendments clarify the circumstances in which the transfer of a property to, or from, investment property is permitted.

- Annual Improvements to IFRS Standards 2014–2016 Cycle, establishing minor amendments to IFRS 1, First-time Adoption of International Financial Reporting Standards, IFRS 12, Disclosure of Interests in Other Entities and IAS 28, Investments in Associates and Joint Ventures, effective for annual periods beginning on or after 1 January 2018.

- IFRIC 22, Foreign Currency Transactions and Advance Consideration. This interpretation, mandatorily applicable in annual periods beginning on or after 1 January 2018, establishes the date of the transaction for the purpose of determining the exchange rate to use in transactions with advance consideration in a foreign currency.

The Group is analyzing the impact that these new standards and amendments may have on the consolidated annual accounts, which is not expected to be significant.

Also, at the date of preparation of these consolidated annual accounts the IASB had issued IFRS 16, Leases. IFRS 16 is mandatorily applicable for annual reporting periods beginning on or after 1 January 2019 and is expected to be adopted by the European Union, per the information published by the European Financial Reporting Advisory Group (EFRAG), in the next twelve months. This Standard, which supersedes IAS 17, Leases and the related interpretations (IFRIC 4, SIC-15 and SIC-27), sets out the new principles for the identification of leases and their accounting treatment.

From a lessee accounting model standpoint, IFRS 16 replaces the current dual model that distinguishes between finance leases and operating leases with a single lessee accounting model under which lessees shall recognize all leases in their balance sheets as if they were financed purchases, except for the very specific exceptions of leases for which the underlying asset is of low value and short-term leases. In general, the foregoing entails for each lease:

- The recognition in the balance sheet of an asset for the value of the underlying asset and of a liability for the present value of the fixed lease payments (including in-substance fixed payments) and variable lease payments that depend on an index or a rate.

- The recognition in the income statement, over the lease term, of a depreciation charge for the right-of-use asset and an interest expense relating to the amortized cost of the lease liability.

As indicated in Note 1 to the consolidated annual accounts, the majority of the Group's company-managed stores are located in commercial premises leased under operating leases, in relation to which the Group recognized a lease expense and committed to certain future non-cancellable minimum payments which are detailed in Note 25 to the consolidated annual accounts. At the date of preparation of these consolidated annual accounts, the Group was adapting its reporting systems to gather the necessary information on leases in order to recognise them in accordance with IFRS 16. Also, at the date of preparation of these consolidated annual accounts, management was estimating the impact that application of this new standard will have on the Group's consolidated annual accounts, which, on the basis of the foregoing, is expected to be significant.

a) Foreign currency translation

Foreign currency transactions are translated to euros by applying the exchange rates prevailing at the date of the transaction. 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 recognized in the income statement for the year as financial results.

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 fluctuations 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 recognized (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
Buildings	25 a 50
Fixtures, furniture and machinery (*)	8 a 15
Other property, plant and equipment	4 a 13

* In the case of assets located in leased premises, the depreciation rate is adapted to the estimated term of the lease if this shorter than the useful lives of the assets.

The Group reviews the residual values and useful lives of its property, plant and equipment at each financial year-end. Any change in the initially established estimates is accounted for as a change in an accounting estimate.

After initial recognition of an asset, only those costs that it is probable will give rise to future economic benefits and that can be measured reliably are capitalized.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss as they are incurred.

c) Rights over leased assets

These rights, known as leasehold assignment rights, lease access or surrender premiums, relate to the amounts paid for lease rights over premises for access to commercial premises, in which the acquirer and new lessee is 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 recognized as assets in the accompanying consolidated balance sheet.

These assets are recognized at cost of acquisition. After initial recognition, they are stated at cost less accumulated amortization and any impairment losses and are amortized on a straight-line basis over the term of the lease contract, 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 amortized on a straight-line basis over a maximum period of ten years.

- Computer software: software is stated at cost and is amortized on a straight-line basis over a five-year period.

- Industrial designs: these items are reflected at their cost of production, which includes the cost of samples, personnel costs and other directly or indirectly attributable costs, and are amortized 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 financial year-end. 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 recognized.

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 recognized. Depreciation is calculated on a straight-line basis over the useful lives of the corresponding assets (see Note 6.2.2.g).

A detail of the market value of investment property is shown in Note 14.

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 lives) might have become impaired, in order to determine whether their recoverable amount is lower than their carrying amount (impairment loss). In the case of goodwill and intangible assets with indefinite useful lives the impairment tests are performed at least once a year, or more frequently if there are indications of impairment.

Impairment of non-current assets (property, plant and equipment and intangible assets) other than goodwill and intangible assets with an indefinite useful life

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances such as the performance of a store, 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.

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 cash-generating unit (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 concept-country level, or even at the level of all the companies located in a given country. 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.

The Group uses the budgets and business plans, which generally cover a period of between three and five 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 return).

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:

	2016 Average	2015 Average
Americas	9.20%	9.55%
Asia and rest of the world	6.66%	6.85%
Spain	5.39%	5.79%
Rest of Europe	6.58%	6.84%
Total	7.05%	7.32%

The results obtained from the 2016 impairment test performed on non-current assets (property, plant and equipment and intangible assets) are shown in the tables of changes included in Notes 13 and 15 to the consolidated annual accounts relating to property, plant and equipment and rights over leased assets and other intangible assets.

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 potentia existence of additional asset impairment amounting to Euros 1,761 thousand and Euros 1,416 thousand, respectively (Euros 1,587 thousand and Euros 1,217 thousand, respectively, in 2015).

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, with the exception that, since the CGU is the acquiree, 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 2016 and 2015 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 separately for each of the aforementioned assumptions, did not disclose the potential existence of any impairment in any of the cases.

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 recognized with a credit to "Amortization and depreciation" in the consolidated income statement, up to the limit of the carrying amount that the asset would have had, net of depreciation or amortization, had the impairment loss never been recognized, 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 recognized for goodwill must not be reversed in a subsequent period.

h) Trade and other receivables

Trade receivables are initially recognized at fair value. After initial recognition, they are stated at amortized cost in accordance with the effective interest method, less any impairment losses recognized.

Impairment losses are recognized on trade receivables when there is objective evidence that the Group will not be able to collect the entire amount owed by the debtor under the original terms governing the accounts receivable. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the original interest rate. The amount of the impairment loss is recognized 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 "First in - First out" (FIFO) basis and includes the cost of materials consumed, labor and manufacturing expenses.

The cost of inventories is adjusted through "Cost of sales" in the consolidated income statement when cost exceeds net realizable value. Net realizable 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 products 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 process: the estimated selling price for the corresponding finished products, 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 recognized in the consolidated balance sheet as financial liabilities relating to bank borrowings.

The Group classifies the cash flows relating to interest and dividends paid and received as cash flows from investing and financing activities.

k) Current financial investments

Current financial investments include bank deposits and investments in investment funds that are not available at short term or that mature at between three and twelve months from acquisition and which do not meet the requirements to be considered as cash equivalents.

The Group classifies cash flows relating to the amounts invested and received as cash flows from investing activities.

l) 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 2017.

The personnel expense accrued during the year is 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 personnel expenses incurred by the Company in relation to the beneficiaries of the plans referred to in Note 27 to the consolidated annual accounts are recognized with a credit to liability and equity accounts in the period in which the expenses are incurred.

m) Provisions and contingent liabilities

Provisions are recognized 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 embodying economic benefits will 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 recognized.

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.

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.

n) Financial liabilities

Financial liabilities, including trade and other payables, are initially recognized at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, the Group's financial liabilities are measured at amortized cost using the effective interest method.

o) Derivatives and hedging operations

Financial instruments acquired by the Group to hedge forecast transactions in foreign currencies are initially recognized 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 recognized in equity. The ineffective portion is charged to finance costs or credited to finance income, as appropriate.

Amounts recognized in equity are taken to income when the forecast transaction takes place with a charge or credit to the income statement account in which it was recognized. Also, gains or losses recognized 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 recognized, 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 and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item. Also, the ineffective portion of the hedging instrument is recognized 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, which are Level 1 and 2 inputs 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 Group does not have any assets or liabilities assigned to this hierarchical level.

The measurement methodology, based on the aforementioned hierarchy, is as follows:

Level 1 instruments

The Group assigns certain fixed-income securities to this level and measures them at the prices in the active market in which they are traded.

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.

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.

Zero-premium option combinations

Fair value measurement:

Valuation of zero-premium options is based on a stochastic local volatility ("SLV") model using a Monte Carlo simulation. The valuation depends on the implied volatility of the standard option contracts as well as the dynamics of the implied volatilities. Fair value is a function of the stochastic process that describes the behavior of the underlying's volatility parameter and of the weighted local volatility component determined by the implied volatility surface.

Options purchased

Fair value measurement:

The determination of the fair value of the (plain vanilla) options is based on a modified version of the Black-Scholes formula (Garman-Kohlhagen). Fair value is a function of the underlying's price, the exercise price, the time to expiration and the volatility of the underlying. The credit risk adjustment is performed using the spread method.

p) Revenue recognition

Sales of goods are recognized when substantially all the risks and rewards of ownership of the goods are transferred, and they are presented net of actual and projected sales returns.

Sales of goods to franchises are recognized when the aforementioned conditions are met and when

revenue can be reliably determined and collection is considered probable.

Rental income is recognized on a straight-line basis over the term of the lease.

Revenue from royalties is recognized using the accrual principle based on the substance of the contracts, provided that collection of the revenue is considered probable and its amount can be reliably estimated.

q) 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 recognized 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 recognized 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 recognized as an expense on a straight-line basis over the term of the lease. Contingent rent is recognized 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 recognized 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 "Other operating expenses", on a straight-line basis over the term of the respective lease contracts.

r) Finance income and costs

Interest income and interest expenses are recognized on an accrual basis using the effective interest method. Dividend income is recognized when the right to receive payment is established.

s) Income tax

The income tax expense for the year comprises current tax and deferred tax. Current and deferred tax is recognized 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 enacted or substantially enacted at the balance sheet date, in respect of the current period, and any adjustment to tax payable or recoverable in respect of prior periods.

Deferred tax is calculated using the balance sheet liability method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities are the amounts of income taxes payable in the future in respect of taxable temporary differences, while deferred tax assets are the amounts of income taxes recoverable in the future due to the existence of deductible temporary differences, tax loss carryforwards or tax credit carryforwards.

The Group recognizes deferred tax assets and liabilities for temporary differences, except where they relate to the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affected neither gross accounting profit nor taxable profit (tax loss), or in the case of deferred tax liabilities, where the temporary differences relate to the initial recognition of goodwill. Deferred tax liabilities are also recognized 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 realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantially enacted by 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 recognized 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 utilized. Deferred tax assets, whether recognized 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 recognized amounts and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognized in the consolidated balance sheet under non-current assets and liabilities, irrespective of the expected date of realization or settlement.

t) 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.

u) 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 2016 and 2015 is as follows:

	2016	2015
Net sales in company-managed stores and online	21,243,565	19,046,997
Net sales to franchises	1,831,758	1,645,401
Other sales and services rendered	235,209	208,041
Total	23,310,532	20,900,439

6.4. COST OF SALES

The detail of this line item in 2016 and 2015 is as follows:

	2016	2015
Raw materials and consumables	10,386,162	9,146,638
Change in inventories	(354,180)	(335,499)
Total	10,031,982	8,811,139

Raw materials and consumables mainly include 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:

	2016	2015
Personnel expenses	3,642,730	3,335,246
Operating leases (Note 25)	2,221,040	2,087,434
Other operating expenses	2,311,811	1,969,152
Total	8,175,581	7,391,832

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2017 is as follows:

	Gender		
Categories:	**W**	**M**	**Total**
Manufacturing and logistics	4,230	5,392	9,621
Central services	7,056	4,342	11,397
Stores	111,639	29,793	141,432
Total	122,924	39,526	162,450

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2016 is as follows:

	Gender		
Categories:	**W**	**M**	**Total**
Manufacturing and logistics	4,012	5,128	9,140
Central services	6,448	3,823	10,271
Stores	106,049	27,394	133,443
Total	116,509	36,345	152,854

Lease expenses relate mainly to the rental, through operating leases, of the Group's commercial premises. This line item also includes lease incentives, which are recognized in profit or loss. Note 25 provides more detailed information on the main terms of these leases, together with the related minimum future payment obligations.

"Other operating expenses" includes mainly expenses relating to store operations, logistics and general expenses, such as electricity, commissions on credit and debit card payments, travel, decoration expenses, communications and all kinds of professional services.

6.6. OTHER LOSSES AND INCOME, NET

With respect to the Group's performance in 2016, the Board of Directors, following a favourable report from the Remuneration Committee, resolved at its meeting held on 14 March 2017 to increase, on an extraordinary basis and applicable solely to that business year, the total amount of the employees' profit-sharing plan, up to a total of Euros 42,000 thousand, and recognized Euros 14,000 thousand under this heading in relation to the excess over the amount corresponding to 10% of the growth in profit. The characteristics of this plan are described in Note 27, "Employee benefits".

Also, this heading includes changes in the prices of the debts recognized as a result of the existence of cross call and put options between the Group and the owners of some of the shares of certain of the subsidiaries, since these cross options are considered to be a deferred acquisition of the shares constituting the underlying. The estimated option strike price is recognized as a liability and changes are recognized in profit or loss.

Following is a description of the main cross put and call options on those investments:

a) Subsidiaries 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) Subsidiaries domiciled in 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 shareholder's share of the equity of the investee when the call option is exercised.

c) Subsidiaries 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 shareholder's share of the equity of the investee when the call option is exercised.

d) Subsidiaries domiciled in Australia

The Group holds a call option on 10% of the share capital of Group Zara Australia, PTY. LTD. This ownership interest is held by International Brand Management, PTY. 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 shareholder's share of the equity of the investee when the call option is exercised.

6.7. AMORTIZATION AND DEPRECIATION

The detail of "Amortization and depreciation" is as follows:

	2016	2015
Amortization and depreciation charge (Notes 13, 14, 15 and 18)	967,985	976,497
Variation in impairment losses (Notes 13 and 15)	36,236	27,924
Profit/(loss) on assets (Notes 13 and 15)	70,339	38,015
Others	(11,874)	(20,719)
Total	1,062,686	1,021,717

"Other" relates mainly to gains on non-current asset sales.

6.8. FINANCIAL RESULTS

The detail of "Financial results" in the consolidated income statements for 2016 and 2015 is as follows:

	2016	2015
Finance income	21,493	23,255
Foreign exchange gains	16,783	21,531
Total income	**38,276**	**44,786**
Finance costs	(7,635)	(12,069)
Foreign exchange losses	(20,644)	(22,648)
Total expenses	**(28,279)**	**(34,717)**
Total	9,997	10,069

Finance income and costs comprise mainly the interest accrued on the Group's financial assets and liabilities during the year (see Note 20). Net foreign exchange differences are principally due to fluctuations in the currencies with which the Group operates (see Note 26) between the time when income, expenses and asset acquisitions or disposals are recognized and when the corresponding assets or liabilities are realized or settled or translated in accordance with 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 23), which totalled 3,113,647,003 in 2016 and 3,113,152,000 in 2015.

Diluted earnings per share is calculated based on the profit for the year attributable to the holders of equity instruments of the Company and the weighted average number of ordinary shares outstanding, after adjustment for the dilutive effects of potential ordinary shares.

At the end of 2016 there were no instruments with dilutive effects on earnings per share.

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 format stores aimed at different targeted 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 format 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 organized by commercial format 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 net 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:

FY 2016	**Zara**	**Bershka**	**Other**	**Inter-segment**	**Total**
Sales to third parties	15,483,128	2,013,029	5,908,169	(93,794)	23,310,532
Segment EBIT	2,764,189	332,878	922,664	1,003	4,020,734
Amortization and depreciation	659,119	88,152	316,318	(904)	1,062,686
Segment total assets	15,073,589	938,247	3,609,598		19,621,435
ROCE	30%	58%	40%		33%
Number of stores	2,213	1,081	3,998		7,292

FY 2015	**Zara**	**Bershka**	**Other**	**Inter-segment**	**Total**
Sales to third parties	13,710,912	1,879,179	5,403,229	(92,882)	20,900,439
Segment EBIT	2,453,681	299,881	926,885	(3,004)	3,677,442
Amortization and depreciation	624,292	106,427	287,993	3,004	1,021,717
Segment total assets	13,251,245	886,164	3,219,739		17,357,148
ROCE	30%	53%	45%		34%
Number of stores	2,162	1,044	3,807		7,013

For presentation purposes, the commercial concepts other than Zara 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 amortization and depreciation corresponds to "Amortization 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 assigned 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.

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.

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.

	Net Sales		Non-current assets	
	2016	2015	31/01/17	31/01/16
Spain	4,251,149	4,002,801	3,073,960	2,920,572
Rest of Europe	10,749,859	9,695,065	3,253,120	2,916,414
Americas	3,484,459	3,002,480	1,529,005	1,361,809
Asia and rest of the world	4,825,064	4,200,093	1,144,974	1,015,689
Total	23,310,532	20,900,439	9,001,059	8,214,484

6.11. TRADE AND OTHER RECEIVABLES

The detail of this line item at 31 January 2017 and 2016 is as follows:

	31/01/17	31/01/16
Trade receivables	231,799	163,765
Receivables due to sales to franchises	232,884	229,873
Public entities	278,191	152,881
Other current receivables	118,152	122,288
Total	861,027	668,807

Trade receivables are mainly customer debit/credit card payments pending collection.

Part of the Group's activity is carried out through franchised stores (see Note 1). Sales to franchisees are made under agreed collection terms, which are partially guaranteed as described in Note 26.

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 center developers (see Note 25) and outstanding balances on sundry operations.

6.12. INVENTORIES

The detail of this line item at 31 January 2017 and 2016 is as follows:

	31/01/17	31/01/16
Raw materials and consumables	95,940	87,940
Goods in process	33,087	32,955
Finished goods for sale	2,420,168	2,074,120
Total	2,549,195	2,195,015

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 01/02/2015	1,643,011	8,251,907	434,387	471,113	10,800,418
Acquisitions	136,563	1,160,402	82,399	153,500	1,532,865
Disposals (Note 7)	(1,837)	(399,394)	(35,193)	(760)	(437,184)
Transfers	86,507	82,746	9,212	(123,244)	55,222
Foreign exchange translation differences	9,004	(231,452)	(11,649)	9,225	(224,872)
Balance at 31/01/2016	**1,873,248**	**8,864,209**	**479,157**	**509,835**	**11,726,449**
Balance at 01/02/2016	1,873,248	8,864,209	479,157	509,835	11,726,449
Acquisitions	6,827	1,214,531	106,114	211,046	1,538,517
Disposals (Note 7)	(3,766)	(442,802)	(53,441)	(312)	(500,321)
Transfers	274,204	64,576	58,491	(398,533)	(1,261)
Foreign exchange translation differences	10,473	91,585	8,247	(1,319)	108,986
Balance at 31/01/2017	2,160,986	9,792,099	598,568	320,716	12,872,370
Depreciation					
Balance at 01/02/2015	258,269	4,236,605	203,126	-	4,698,000
Depreciation charge for the year (Note 7)	36,370	751,565	64,084	-	852,018
Disposals (Note 7)	(585)	(363,526)	(33,245)	-	(397,356)
Transfers	10,319	(9,694)	766	-	1,390
Foreign exchange translation differences	338	(93,232)	(5,998)	-	(98,892)
Balance at 31/01/2016	**304,711**	**4,521,717**	**228,733**	**-**	**5,055,160**
Balance at 01/02/2016	304,711	4,521,717	228,733	-	5,055,160
Depreciation charge for the year (Note 7)	38,860	719,963	73,011	-	831,834
Disposals (Note 7)	(1,021)	(380,834)	(26,987)	-	(408,843)
Transfers	32	(1,034)	(21)	-	(1,022)
Foreign exchange translation differences	551	19,890	3,497	-	23,938
Balance at 31/01/2017	343,133	4,879,701	278,233	-	5,501,067
Impairment losses (Note 6.2.2.g)					
Balance at 01/02/2015	1,413	59,118	1,313	-	61,844
Charge for the year (Note 7)	258	34,089	549	-	34,896
Amounts charged to profit or loss (Note 7)	-	(10,212)	(347)	-	(10,559)
Disposals (Note 7)	-	(11,380)	(426)	-	(11,807)
Transfers	-	291	1	-	291
Foreign exchange translation differences	-	(861)	16	-	(845)
Balance at 31/01/2016	**1,671**	**71,044**	**1,106**	**-**	**73,821**
Balance at 01/02/2016	1,671	71,044	1,106	-	73,821
Charge for the year (Note 7)	-	47,296	1,621	-	48,917
Amounts charged to profit or loss (Note 7)	(139)	(15,317)	(274)	-	(15,730)
Disposals (Note 7)	-	(14,503)	(258)	-	(14,761)
Transfers	-	(5,211)	(90)	-	(5,300)
Foreign exchange translation differences	-	930	(2)	-	927
Balance at 31/01/2017	1,532	84,240	2,102	-	87,875
Carrying amount					
Balance at 31/01/2016	**1,566,865**	**4,271,448**	**249,319**	**509,835**	**6,597,467**
Balance at 31/01/2017	1,816,321	4,828,158	318,233	320,716	7,283,428

"Fixtures, furniture and machinery" includes mainly assets related to stores.

"Other 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 Euros 1,949,016 thousand and Euros 1,887,334 thousand at 31 January 2017 and 31 January 2016, 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 enable the different risks to which the Group is exposed to be quantified, measured and insured.

Lastly, the Group takes out insurance policies through corporate insurance programs to protect its assets from the various risks, and establishes suitable limits, excesses and conditions in view of the nature of the assets and the financial dimension of the Group.

6.14. INVESTMENT PROPERTY

Investment property relates mainly to premises and other property assets leased to third parties. The changes in this line item in 2016 and 2015 were as follows:

Cost	**31/01/17**	**31/01/16**
Opening balance	25,860	87,682
Transfers	442	(61,822)
Closing balance	**26,302**	**25,860**
Depreciation		
Opening balance	4,708	6,192
Depreciation charge for the year (Note 7)	249	250
Transfers	124	(1,734)
Closing balance	**5,082**	**4,708**
Net carrying value	21,221	21,152

The total market value of the investment property at 31 January 2017 was approximately Euros 22,000 thousand (31 January 2016: Euros 21,200 thousand). This market value is supported, in the case of the most significant properties (81% of the total cost), by appraisals conducted in the last few years by independent valuers with acknowledged professional capacity and recent experience in relation to the location and category of the investment property valued. The appraisals were conducted using a future cash flow discounting method based on the market prices of similar premises.

In 2016 Euros 2,367 thousand (Euros 2,675 thousand in 2015) of rental income on these investment properties were included under "Net sales - Other sales and services rendered" (see Note 3) in the consolidated income statement.

6.15. RIGHTS OVER LEASED ASSETS AND OTHER INTANGIBLE ASSETS

"Rights over leased assets" include amounts paid in respect of leasehold assignment rights, lease access or surrender premiums 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 2017, "Rights over leased assets" included items with an indefinite useful life amounting to Euros 133,738 thousand (Euros 133,130 thousand at 31 January 2016). The useful lives of these assets is reviewed at year-end and no events or circumstances altering this indefinite useful life assessment were identified. The Group does did not have other any 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 2016 and 2015 is as follows:

	Rights over leased assets	Patents and similar intangibles	Software	Other intangible assets	Total
Cost					
Balance at 01/02/2015	1,010,246	25,035	96,489	137,597	1,269,367
Acquisitions	53,631	1,714	31,564	87,226	174,135
Disposals	(18,328)	(8)	(7,527)	(50,586)	(76,449)
Transfers	(19,825)	1,184	805	(4)	(17,840)
Foreign exchange translation differences	(17,538)	(72)	(421)	(62)	(18,093)
Balance at 31/01/2016	**1,008,186**	**27,854**	**120,908**	**174,171**	**1,331,120**
Balance at 01/02/2016	1,008,186	27,854	120,908	174,171	1,331,120
Acquisitions	51,479	2,153	47,580	77,163	178,374
Disposals (Note 7)	(32,725)	(2)	(281)	(77,861)	(110,869)
Transfers	(993)	-	6,274	(6,303)	(1,022)
Foreign exchange translation differences	(1,541)	50	151	46	(1,295)
Balance at 31/01/2017	1,024,406	30,054	174,631	167,217	1,396,309
Amortization					
Balance at 01/02/2015	472,276	13,954	37,028	55,138	578,396
Amortization charge for the year	40,870	2,102	19,157	62,099	124,229
Disposals	(8,735)	(8)	(7,710)	(48,772)	(65,225)
Transfers	-	1,184	(1,184)	-	-
Foreign exchange translation differences	(9,899)	(72)	(276)	(42)	(10,287)
Balance at 31/01/2016	**494,512**	**17,161**	**47,015**	**68,423**	**627,112**
Balance at 01/02/2016	494,512	17,161	47,015	68,423	627,112
Amortization charge for the year (Note 7)	40,523	2,647	24,358	68,373	135,901
Disposals (Note 7)	(25,315)	(1)	(290)	(66,470)	(92,076)
Transfers	(80)	-	1	-	(79)
Foreign exchange translation differences	(2,019)	50	108	20	(1,841)
Balance at 31/01/2017	507,621	19,857	71,192	70,347	669,016
Impairment losses (Note 6.2.2.g)					
Balance at 01/02/2015	6,855	-	4	2	6,861
Impairment charge for the year	4,830	-	-	8	4,838
Amounts charge to profit or loss	(1,251)	-	-	-	(1,251)
Disposals	(1,226)	-	(3)	(1)	(1,230)
Transfers	15	-	-	-	15
Foreign exchange translation differences	5	-	(1)	-	3
Balance at 31/01/2016	**9,227**	**-**	**1**	**9**	**9,238**
Balance at 01/02/2016	9,227	-	1	9	9,238
Impairment charge for the year (Note 7)	5,462	-	1	3	5,466
Amounts charge to profit or loss (Note 7)	(2,409)	-	-	(7)	(2,417)
Disposals (Note 7)	(569)	-	(1)	(1)	(571)
Transfers	(59)	-	-	-	(59)
Foreign exchange translation differences	88	-	-	-	87
Balance at 31/01/2017	11,739	-	-	5	11,744
Carrying amount					
Balance at 31/01/2016	**504,447**	**10,692**	**73,894**	**105,739**	**694,771**
Balance at 31/01/2017	505,046	10,197	103,439	96,865	715,548

The Group capitalized Euros 47,580 thousand in 2016 (Euros 24,824 thousand in 2015) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized Euros 77,163 thousand (Euros 86,538 thousand in 2015) 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.

6.16. GOODWILL

The detail of this line item in the consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	2016	2015
Opening balance	193,488	197,901
Foreign exchange translation differences	2,216	(4,413)
Closing balance	195,704	193,488

Investee	2016	2015
Stradivarius España, S.A.	53,253	53,253
BCN Diseños, S.A. de C.V.	10,276	11,447
Zara Polska, S.p. Zo.o.	33,651	32,819
Zao Zara CIS	10,492	8,254
Pull&Bear CIS	232	182
Stradivarius CIS	5,486	5,173
Zara Serbia, D.O.O. Belgrade	4,150	4,174
Pull & Bear Serbia, D.O.O. Belgrade	690	695
Massimo Dutti Serbia, D.O.O. Belgrade	831	835
Bershka Serbia, D.O.O. Belgrade	803	807
Stradivarius Serbia, D.O.O. Belgrade	724	728
Oysho Serbia, D.O.O. Belgrade	482	485
Inditex Montenegro, D.O.O. Podgorica	2,577	2,577
Massimo Dutti Benelux, N.V.	19,921	19,921
Italco Moda Italiana, LDA.	51,357	51,357
Z-Fashion Finland OY	781	781
Closing balance	195,704	193,488

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 were essentially related 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).

6.17. FINANCIAL INVESTMENTS

The detail of this line item in the consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	Loans and other credit facilities	Investments accounted for using the equity method	Others	Total
Balance at 01/02/2015	7,109	141,676	2,468	151,253
Acquisitions	300	55,607	73	55,980
Disposals	(267)	(22,414)	(748)	(23,429)
Balance at 31/01/2016	**7,142**	**174,869**	**1,793**	**183,804**
Balance at 01/02/2016	7,142	174,869	1,793	183,804
Acquisitions	13,954	47,588	-	61,542
Disposals	(1,416)	(27,493)	-	(28,909)
Transfers	12,478	-	463	12,941
Foreign exchange translation differences	(1,363)	3,409	-	2,046
Balance at 31/01/2017	30,794	198,373	2,256	231,423

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 28).

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.

6.18. OTHER NON-CURRENT ASSETS

The detail of this line item in the consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	Guarantees	Other	Total
Balance at 01/02/2015	429,324	42,822	472,146
Acquisitions	62,177	10,714	72,891
Disposals	(16,255)	(167)	(16,422)
Profit/(Loss) for the year	(4,097)	(6,852)	(10,949)
Transfers	(5,004)	18,048	13,044
Foreign exchange translation differences	(4,654)	(2,253)	(6,907)
Balance at 31/01/2016	**461,490**	**62,312**	**523,802**
Balance at 01/02/2016	461,490	62,312	523,802
Acquisitions	37,209	15,539	52,749
Disposals	(24,040)	(384)	(24,424)
Profit/(Loss) for the year	(904)	(3,802)	(4,706)
Transfers	(778)	(1,020)	(1,798)
Foreign exchange translation differences	9,627	(1,516)	8,111
Balance at 31/01/2017	482,604	71,131	553,734

The guarantees and deposits relate mainly to amounts deposited with owners of leased commercial premises to ensure compliance with the conditions stipulated in the lease contracts (see Note 25), and to amounts paid to secure compliance with contracts in force.

These amounts are recognized at their repayment value as this value does not differ significantly from amortized cost.

6.19. TRADE AND OTHER PAYABLES

The detail of this line item in the consolidated balance sheets at 31 January 2017 and 2016 is as follows:

	31/01/17	31/01/16
Trade payables	3,471,084	2,994,901
Personnel	376,759	406,187
Public entities	756,857	705,974
Other current payables	490,432	407,204
Total	5,095,132	4,514,266

The following table shows the information on the average period of payment to suppliers required by Law 15/2010, of 5 July:

	Current period (2016)	Current period (2015)
	Days	Days
Average period of payment to suppliers	35.56	34.02
Ratio of transactions settled	35.64	34.10
Ratio of transactions not yet settled	34.42	33.10

	Amount (euros)	Amount (euros)
Total payments made (in thousands of euros)	2,918,460	2,502,360
Total payments outstanding (in thousands of euros)	198,720	202,379

This information relates to suppliers and creditors of Group companies domiciled in Spain.

6.20. NET FINANCIAL POSITION

The detail of the Group's net financial position is as follows:

	31/01/17	31/01/16
Cash in hand and at banks	1,807,247	2,431,029
Short-term deposits	2,125,093	853,526
Fixed-income securities	183,572	940,972
Total cash and cash equivalents	4,115,912	4,225,527
Current financial investments	**2,036,627**	**1,085,648**
Current financial debt	**(61,696)**	**(10,254)**
Non-current financial debt	**(498)**	**(749)**
Net financial position	6,090,346	5,300,172

"Cash in hand and at banks" includes cash in hand and in demand deposits at banks. "Short-term deposits" 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 3 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 attaching to them.

"Current assets - 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 3 to 12 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:

31/01/2017	Current	Non-current	Total
Loans	61,402	-	61,402
Finance leases	294	498	792
	61,696	498	62,194

31/01/2016	Current	Non-current	Total
Préstamos	8,511	-	8,511
Arrendamientos financieros	1,743	749	2,492
	10,254	749	11,003

At 31 January 2017, the Group had a limit of Euros 4,245,710 thousand on its drawable financing facilities (Euros 3,406,509 thousand at 31 January 2016). These include reverse factoring, 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:

	31/01/17	31/01/16
Euro	427	1,849
Turkish lira	2,333	3,562
British pound	54,471	-
Chinese yen	786	989
South Korean Won	4,177	-
Russian ruble	-	4,597
Romanian leu	-	6
	62,194	11,003

The maturity schedule of the Group's bank borrowings at 31 January 2017 and 2016 was as follows:

	31/01/17	31/01/16
Less than one year	61,696	10,254
Between one and five years	498	749
	62,194	11,003

6.21. PROVISIONS

The detail of this line item in the consolidated balance sheet and of the changes therein in 2016 and 2015 is as follows:

	Pensions and similar obligations with personnel	Liability	Other provisions	Total
Balance at 01/02/2015	60,898	93,477	46,236	200,611
Provisions recorded during the year	6,359	23,652	10,686	40,696
Disposals	(652)	(56,211)	(2,360)	(59,224)
Transfers	(33,057)	(2,035)	-	(35,092)
Foreign exchange translation differences	(780)	(1,442)	524	(1,698)
Balance at 31/01/2016	**32,768**	**57,440**	**55,086**	**145,294**
Balance at 01/02/2016	32,768	57,440	55,086	145,294
Provisions recorded during the year	20,326	52,612	18,824	91,761
Disposals	(1,190)	(3,302)	(1,561)	(6,052)
Transfers	3,115	4,557	-	7,673
Foreign exchange translation differences	(133)	673	2,398	2,938
Balance at 31/01/2017	54,886	111,981	74,747	241,613

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 2017. The estimated average payment period for the amounts provisioned is between three and five years.

Provision for liability

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 whose final outcome could significantly affect the Group's equity position.

In estimating the amounts provisioned at year-end, the Group used the following hypotheses and assumptions:

- Maximum amount of the contingency
- Foreseeable evolution and factors on which the contingency depends

The estimated average payment period for the amounts provisioned depends largely on the local legislation of each of the markets in which the Group operates. An analysis is performed each year of the portion that will foreseeably have to be paid the following year and the related amount is transferred to current payables.

The directors of Inditex consider that the provisions recorded in the consolidated balance sheet adequately cover the risks relating to litigation, arbitration and other contingencies and do not expect any liabilities additional to those recognized to arise therefrom.

6.22. OTHER NON-CURRENT LIABILITIES

El desglose y los movimientos de este epígrafe del balance de situación consolidado durante los ejercicios 2016 y 2015 han sido los siguientes:

	Lease incentives	Other	Total
Balance at 01/02/2015	667,013	48,758	715,771
Acquisitions	140,510	12,986	153,496
Changes through profit or loss	9,445	21,104	30,549
Transfers	(54,492)	(9,117)	(63,609)
Foreign exchange translation differences	(31,243)	1	(31,242)
Balance at 31/01/2016	**731,234**	**73,732**	**804,966**
Balance at 01/02/2016	731,234	73,732	804,966
Acquisitions	164,567	-	164,567
Changes through profit or loss	13,758	20,592	34,350
Disposals	(3,430)	-	(3,430)
Transfers	(80,699)	(10,337)	(91,036)
Foreign exchange translation differences	10,613	23	10,636
Balance at 31/01/2017	836,044	84,010	920,053

6.23. CAPITAL AND RESERVES

Share capital

At 31 January 2017 and 2016, the Parent's share capital amounted to Euros 93,499,560 and was divided into 3,116,652,000 fully subscribed and paid shares of Euro 0.03 par value each. All 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 2017 and 2016 amounted to Euros 20,379 thousand, while retained earnings amounted to Euros 3,666,407 thousand and Euros 3,334,142 thousand, respectively. The Parent's legal reserve, amounting to Euros 18,700 thousand, was recognized in compliance with Article 274 of the Spanish Companies Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of 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 2017 and 2016, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2017 include restricted reserves amounting to Euros 433,344 thousand (Euros 383,151 thousand at 31 January 2016) whose distribution is limited due to domestic legal requirements (basically bylaw reserves).

INDITEX shares are listed on the four Spanish stock exchanges. As the shares are represented by book entries and the Company does not keep a record of its

shareholders, it is not possible to accurately ascertain the ownership structure of the Company. According to public information registered with the Spanish National Securities Market Commission (CNMV), at 31 January 2017 and 2016 the members of the Board of Directors owned, directly or indirectly, 59.36% of the Parent's share capital (see Note 30). At 31 January 2017 and 2016, Pontegadea Inversiones, S.L. held 50.010% of the shares of INDITEX.

Dividends

The dividends paid by the Parent in 2016 and 2015 amounted to Euros 1,868,190 thousand and Euros 1,618,839 thousand, respectively. These amounts correspond to payments of euro 0.60 per share in 2016 and euro 0.52 per share in 2015.

The distribution of profit proposed by the Board of Directors is shown in Note 29.

Treasury shares

The annual general shareholders' meeting held on 16 July 2013 approved the 2013-2017 Long-Term Share-Based Incentive Plan (see Note 27) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan. Similarly, the annual general shareholders' meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 27) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan.

At 1 February 2016, the Company owned a total of 3,500,000 treasury shares, representing 0.112% of the share capital. In 2016, settlement of the first cycle (2013-2016) of the 2013-2017 Long-Term Share-Based Incentive Plan took place, with the corresponding shares being delivered to the beneficiaries of the aforementioned first cycle of the Plan.

Also, in order for the Company to have the shares required for delivery to the beneficiaries of the second cycle (2014-2017) of the 2013-2017 Long-Term Share-Based Incentive Plan, the Company acquired shares until it reached a total of 3,610,755, representing 0.116 % of the share capital at 31 January 2017.

6.24. INCOME TAXES

With the exception of Industria de Diseño Textil, S.A. and Indipunt, S.L., the companies whose information is included in these consolidated annual accounts file individual tax returns.

Industria de Diseño Textil, S.A. is the parent of a group of companies that files consolidated income tax returns in Spain. The consolidated tax group includes Industria de Diseño Textil, S.A., as the Parent, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated profits of corporate groups. The subsidiaries composing the aforementioned tax group are as follows:

Bershka BSK España, S.A.	Lefties España, S.A.	Stradivarius Diseño, S.L.
Bershka Diseño, S.L.	Lefties Logística, S.A.	Stradivarius España, S.A.
Bershka Logística, S.A.	Massimo Dutti Diseño, S.L.	Stradivarius Logística, S.A.
Born, S.A.	Massimo Dutti Logística, S.A.	Tordera Logística, S.L.
Choolet, S.A.	Massimo Dutti, S.A.	Trisko, S.A.
Comditel, S.A.	Nikole, S.A.	Uterqüe Diseño, S.L.
Confecciones Fíos, S.A.	Nikole Diseño, S.L.	Uterqüe España, S.A.
Confecciones Goa, S.A.	Oysho Diseño, S.L.	Uterqüe Logística, S.A.
Denllo, S.A.	Oysho España, S.A.	Uterqüe, S.A.
Fashion Logistics Forwarders, S.A.	Oysho Logística, S.A.	Zara Diseño, S.L.
Fashion Retail, S.A.	Plataforma Cabanillas, S.A.	Zara España, S.A.
Fibracolor, S.A.	Plataforma Europa, S.A.	Zara Home Diseño, S.L.
Glencare, S.A.	Plataforma Logística León, S.A.	Zara Home España, S.A.
Goa-Invest, S.A.	Plataforma Logística Meco, S.A.	Zara Home Logística, S.A.
Grupo Massimo Dutti, S.A.	Pull & Bear Diseño, S.L.	Zara Logística, S.A.
Hampton, S.A.	Pull & Bear España, S.A.	Zara, S.A.
Inditex, S.A.	Pull & Bear Logística, S.A.	Zintura, S.A.
Inditex Logística, S.A.	Samlor, S.A.	
Kiddy's Class España, S.A.	Stear, S.A.	

Indipunt, S.L. is the parent of another tax group formed by it and the subsidiary Indipunt Diseño, S.L.

The balance of "Income tax payable" in the consolidated balance sheet corresponds to the 2016 income tax provision, net of withholdings and payments on account made during the period. "Trade and other payables" includes the liability relating to the other applicable taxes.

The balance of "Income tax receivable" in the consolidated balance sheet essentially corresponds to amounts recoverable from the tax authorities. The balance of "Trade and other receivables" in the accompanying consolidated balance sheet includes mainly the amount by which the input VAT exceeded output VAT.

The income tax expense comprises both current tax expense and deferred tax expense. Current tax is the amount of income tax payable in respect of the taxable profit for the year. Deferred tax is the amount of income tax payable or recoverable in future years and arises from the recognition of deferred tax assets and liabilities.

The income tax expense comprises the following:

	2016	2015
Current taxes	995,032	838,854
Deferred taxes	(77,818)	22,063

The reconciliation of the income tax expense that would result from applying the standard tax rate in force in Spain to the profit before tax and the income tax expense

recognized in the consolidated income statements for 2016 and 2015 is as follows:

	2016	2015
Consolidated accounting profit for the year before taxes	4,078,319	3,743,118
Tax expense at tax rate in force in the country of the Parent	1,019,580	1,048,073
Net permanent differences	(175,179)	(166,149)
Effect of application of different tax rates	(73,964)	(129,728)
Adjustments to prior years' taxes	38,355	26,308
Tax withholdings and other adjustments	116,515	96,407
Adjustments to deferred tax assets and liabilities	5,435	1,574
Tax withholdings and tax benefits	(13,528)	(15,568)
Income tax expense	917,214	860,917

The permanent differences correspond mainly to non-deductible expenses, taxable income relating to the contribution of rights to use certain assets to a subsidiary and the exemption of income from permanent establishments abroad.

As permitted by the prevailing tax legislation in each country, consolidated Group companies availed themselves of tax benefits amounting to Euros 13,528 thousand in 2016 (Euros 15,568 thousand at 31 January 2016). These tax benefits relate mainly to tax credits for investments and, to a lesser extent, to tax relief.

The temporary differences are the differences between the carrying amounts of assets or liabilities and their tax base. The consolidated balance sheet at 31 January 2017 reflects the deferred tax assets and liabilities 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:	2016	2015
Provisions	105,035	87,456
Non-current assets	143,479	153,496
Lease incentives	48,026	35,786
Valuation adjustments	47,940	43,207
Tax losses	101,046	101,537
Intra-Group transactions	180,948	158,938
Other	95,555	113,009
Total	722,029	693,429

Deferred tax liabilities arising from:	2016	2015
Leases	651	1,497
Intra-Group transactions	133,602	100,331
Non-current assets	51,933	99,201
Valuation adjustments	31,704	42,026
Other	39,253	42,140
Total	257,143	285,195

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 movement in deferred tax assets and liabilities in 2016 and 2015 was as follows:

Deferred tax assets	2016	2015
Opening balance	693,429	643,574
Charge/Credit to profit or loss	30,401	64,881
Charge/Credit to equity	1,333	(14,919)
Transfers	(3,134)	(107)
Closing balance	722,029	693,429

Deferred tax liabilities	2016	2015
Opening balance	285,195	240,825
Charge/Credit to profit or loss	(43,009)	62,132
Charge/Credit to equity	18,091	(17,655)
Transfers	(3,134)	(107)
Closing balance	257,143	285,195

At 31 January 2017, the Group had tax losses of Euros 415,719 thousand (Euros 399,889 thousand at 31 January 2016) which may be offset against future profits. The foregoing detail of deferred tax assets includes those relating to tax loss carryforwards, with a balance of Euros 101,046 thousand at 31 January 2017. The Group, based on the methodology established for verifying the existence of indications of impairment on its non-current assets (see Note 6.2.2.g), constructs the assumptions for analyzing the existence of sufficient taxable profits in the future to make it possible to offset the tax losses before they become statute-barred. Also, the Group takes into account

the reversal at the same taxable entity of deferred tax liabilities relating to the same taxation authority that might give rise to sufficient taxable amounts against which it can offset the unused tax losses. Therefore, the balance of deferred tax assets recognized in the consolidated balance sheet is the result of the aforementioned analysis of the total amount of tax losses reported by the Group at year-end which, for the most part, are not subject to any effective statute-of-limitations period.

Also, certain companies forming part of the consolidated Group have reserves which could be taxable if distributed. These consolidated annual accounts include the tax effect associated with such a distribution to the extent that it is probable that it will occur in the foreseeable future. The deferred tax liabilities associated with investments in subsidiaries, associates and permanent establishments, which were not recognized because the Group opted to avail itself of the exception provided for in IAS 12, amounted to €21.14 million.

In addition, under the tax legislation applicable to the Parent of the Group, the dividends to the Parent's shareholders that were proposed or declared before the annual accounts were authorized for issue but which were not recognized as liabilities do not have any income tax consequences for the Parent.

The years open for review by the tax authorities for the main applicable taxes vary depending on the tax legislation in each country in which the Group operates. Certain Group companies are currently being audited for tax purposes, including most notably those domiciled in France, Italy and Greece. In any case, the Group does not expect any liabilities that might significantly affect its equity position or results to arise as a result of the tax audits in progress or those that might be carried out in the future in relation to periods are not yet statute-barred.

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 shoring up 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.

6.25. 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 15 and 25 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 different countries, the resulting variety of legislation governing lease contracts and the diverse nature and economic status of the owners, its leases are regulated by a broad range of clauses.

In many cases the lease contracts simply establish a fixed lease payment, normally made on a monthly basis and adjusted for inflation based on a price index. 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 have guaranteed minimum amounts or certain specific calculation rules attached. In some countries lease contracts are subject to periodic market rent reviews, and this is sometimes conducted on an upward-only basis (i.e. rent is reset upward to higher, but not downward to lower, market rates). Occasionally, escalating rental payments are agreed, which means cash outflows can be reduced during the initial years of the use of commercial premises, even though the expense is recognized on a straight-line basis (see Note 6.2.2.q). Rent-free periods are also frequently established in order to avoid having to pay rent when stores are being refurbished and prepared for opening.

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 recognized as non-current assets (see Note 15) and are generally amortized over the term of the lease.

On certain occasions, shopping center developers or the proprietors 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 22) and are taken to income on a straight-line basis over the lease term.

There is also a wide variety of different lease terms, and leases generally have an initial term of between 15 and 25 years. However, as a result of legislation in certain countries

or the purposes for which lease contracts are habitually entered into, in some cases the term of the lease is shorter.

In some countries, legislation or the lease contracts themselves safeguard the ability of the lessee to terminate the lease at any time during its term, provided that it gives the owner prior notice, as previously agreed (e.g. three months' notice), of its decision to do so. In other cases, however, the Group is obliged to see out the full term of the lease contract, or at least a significant portion thereof. Some contracts combine these obligations with get-out clauses that may only be exercised at certain times during the term of the contract (e.g. every five years or at the end of the tenth year).

The detail of the operating lease expense is as follows:

	2016	2015
Minimum payments	1,819,582	1,728,979
Contingent rents	401,458	358,455
	2,221,040	2,087,434
Sublease income	4,528	4,340

The breakdown of the future minimum lease payments under non-cancellable operating leases is as follows:

Lease payments 2016

Less than one year	One to five years	Over five years
1,384,842	2,357,796	1,239,287

Lease payments 2015

Less than one year	One to five years	Over five years
1,326,313	2,314,019	1,349,112

6.26. FINANCIAL RISK MANAGEMENT POLICY AND FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT POLICY

The Group's activities are exposed to various financial risks: market risk (foreign currency risk and interest rate risk) and other risks (credit risk, liquidity risk and country risk). The Group's financial risk management focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the profitability of its business.

This note provides information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for managing risk, the methods used to measure these risks, any changes from the previous year and the financial instruments used to mitigate the risks.

Foreign currency risk

The Group operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar (the Euro is the Group's reference currency and the functional currency of the Parent) and, to a lesser extent, the Mexican peso, the Russian rouble, the Chinese yuan, the Japanese yen and the pound sterling. Foreign currency risk arises on future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed in line with the corporate risk management model guidelines, which establish the ongoing monitoring of exchange rate fluctuations and other measures designed to mitigate this risk, mainly through the optimization of the Group's operations in order to minimize the impact, using natural hedges, the benefits of diversification and the arrangement of financial hedges.

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers, mostly in US dollars. In accordance with prevailing foreign currency risk management policies, Group management arranges derivatives, mainly foreign currency forwards, to hedge fluctuations in cash flows relating to the EUR/USD exchange rate. The Group also uses non-derivative financial instruments as hedges (e.g. deposits held in currencies other than the euro), and these instruments are recognized under "Current financial investments".

The Group's head companies supply their subsidiaries with finished goods for sale to the end customers. With a view to reducing the fluctuations in value of the expected foreign currency cash flows arising from these intercompany transactions (denominated in currencies other than the euro), the Group uses financial derivatives such as zero-premium option combinations and, occasionally, foreign currency forwards and plain vanilla options.

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.o, 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.o 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 2016, using hedge accounting, no significant amounts were recognized in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges.

Approximately 60% 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 40% 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 intercompany 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.o.

The Group uses the cash-flow-at-risk (CFaR) methodology to estimate the potential loss in the Group's consolidated profit before tax and financial results arising from the effect of changes in exchange rates on the equivalent value of expected foreign currency cash flows in the following year. CFaR is calculated using probabilistic simulation and considering volatilities and correlations based on market series for the last three years. It is necessary to bear in mind the limitation that actual market changes and the magnitude and time horizon of the exposures may differ from the assumptions considered for the CFaR calculation. The potential negative impact is calculated with a confidence level of 95%. The impacts for each of the currencies are aggregated, considering their correlations, in a portfolio of exposures, which reduces the value of the total risk. It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate, could be €267 million at 31 January 2017 (€137 million at 31 January 2016).

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 performance potential 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.

In relation to credit risk arising from commercial transactions, impairment losses are recognized for trade receivables when objective evidence exists that the Group will be unable to recover all the outstanding amounts in accordance with the original contractual conditions of the receivables. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognized in the consolidated income statement. In 2016 there were no significant additions to or reversals of impairment losses in this connection.

At 31 January 2017 and 2016, there were no material outstanding balances. Furthermore, based on available historical data, the Group does not consider it necessary to make valuation adjustments to receivables which are not past due. The fair value of the receivables does not differ from their carrying amount.

The main financial assets of the Group are shown in the "Financial instruments: other information" section below.

Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Group has

a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments (see Note 20).

Note 20 contains a detail of the financial liabilities, along with their scheduled maturities.

Interest rate risk

The Group's exposure to interest rate risk, which is no case is significant, arises principally in relation to the following items:

- Cash and cash equivalents: given the Group's investment policy (see Note 20), any changes in interest rates at year-end would not significantly affect consolidated profits.
- Financial debt: given the amount of the Group's external financing (see Note 20), any change in interest rates at year-end would not significantly affect consolidated profits.
- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets), goodwill and intangible assets with an indefinite useful life (see Note 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.

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 minimize country risk and take advantage of the benefits of geographical diversification.

The outcome of the referendum held on 23 June 2016 on the United Kingdom's continued membership of the European Union was an unexpected shock that brought added uncertainty to the markets. Nevertheless, its impact on the Group in 2016 was not significant. The depreciation of the pound sterling as a result of the Brexit vote did not trigger a material increase in foreign currency risk, in view of the behavior of the Group's currency exposure portfolio due to its high level of diversification and the foreign currency risk management policy in place.

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 2017, 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 2017, the Group did not operate in markets in which there was more than one exchange rate.

Capital management

The Group's capital management objectives are to safeguard its ability to continue operating as a going concern, so that it can continue to generate returns for shareholders and benefit other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations. The shareholder remuneration policy is detailed in Note 29.

There were no significant changes to capital management in the year.

Financial instruments

At 31 January 2017 and 2016, the Group had arranged hedging derivatives consisting basically of forwards on its future purchases in US dollars, forwards to hedge intra-Group financing, and options. The fair value of these derivatives is recognized under "Other financial assets" or "Other financial liabilities" depending on the related balance.

The detail of "Other financial assets" and "Other financial liabilities" in the consolidated balance sheet is as follows:

Other financial assets	**2016**	**2015**
Fair value of the hedging instruments	86,923	45,751
Total	86,923	45,751

Other financial liabilities	**2016**	**2015**
Fair value of the hedging instruments	39,562	50,264
Reciprocal call and put options (Notes 6)	24,123	18,272
Total	63,685	68,536

The detail of the fair value (measured as indicated in Note 6.2.2.o) of the hedging instruments for 2016 and 2015 is as follows:

2016

Other financial assets at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2016	Transfer to income	Transfer to income from equity	Income recognise directly in equity	Fair value 2015
OTC Derivatives						
Foreign currency forwards	2	80,983	52,644	(36,439)	19,048	45,729
Options	2	5,901	-	-	5,901	-
Zero-premium option combinations	2	39	17	-	-	22
Total Derivates		86,923	52,661	(36,439)	24,950	45,751

Other financial liabilities at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2016	Transfer to income	Transfer to income from equity	Income recognise directly in equity	Fair value 2015
OTC Derivatives						
Foreign currency forwards	2	25,195	(17,339)	(457)	9,357	33,634
Zero-premium option combinations	2	1	(25)	-	-	26
Cross Currency Swap	2	14,366	(474)	-	(1,722)	16,562
Interest rate Swap	2	-	(41)	-	-	41
Total Derivates		39,562	(17,879)	(457)	7,635	50,264

2015

Other financial assets at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2015	Transfer to income	Transfer to income from equity	Income recognise directly in equity	Fair value 2014
OTC Derivatives						
Foreign currency forwards	2	45,729	(71,079)	(97,569)	45,429	168,947
Cross Currency Swap	2	22	22	-	-	-
Total Derivates		45,751	(71,057)	(97,569)	45,429	168,947

Other financial liabilities at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2015	Transfer to income	Transfer to income from equity	Income recognise directly in equity	Fair value 2014
OTC Derivatives						
Foreign currency forwards	2	33,634	(13,122)	(972)	9,448	38,281
Zero-premium option combinations	2	26	26	-	-	-
Cross Currency Swap	2	16,562	277	762	(1,702)	17,226
Interest rate Swap	2	41	(164)	-	-	204
Total Derivates		50,264	(12,983)	(211)	7,746	55,711

There were no transfers among the various levels of the fair value hierarchy (see Note 6.2.2.o).

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:

	2016	2015
Cash and cash equivalents (Note 20)	4,115,912	4,225,527
Current financial investments (Note 20)	2,036,627	1,085,648
Trade receivables (Note 11)	231,799	163,765
Receivable due to sales to franchises (Note 11)	232,884	229,873
Other current receivables (Note 11)	118,152	122,288
Guarantees (Note 18)	482,604	461,490
Total	7,217,978	6,288,591

The main financial liabilities of the Group relate to accounts payable on commercial transactions.

The fair value of financial assets and liabilities measured at amortized cost does not differ substantially from their carrying amount, taking into account that in the majority of cases collection or payment will be made in a short time frame. In 2016 no significant impairment losses were recognized on financial assets.

6.27. EMPLOYEE BENEFITS

DEFINED BENEFIT OR DEFINED CONTRIBUTION PLAN OBLIGATIONS

As a general rule, the Group does not have any defined benefit or defined contribution plan obligations to its employees. However, in certain countries, in line with prevailing labor legislation or customary local employment practice, the Group assumes certain obligations relating to the payment of specified amounts for accidents, illness, retirement, etc., to which employees sometimes contribute. The associated risk is partially or fully externalized through insurance policies.

Furthermore, in some countries employees receive a share of the profits generated by Group companies. The liabilities associated with these items are recognized under "Trade and other payables" and "Other non-current liabilities" in the consolidated balance sheet. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

LONG-TERM INCENTIVE PLANS

2013-2017 Long-Term Share-Based Incentive Plan

The annual general shareholders' meeting held on 16 July 2013 resolved to launch the 2013-2017 Long-Term Share-Based Incentive Plan (the "2013-2017 Plan") for members of the management team and other personnel of Inditex and of its corporate Group. Under the 2013-2017 Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive a number of shares up to the maximum number allocated to each of them.

The 2013-2017 Plan consists of two mutually independent time cycles. The first cycle of the 2013-2017 Plan ran from 1 July 2013 to 30 June 2016 (now ended). The second cycle of the Plan is from 1 July 2014 to 30 June 2017.

The amount relating to this plan is recognized under "Equity" in the consolidated balance sheet and the period charge is recognized under "Operating expenses" in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not material.

The 2013-2017 Plan does not expose the Group to any material risks.

To cater for this 2013-2017 Long-Term Share-Based Incentive Plan, the Group acquired, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 23).

The number of shares to be delivered to beneficiaries is calculated on the basis of the metrics indicated in the fifth resolution of the annual general shareholders' meeting held on 16 July 2013.

2016-2020 Long-Term Incentive Plan

The annual general shareholders' meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (the "2016-2020 Plan") for members of the management team and other personnel of Inditex and of its corporate Group. Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The 2016-2020 Plan combines a multi-year cash bonus and a restricted stock unit award which, after a specified period of time has elapsed and the achievement of specific targets has been verified, will be paid to the plan beneficiaries, either in full or at the percentage applicable in each case.

The 2016-2020 Plan has a total duration of four years and is structured into two mutually independent time cycles. The

first cycle of the 2016-2020 Plan is from 1 February 2016 to 31 January 2019. The second cycle spans the period from 1 February 2017 to 31 January 2020.

The 2016-2020 Plan is linked to critical business targets and the creation of shareholder value.

The 2016-2020 Plan does not expose the Group to any material risks.

The liability relating to the cash-settled component of the 2016-2020 Plan is recognized under "Provisions" in the consolidated balance sheet and the related period provision is reflected under "Operating expenses" in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not material.

The amount relating to the equity-settled component of the 2016-2020 Plan is recognized under "Equity" in the consolidated balance sheet and the related period charge is reflected under "Operating expenses" in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not material.

To cater for this 2016-2020 Plan, the Group acquired, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 23).

The incentive to be received will be calculated as provided for in the seventh resolution of the annual general shareholders' meeting held on 19 July 2016.

Extraordinary profit-sharing plan

In view of the Group's performance in recent years, the Board of Directors of Inditex approved an extraordinary plan for 2015-2016 to allow employees to share in the growth of profits. The plan is intended for all the employees of the stores, manufacturing and logistics centers, and concepts and subsidiaries around the world with a length of service of more than two years at the Group. Among all those participating in the plan, the Group will distribute 10% of the year-on-year increase in net profit attributable to the Parent of the Group, up to a maximum of 2% of total net profit. In 2016 more than 84,000 employees worldwide were plan beneficiaries (2015: more than 78,000 employees).

The plan has a two-year duration, covering the 2015 and 2016 reporting periods. The first phase of the plan was executed in April 2016 taking into account the increase in the net profit attributable to the Parent of the Group in 2015 as compared with 2014. The second phase will be executed in 2017, in accordance with the criteria described in Note 6.2.2.

The liability relating to this plan is recognized under "Trade and other payables" in the consolidated balance sheet and the related period charge is reflected under "Operating expenses" and "Other losses and income, net" in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not material.

6.28. 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. The core activity of these companies is basically the design, supply and distribution of footwear for the various retail formats of the Inditex Group, which is their main customer.

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Tempe, S.A.	50,00%	Alicante - Spain	Equity method	31-Jan	Multi-concept	Sale of footwear
Tempe México, S.A. de C.V.	50,00%	Mexico City - Mexico	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	Sale of footwear
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 (expressed in thousands of euros), obtained from its consolidated annual accounts prepared in accordance with IFRSs, together with other relevant financial information:

	2016	2015
Property, plant and equipment	159,896	153,536
Others	24,990	23,578
Non-current assets	**184,886**	**177,114**
Inventories	240,929	207,737
Trade and other receivables	351,323	293,632
Cash and cash equivalents	41,767	32,920
Current assets	**634,018**	**534,290**
Non-current liabilities	**(48,065)**	**(32,109)**
Trade and other payables	(338,409)	(278,470)
Others	(6,406)	(20,739)
Current liabilities	**(344,815)**	**(299,210)**
Net assets	426,025	380,084
Revenues	1,237,575	1,117,422
Gross profit	**307,846**	**324,890**
Operating expenses	(169,323)	(152,505)
Amortization and depreciation	(21,887)	(20,872)
EBIT	**116,516**	**152,470**
Net profit	**94,846**	**110,976**

In 2016 the Group received dividends totalling Euros 27,493 thousand (Euros 22,414 thousand in 2015) from Tempe (see Note 17).

6.29. PROPOSED DISTRIBUTION OF THE PROFIT OF THE PARENT

The directors will propose that Euros 2,116,868 thousand of 2016 net profit of the Parent, which is the maximum amount distributable, be distributed as an ordinary dividend of Euro 0.50 gross per share and an extraordinary dividend of Euro 0.18 gross per share on the total outstanding shares, and that Euros 98,857 thousand be taken to voluntary reserves.

6.30. 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 Company in 2016 is shown in the section on related party transactions.

OTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS

According to the public registers of the Spanish National Securities Market Commission (CNMV), at 31 January 2017 the members of the Board of Directors held the following direct and indirect investments in the share capital of Inditex:

Name or company name of director	Number of direct shares	Number of indirect shares	Percentage of capital
Mr Pablo Isla Álvarez de Tejera	1,866,227	-	0.0598%
Mr Amancio Ortega Gaona	-	1,848,000,315 [1]	59.294%
Mr José Arnau Sierra	30,000	-	0.001%
PONTEGADEA INVERSIONES, S.L.	1,558,637,990	-	50.010%
Ms Denise Patricia Kingsmill	-	-	-
Mr José Luis Durán Schulz	1,700	-	-
Mr Rodrigo Echenique Gordillo	-	-	-
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	150,000	-	0.005%
Mr Emilio Saracho Rodríguez de Torres	-	-	-
Total			59.36%

[1] Throuhg Pontegadea Inversiones, SL and Partler 2006, S.L.

As established in Article 229 of the Spanish Companies Act, amended by Law 31/2014, of 3 December, reforming that Act in order to improve corporate governance, it is hereby disclosed that the directors did not report any situation of direct or indirect conflict of interest that they or persons related to them might have with the Parent. Two of the directors each notified the Board of Directors of a potential conflict of interest, of which the Board took due note. These conflicts of interest did not materialise in 2016. At the date of formal preparation of the consolidated annual accounts, the two concerned directors had reported that the potential conflicts of interest no longer existed.

When the Board of Directors deliberated on the appointment or re-election of a director, on the acknowledgment and acceptance of his/her resignation, on the placement of his/her office at the disposal of the Board, on remuneration or on any other resolution involving a director or a person or company related to a director, the person concerned left the meeting room during the deliberation of and voting on the corresponding resolution.

RELATED PARTY TRANSACTIONS

Related parties are the subsidiaries, jointly controlled entities 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. All amounts are expressed in thousands of euros.

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 (Thousands of euros)	**2016**	**2015**
Jointly controlled entities	(960,402)	(817,446)

Balances:

	31/01/17	**31/01/16**
Current financial investments	423	2,634
Trade and other receivables	4,801	4,121
Non-current financial investments	218,876	181,112
Trade and other payables	204,813	250,636
Current financial debt	421	288

The transactions with significant shareholders, members of the Board of Directors and management are detailed below.

Significant shareholders

In 2016 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:

Financial year 2016

Company name of significant shareholder	**Nature of relationship**	**Type of operation**	**Amount**
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(39,636)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	171
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Assets Disposal	24,600
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	(20)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Products sales	6
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services rendered	11,354
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1,119)
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Other expenses	(3)

In 2015 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Gartler, 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:

Financial year 2015

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(33,726)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	171
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	(20)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Products sales	70
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services rendered	6,090
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1,020)
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Other expenses	(180)

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 following tables show the remuneration and termination benefits earned by the directors and management of Inditex in 2016:

An itemized breakdown of the remuneration of the members of the Board of Directors in 2016 is as follows:

2016	Type	Remuneration of Board Members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Comittees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2016
Mr Pablo Isla Álvarez de Tejera	Executive	100				3,250	3,627	3,395	10,372
Mr José Arnau Sierra	Propietary	100	80	150					330
Mr Amancio Ortega Gaona	Propietary	100							100
PONTEGADEA INVERSIONES S.L. (1)	Propietary	100							100
Ms Irene R.Miller (2)	Independent	46		70	23				139
Ms Denise Patricia Kingsmill (3)	Independent	54		80					134
Mr. José Luis Durán Schulz (4)	Independent	100		150	27				277
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	3,627	3,395	12,302

Notes:

(1) Represented by Ms Flora Pérez Marcote

(2) Cessation of employment af 18 July 2016

(3) Appointment at 19 July 2016

(4) Appointment as Audit and Control Comitee at 19 July 2016

An itemized breakdown of the remuneration of the members of the Board of Directors in 2015 is as follows:

2015	Type	Remuneration of Board Members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Comittees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2015
Mr Pablo Isla Álvarez de Tejera	Executive	100				3,250	3,300	5,520	12,170
Mr José Arnau Sierra	Propietary	100	80	127					307
Mr Amancio Ortega	Propietary	100							100
GARTLER, S.L .(1)	Propietary	85							85
PONTEGADEA INVERSIONES S.L. (2)	Propietary	15							15
Ms Irene R.Miller	Independent	100		127	50				277
Mr Nils Smedegaard Andersen (3)	Independent	45		45					90
Mr.José Luis Durán Schulz (4)	Independent	55		82					137
Mr Carlos Espinosa Bernaldo de Quirós	Other external	100		127					227
Mr Rodrigo Echenique Gordillo	Independent	100		127	50				277
Mr Emilio Saracho Rodríguez de Torres	Independent	100		127	27				254
TOTAL		900	80	762	127	3,250	3,300	5,520	13,939

Notes:

(1) Represented by Ms Flora Pérez Marcote. Cessation of employment at 8 December 2015

(1) Represented by Ms Flora Pérez Marcote. Appointment at 9 December 2015

(3) Cessation of employment at 13 July 2015

(4) Appointment at 14 July 2015

The total remuneration and termination benefits earned by senior management of the Inditex Group in 2016 were as follows:

	MANAGEMENT
Remuneration	31,379
Termination benefits	-

The total remuneration and termination benefits earned by senior management of the Inditex Group in 2015 were as follows:

	MANAGEMENT
Remuneration	36,220
Termination benefits	-

The aforementioned remuneration for 2016 includes the amount vested in 2016 of the first cycle (2013-2016) of the 2013-2017 Plan for members of the management team and other personnel of the Inditex Group, which was approved by Inditex in 2013 (the features of which are described in Note 27). The incentive vested in 2016 under the aforementioned plan amounted to Euros 3,395 thousand for directors and Euros 7,638 thousand for senior management. The amounts vested in 2015 under the Long-Term Cash-Settled Incentive Plan were Euros 5,520 thousand for directors and Euros 14,444 thousand for senior management and were paid in the first half of the 2016 reporting period.

In 2016 and 2015 no contributions were made to the defined contribution benefit plan.

6.31. EXTERNAL AUDITORS

In 2016 and 2015 the fees for financial audit and other services provided by the auditor of the Company'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:

	2016	2015
Audit services	6,100	5,678
Other assurance services	479	437
Total audit and similar services	6,579	6,115
Tax advisory services	116	306
Other services	65	726
Total professional services	6,760	7,147

The figures in the table above include the fees for services rendered in 2016 and 2015, irrespective of the date they were invoiced.

In addition to the audit of the Inditex Group annual accounts, the audit services rendered by Deloitte in 2016 and 2015 include certain audit work related to the external audit.

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 0.0204% of their total revenue.

The fees for financial audit services provided by auditors other than the principal auditor amounted to Euros 58 thousand in 2016.

6.32. 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.

6.33. 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.

6.34. 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.



Zara Home employee at the Arteixo head office (Spain).

APPENDIX I-COMPOSITION OF THE INDITEX GROUP

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Subsidiaries:						
Industria de Diseño Textil, S.A.	Parent	A Coruña - Spain	Full Consol.	31-Jan.	-	Parent
Comditel, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Zara	Buyer
Zara Asia, Ltd.	100,00%	Hong Kong - China	Full Consol.	31-Jan.	Zara	Retail sales
Choolet, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textil Manufacturing
Confecciones Fíos, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textil Manufacturing
Confecciones Goa, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textil Manufacturing
Denllo, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textil Manufacturing
Hampton, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textil Manufacturing
Nikole, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Buyer
Samlor, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textil Manufacturing
Stear, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textil Manufacturing
Trisko, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textil Manufacturing
Zintura, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textil Manufacturing
Glencare, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textil Manufacturing
Indipunt, S.L.	51,00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Textil Manufacturing
Indipunt Diseño, S.L.	51,00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Design
Zara España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Retail sales
Zara Argentina, S.A.	100,00%	Buenos Aires - Argentina	Full Consol.	31-Jan.	Zara	Retail sales
Zara Belgique, S.A.	100,00%	Brussels - Belgium	Full Consol.	31-Jan.	Zara	Retail sales
Zara Chile, S.A.	100,00%	Santiago de Chile - Chile	Full Consol.	31-Dec.	Zara	Retail sales
Zara USA, Inc.	100,00%	New York - USA	Full Consol.	31-Jan.	Zara	Retail sales
Zara France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-Jan.	Zara	Retail sales
Zara UK, Ltd.	100,00%	London - UK	Full Consol.	31-Jan.	Zara	Retail sales
Zara Mexico, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara	Holding company
Zara Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-Jan.	Zara	Retail sales
Zara México, S.A. de C.V.	95,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Zara	Retail sales
Zara Portugal Confecçoes Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-Jan.	Zara	Retail sales
G.Zara Uruguay, S.A.	100,00%	Montevideo -Uruguay	Full Consol.	31-Jan.	Zara	Retail sales
Zara Financiën B.V. Ireland	100,00%	Dublin - Irland	Full Consol.	31-Jan.	Multi-concept	Financial services
Zara Brasil, Lda.	100,00%	Sao Paulo -Brazil	Full Consol.	31-Dec.	Zara	Retail sales
Zara Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara	Retail sales
Zara Österreich Clothing, GmbH	100,00%	Vienna - Austria	Full Consol.	31-Jan.	Zara	Retail sales
Zara Denmark A/S	100,00%	Copenhaguen - Denmark	Full Consol.	31-Jan.	Zara	Retail sales
Zara Sverige, AB	100,00%	Stockholm - Sweden	Full Consol.	31-Jan.	Zara	Retail sales
Zara Norge, AS	100,00%	Oslo - Norway	Full Consol.	31-Jan.	Zara	Retail sales
Zara Canada, Inc.	100,00%	Montreal - Canada	Full Consol.	31-Jan.	Zara	Retail sales
Zara Suisse S.A.R.L.	100,00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Zara	Retail sales
Zara Luxembourg, S.A.	100,00%	Luxembourg - Luxembourg	Full Consol.	31-Jan.	Zara	Retail sales
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-Jan.	Zara	Retail sales
Zara Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-Jan.	Zara	Retail sales
Zara Japan Corp.	100,00%	Tokyo - Japan	Full Consol.	31-Jan.	Zara	Retail sales
Zara Ceská Republika, S.R.O.	100,00%	Prague - Czech Republic	Full Consol.	31-Jan.	Zara	Retail sales
Zara Puerto Rico, Inc.	100,00%	San Juan - Puerto Rico	Full Consol.	31-Jan.	Zara	Retail sales
Za Clothing Ireland, Ltd.	100,00%	Dublin - Irland	Full Consol.	31-Jan.	Zara	Retail sales
Zara Magyarorszag, KFT.	100,00%	Budapest - Hungary	Full Consol.	31-Jan.	Zara	Retail sales
Zara Holding, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Holding company
Zara Monaco, SAM	100,00%	Monte Carlo-Monaco	Full Consol.	31-Jan.	Zara	Retail sales
Zara Commercial (Shanghai), Co Ltd.	100,00%	Shanghai- China	Full Consol.	31-Dec.	Zara	Retail sales
Zara Commercial (Beijing), Co Ltd.	100,00%	Beijing- China	Full Consol.	31-Dec.	Zara	Retail sales
Zara Macau, Ltd.	100,00%	Macao- China	Full Consol.	31-Dec.	Zara	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Zara Polska, Sp. Zo.o.	100,00%	Warsaw - Poland	Full Consol.	31-Jan.	Zara	Retail sales
ZAO Zara CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-Dec.	Zara	Retail sales
Zara Deutschland, GmbH	100,00%	Hamburg - Germany	Full Consol.	31-Jan.	Zara	Holding company
Zara Bucuresti, Srl	100,00%	Bucharest-Romania	Full Consol.	31-Dec.	Zara	Retail sales
Zara Ukraine LLC	100,00%	Kiev-Ukraine	Full Consol.	31-Dec.	Zara	Retail sales
Zara Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	Full Consol.	31-Jan.	Zara	Retail sales
Zara Taiwan, B.V. TW Branch	100,00%	Taipei - Taiwan	Full Consol.	31-Jan.	Zara	Retail sales
Zara Croatia, Ltd.	100,00%	Zagreb-Croatia	Full Consol.	31-Jan.	Zara	Retail sales
Zara Retail Korea, Ltd.	80,00%	Korea	Full Consol.	31-Jan.	Zara	Retail sales
Zara Bulgaria LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-Dec.	Zara	Retail sales
Zara Immobiliare Italia SRL	100,00%	Milan - Italy	Full Consol.	31-Jan.	Zara	Real estate
Zara Diseño, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Design
Zara Management, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara	Holding company
Zara Retail NZ Limited	100,00%	Auckland - New Zealand	Full Consol.	31-Jan.	Zara	Retail sales
Kommanditgesellschaft ZARA Deutschland B.V. & Co.	100,00%	Hamburg - Germany	Full Consol.	31-Jan.	Zara	Retail sales
Zara Retail South Africa (Propietary), LTD.	90,00%	South Africa	Full Consol.	31-Jan.	Zara	Retail sales
Group Zara Australia Pty. Ltd.	80,00%	Sidney - Australia	Full Consol.	31-Jan.	Zara	Retail sales
ITX Financien, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Financial services
Zara Taiwan, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara	Holding company
Zara Vittorio 11 Italia S.R.L.	100,00%	Milan - Italy	Full Consol.	31-Jan.	Zara	Real estate
Zara BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Zara	Retail sales
Zara Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-Jan.	Zara	Retail sales
Nikole Diseño, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100,00%	Montenegro	Full Consol.	31-Dec.	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100,00%	Korea	Full Consol.	31-Jan.	Zara	Real estate
Inditex Trent Retail India Private LTD	51,00%	Gurgaon-India	Full Consol.	31-Mar.	Zara	Retail sales
Kiddy´s Class España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Retail sales
Fibracolor, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Zara	Dormant
ITX Holding, S.A.	100,00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Multi-concept	Holding company
Zara Finland, OY	100,00%	Helsinki - Finland	Full Consol.	31-Jan.	Zara	Retail sales
Retail Group Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Zara	Retail sales
ITX Financien III, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Financial services
ITX Albania SHPK	100,00%	Tirana - Albania	Full Consol.	31-Dec.	Multi-concept	Retail sales
Zara Fashion (Shanghai) CO., Ltd.	100,00%	Shanghai- China	Full Consol.	31-Dec.	Zara	Retail sales
Oysho España, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Portugal, Conf. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Hellas, S.A.	100,00%	Athens - Grece	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Polska, Sp zo.o	100,00%	Warsaw- Poland	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho MAGYARORSZAG, KFT	100,00%	Budapest - Hungary	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Ro, Srl	100,00%	Bucharest-Romania	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Diseño, S.L.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Oysho	Design
Oysho Bulgaria, LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Commercial & Trading (Shangai) Co., LTD.	100,00%	Shanghai- China	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Korea, LTD	100,00%	Korea	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Croacia, LTD	100,00%	Zagreb-Croatia	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Macau, Ltd	100,00%	Macao- China	Full Consol.	31-Dec.	Oysho	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Oysho Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Hong Kong Ltd	100,00%	Hong Kong - China	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Belgique, S.A	100,00%	Brussels - Belgium	Full Consol.	31-Jan.	Oysho	Retail sales
Grupo Massimo Dutti, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti UK, Ltd.	100,00%	London - UK	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Suisse, S.A.R.L.	100,00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Sverige, AB	100,00%	Stockholm - Sweden	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Norge, AS.	100,00%	Oslo - Noruega	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Ireland., Ltd.	100,00%	Dublin - Irland	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti USA, INC	100,00%	New York - USA	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Danmark A/S	100,00%	Copenhagen - Denmark	Full Consol.	31-Jan.	Massimo Dutti	Dormant
Massimo Dutti CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Deutschland, GmbH	100,00%	Hamburg - Germany	Full Consol.	31-Jan.	Massimo Dutti	Holding company
Massimo Dutti Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
BCN Diseños, S.A. de C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Massimo Dutti	Real estate
Liprasa Cartera, S.L.	100,00%	Madrid - Spain	Full Consol.	31-Jan.	Massimo Dutti	Holding company
Massimo Dutti, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100,00%	Hong Kong - China	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp z.o.o.	100,00%	Warsaw - Poland	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Ro, Srl	100,00%	Bucharest-Romania	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Macau Ltd.	100,00%	Macao- China	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Ceská Republika, s.r.o	100,00%	Prague - Czech Republic	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100,00%	Beijing- China	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Croatia, LTD	100,00%	Zagreb-Croatia	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Korea, LTD	100,00%	Korea	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Massimo Dutti	Design
Massimo Dutti Commercial Shangai CO, LTD	100,00%	Shanghai- China	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Österreich, GMBH	100,00%	Vienna - Austria	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Canada, INC.	100,00%	Montreal - Canada	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Taiwan, B.V. Taiwan Branch	100,00%	Taipei - Taiwan	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Finland OY	100,00%	Helsinki - Finland	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
MD Benelux, N.V.	100,00%	Bruges - Belgium	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Italco Moda Italiana, LDA.	100,00%	Lisbon - Portugal	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Japan, Co.	100,00%	Tokyo - Japan	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
KG Massimo Dutti Deutschland, B.V. & CO.	100,00%	Hamburg - Germany	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Magyarorxzág KFT	100,00%	Budapest - Hungary	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Taiwan, B.V	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Massimo Dutti	Holding company
Master Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti BH, D.O.O	100,00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Duttil India Private Ltd	51,00%	Gurgaon-India	Full Consol.	31-Mar.	Massimo Dutti	Retail sales
ITX Merken, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Services
Pull & Bear España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Portugal Conf. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Pull & Bear	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Pull & Bear Belgique, S.A.	100,00%	Brussels - Belgium	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Ceska Republika, S.R.O.	100,00%	Prague - Czech Republic	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Ireland, Ltd.	100,00%	Dublin - Irland	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Magyarország Kft.	100,00%	Budapest - Hungary	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Polska, Sp zo.o	100,00%	Warsaw- Poland	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Uk Limited	100,00%	London - UK	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Ro, Srl	100,00%	Bucharest-Romania	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Croatia, LTD	100,00%	Zagreb-Croatia	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Commercial Beijing Co, Ltd.	100,00%	Beijing- China	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Bulgaria, LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Hong Kong LTD	100,00%	Hong Kong - China	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Pull & Bear	Design
Pull & Bear Macau, LTD	100,00%	Macao- China	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Österreich Clothing, Gmbh	100,00%	Vienna - Austria	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pul & Bear Taiwan, B.V. Taiwan Branch	100,00%	Taipei - Taiwan	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Korea, LTD	100,00%	Korea	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Plataforma Cabanillas, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Pull & Bear	Logistics
Pull & Bear Taiwan, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Pull & Bear	Holding company
P&B Gmbh	100,00%	Hamburg - Germany	Full Consol.	31-Jan.	Pull & Bear	Holding company
Pull & Bear Deutschland BV& CO	100,00%	Hamburg - Germany	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pro Retail Kazakhstan, LLP	100,00%	Stockholm - Sweden	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Sverige, AB	100,00%	Stockholm - Sweden	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Suisse, SÁRL	100,00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Uterqüe, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Uterqüe	Buyer
Uterqüe España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Uterqüe	Retail sales
Uterqüe Hellas	100,00%	Athens - Greece	Full Consol.	31-Jan.	Uterqüe	Retail sales
Gruputerqüe Portugal Conf. Lda	100,00%	Lisbon - Portugal	Full Consol.	31-Jan.	Uterqüe	Retail sales
Uterqüe Cis, LTD	100,00%	Moscow- Russia	Full Consol.	31-Dec.	Uterqüe	Retail sales
Uterqüe Giyim Limited	100,00%	Istanbul - Turkey	Full Consol.	31-Jan.	Uterqüe	Retail sales
Uterqüe México S.A. de C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Uterqüe	Retail sales
Uterqüe Diseño, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Uterqüe	Design
Uterqüe Italia, Srl.	100,00%	Milan - Italy	Full Consol.	31-Jan.	Uterqüe	Retail sales
ITX Finance Asia, LTD	100,00%	Hong Kong - China	Full Consol.	31-Jan.	Zara	Financial services
Uterqüe Commercial & Trading (Shangai) Co., LTD.	100,00%	Shanghai- China	Full Consol.	31-Dec.	Uterqüe	Retail sales
Uterqüe Polska SP. ZOO	100,00%	Varsovia - Poland	Full Consol.	31-Jan.	Uterqüe	Retail sales
Uterqüe Kazakhstan LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Uterqüe	Retail sales
Uterqüe Ukraine, LLC	100,00%	Kiev-Ukraine	Full Consol.	31-Jan.	Uterqüe	Retail sales
Bershka BSK España, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Portugal Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Mexico, S.A. de CV	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Belgique, S.A.	100,00%	Brussels - Belgium	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Suisse, S.A.R.L.	100,00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Bershka	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Bershka Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka U.K., Ltd.	100,00%	London - UK	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Ireland., Ltd.	100,00%	Dublin - Irland	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Ceska Republica, S.R.O.	100,00%	Prague - Czech Republic	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Croatia, Ltd.	100,00%	Zagreb-Croatia	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Polska Sp Z O.O.	100,00%	Warsaw - Poland	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Carpati, Srl	100,00%	Bucharest-Romania	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Magyaroszag Kft.	100,00%	Budapest - Hungary	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Cis, Ltd	100,00%	Moscow- Russia	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Osterreich Clothing GmbH	100,00%	Vienna - Austria	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Hong Kong Limited	100,00%	Hong Kong - China	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Commercial Beijing Co, Ltd	100,00%	Beijing- China	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Bulgaria, LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Korea, LTD	100,00%	Korea	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Taiwan, B.V. Taiwan Branch	100,00%	Taipei - Taiwan	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Diseño, S.L.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Bershka	Design
Bershka Macau, LTD	100,00%	Macao- China	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Japan, LTD	100,00%	Tokyo - Japan	Full Consol.	31-Jan.	Bershka	Retail sales
BSKE, GMBH	100,00%	Hamburg - Germany	Full Consol.	31-Jan.	Bershka	Holding company
Bershka BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Deutschland B.V. & CO. KG	100,00%	Hamburg - Germany	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Taiwan, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Bershka	Holding company
Best Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Commercial (Shanghai) Co, Ltd	100,00%	Shanghai- China	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka USA INC	100,00%	New York - USA	Full Consol.	31-Jan.	Bershka	Retail sales
Stradivarius España, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-Jan.	Stradivarius	Retail sales
ITX RE	100,00%	Dublin - Irland	Full Consol.	31-Jan.	Multi-concept	Insurance
Stradivarius Portugal, Conf. Unip. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Polska, Sp zo.o	100,00%	Warsaw- Poland	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Ireland Limited	100,00%	Dublin - Irland	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Italia SRL	100,00%	Milan - Italy	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Magyaroszag Kft.	100,00%	Budapest - Hungary	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Croatia, LTD.	100,00%	Zagreb-Croatia	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Ro, Srl	100,00%	Bucharest-Romania	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Ceská Republika, s.r.o	100,00%	Prague - Czech Republic	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Commercial Shangai CO, LTD	100,00%	Shanghai- China	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Bulgaria, LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Diseño, S.L.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Stradivarius	Design
Stradivarius Macau, LTD	100,00%	Macao- China	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Korea, LTD	100,00%	Korea	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Hong Kong, LTD	100,00%	Hong Kong - China	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius UK LIMITED	100,00%	London - UK	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius México, S.A. de C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Stradivarius	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Stradivarius BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-Jan.	Stradivarius	Retail sales
Spanish Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Japan Corporation	100,00%	Tokyo - Japan	Full Consol.	31-Jan.	Stradivarius	Retail sales
ITX Trading, S.A.	100,00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Multi-concept	Buyer
Zara Home España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Portugal, Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home U.K., Ltd.	100,00%	London - UK	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Mexico, S.A. de C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Francia, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Ro, Srl	100,00%	Bucharest-Romania	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Polska, Sp zo.o	100,00%	Warsaw- Poland	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Diseño, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100,00%	Hamburg - Germany	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Taiwan, B.V. TW Branch	100,00%	Taipei - Taiwan	Full Consol.	31-Jan.	Zara Home	Retail sales
ZHE, Gmbh	100,00%	Hamburg - Germany	Full Consol.	31-Jan.	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100,00%	Sao Paulo -Brazil	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Croatia, LTD	100,00%	Zagreb-Croatia	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Belgique, S.A.	100,00%	Brussels - Belgium	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Commercial & Trading (Shangai) Co., LTD.	100,00%	Shanghai- China	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Japan Corp.	100,00%	Tokyo - Japan	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Canada, Inc	100,00%	Montreal - Canada	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Taiwan, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara Home	Holding company
Zara Home Macao Ltd	100,00%	Macao- China	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Sverige AB	100,00%	Stockholm - Sweden	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Hong Kong Ltd	100,00%	Hong Kong - China	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Suisse SÀRL	100,00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Chile SPA	100,00%	Santiago de Chile - Chile	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Australia Pty Ltd	100,00%	Sidney - Australia	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Magyarorszag KFT.	100,00%	Budapest - Hungary	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Korea LIMITED	100,00%	Korea	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Danmark A/S	100,00%	Copenhagen - Denmark	Full Consol.	31-Jan.	Zara Home	Retail sales
G. Zara Home Uruguay, S.A.	100,00%	Montevideo -Uruguay	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home SRB DOO Beograd	100,00%	Belgrade - Serbia	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Logistics
Plataforma Europa, S.A.	100,00%	Zaragoza - Spain	Full Consol.	31-Jan.	Zara	Logistics
Plataforma Logística León, S.A.	100,00%	León- Spain	Full Consol.	31-Jan.	Zara	Logistics
Plataforma Logística Meco, S.A.	100,00%	Madrid- Spain	Full Consol.	31-Jan.	Multi-concept	Logistics
Pull & Bear Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Massimo Dutti	Logistics
Bershka Logística, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Bershka	Logistics
Oysho Logística, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Oysho	Logistics
Stradivarius Logística, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-Jan.	Stradivarius	Logistics
Zara Home Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara Home	Logistics
Uterqüe Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Uterqüe	Logistics

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Lefties Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Logistics
Inditex Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Logistics
Tordera Logística, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Logistics
Nueva comercializadora global XXI, S.A. DE C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Multi-concept	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Multi-concept	Services
ITX Fashion Ltd	100,00%	Dublin - Irland	Full Consol.	31-Jan.	Multi-concept	Retail sales
Goa-Invest, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Construction
Goa-Invest Deutschland GMBH	100,00%	Hamburg - Germany	Full Consol.	31-Jan.	Multi-concept	Construction
Zara Vastgoed, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara	Real estate
ITX Global Solutions LIMITED	100,00%	Hong Kong - China	Full Consol.	31-Jan.	Multi-concept	Services
SNC Zara France Immobiliere	100,00%	Paris - France	Full Consol.	31-Dec.	Zara	Real estate
SCI Vastgoed Ferreol P03302	100,00%	Paris - France	Full Consol.	31-Dec.	Zara	Real estate
SCI Vastgoed France P03301	100,00%	Paris - France	Full Consol.	31-Dec.	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100,00%	Paris - France	Full Consol.	31-Dec.	Zara	Real estate
SCI Vastgoed Nancy P03304	100,00%	Paris - France	Full Consol.	31-Dec.	Zara	Real estate
Invercarpro, S.A.	100,00%	Madrid - Spain	Full Consol.	31-Jan.	Zara	Real estate
Born, S.A.	100,00%	Palma de Mallorca- Spain	Full Consol.	31-Jan.	Zara	Real estate
LFT RUS Ltd	100,00%	Moscow- Russia	Full Consol.	31-Dec.	Zara	Retail sales
Robustae Mexico, S.A DE C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Zara	Retail sales
Robustae S.G.P.S. Unip. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-Jan.	Zara	Retail sales
Lefties España, S,A,	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Real estate
Inditex Cogeneración, A.I.E.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Combined heat and power plant
Inditex, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Dormant
Zara Holding II, B.V	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Holding company
Zara, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Dormant
Zara, S.A.	100,00%	Buenos Aires - Argentina	Full Consol.	31-Jan.	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Logistics
ITX Asia Pacific Enterprise Management, Co., Ltd	100,00%	Shanghai- China	Full Consol.	31-Dec.	Multi-concept	Buyer
FSF New York, LLC	100,00%	New York - USA	Full Consol.	31-Jan.	Zara	Real estate
FSF Soho, LLC	100,00%	New York - USA	Full Consol.	31-Jan.	Zara	Real estate
ITX USA, LLC	100,00%	New York - USA	Full Consol.	31-Jan.	Multi-concept	Retail sales
Fashion Retail España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Retail sales
ITXR Macedonaia Dooel Skopje	100,00%	Skopje-Macedonia	Full Consol.	31-Dec.	Multi-concept	Retail sales
ITX E-commerce (Shanghai) Co. Ltd	100,00%	Shanghai- China	Full Consol.	31-Dec.	Multi-concept	Retail sales
ITX Financien II, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Financial services
ITX Canada, Inc.	100,00%	Montreal - Canada	Full Consol.	31-Jan.	Multi-concept	Retail sales
ITX Mexico XXI, S.A. DE C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Multi-concept	Retail sales
ITX Korea LIMITED	100,00%	Korea	Full Consol.	31-Jan.	Multi-concept	Retail sales
ITX Services India Private Ltd	100,00%	Gurgaon-India	Full Consol.	31-Mar.	Multi-concept	Buyer
ITX Turkey Perakende Magazacilik Ve Ticaret LIMITED SIRKETI	100,00%	Stockholm - Sweden	Full Consol.	31-Jan.	Multi-concept	Retail sales
Inditex France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-Jan.	Multi-concept	Dormant
ITX Merken, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Services
Zara Home Österreich Clothing GMBH	100,00%	Vienna - Austria	Full Consol.	31-Jan.	Zara Home	Retail sales
Massimo Dutti Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Pull & Bear, Luxembourg S.A.	100,00%	Luxembourg - Luxembourg	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Zara Vittorio 13 Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-Jan.	Zara	Real estate
CDC Trading (Shangai) Co. LTD.	100,00%	Shanghai- China	Full Consol.	31-Dec.	Multi-concept	Buyer
Oysho Sverige, AB	100,00%	Stockholm - Sweden	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Slovakia S.R.O	100,00%	Bratislava-Slovakia	Full Consol.	31-Jan.	Oysho	Retail sales
Zara Home Retail South Africa (PTY) LTD.	100,00%	South Africa	Full Consol.	31-Jan.	Zara	Retail sales
FGI Gestión Mex, S.A. de C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-Dec.	Multi-concept	Construction



Zara employee at its head office in Arteixo (Spain).

annual accounts

CONSOLIDATED DIRECTORS' REPORT

(at 31 January 2017)

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ANNEX II. STORES BY CONCEPT AND MARKET AS AT 31 JANUARY 2017

ANNEX III. MARKETS AND CONCEPTS WITH ONLINE SALES

1. SITUATION OF THE ENTITY

Inditex is a global fashion group with a presence on five continents, 93 markets and in both the Northern and Southern hemispheres, which engages mainly in the retail of fashion, principally apparel, footwear, accessories and textile products for the home. Inditex carries out its activity through various commercial concepts such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe.

Each format's commercial activity is carried out through a global, fully integrated store and online model managed directly by companies in which Inditex holds all or the majority of the share capital, with the exception of certain countries where, for various reasons, the retail selling activity is performed through franchises.

Inditex's business model is a flexible, integrated and customer-orientated model with a clear multi-channel and multi-concept strategy.

The business model encompasses all the phases of the value chain: design, manufacturing and supply, distribution, logistics and retail sales. The offer of an attractive combination of fashion at competitive prices, the constant renewal of designs and delivery to stores between twice and six times a week place the customer at the center of the Group's strategy. The reporting of information on a daily basis from the stores makes it possible to update collections on an ongoing basis.

The Group's logistics system facilitates continuous deliveries from the distribution centers of the various commercial formats to stores throughout each season. This system essentially operates through centralized logistics centers for each concept in which inventory is stored and distributed to stores worldwide.

ORGANIZATIONAL STRUCTURE

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- General Meeting
- Board of Directors
- Executive Committee
- Audit and Control Committee
- Nomination Committee
- Remuneration Committee
- Compliance Committee
- 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 sales platform.

In FY2016, Inditex achieved a strong operating performance. Net sales reached €23.3 billion, with sales growth of 12%. Currency translation was -3%.

Like-for-like sales increased 10% in FY2016 (11% in first half and 9% in second half) on 8.5% in FY2015. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of fiscal years 2016 and 2015) and online. This represents 80% of total sales.

In FY2016 Inditex new space in prime locations increased 8%. Total selling area at FYE reached 4,410,896 square metres:

Square metres	2016	2015	16/15
Zara	2,705,417	2,523,388	7%
Pull&Bear	387,023	351,799	10%
Massimo Dutti	251,157	233,084	8%
Bershka	485,966	456,914	6%
Stradivarius	299,391	271,386	10%
Oysho	101,960	92,891	10%
Zara Home	168,218	146,866	15%
Uterqüe	11,764	10,576	11%
Total	4,410,896	4,086,904	8%

Net store openings in FY2016 amounted to 279 reaching a total of 7,292 stores in 93 markets. In FY2016 Inditex opened stores in 56 markets.

A list of quarterly openings and stores opened as at FYE is included in the table below.

Net openings by quarter:

Concept	1Q	2Q	3Q	4Q	Total 2016
Zara	18	1	30	16	65
Zara Kids	(10)	(1)	(2)	(1)	(14)
Pull&Bear	15	2	24	(4)	37
Massimo Dutti	9	0	14	2	25
Bershka	6	3	20	8	37
Stradivarius	9	3	23	9	44
Oysho	8	0	13	8	29
Zara Home	18	4	19	9	50
Uterqüe	(1)	(1)	3	5	6
Total	72	11	144	52	279

Total stores at the end of each quarter:

Concept	1Q	2Q	3Q	4Q
Zara	2,020	2,021	2,051	2,067
Zara Kids	150	149	147	146
Pull&Bear	951	953	977	973
Massimo Dutti	749	749	763	765
Bershka	1,050	1,053	1,073	1,081
Stradivarius	959	962	985	994
Oysho	615	615	628	636
Zara Home	520	524	543	552
Uterqüe	71	70	73	78
Total	7,085	7,096	7,240	7,292

A list of company-managed stores and franchised stores as at FYE is included in the table below.

Company-managed stores and franchised stores at FYE 2016:

Concept	Company Managed	Franchised	Total
Zara	1,831	236	2,067
Zara Kids	146	0	146
Pull&Bear	829	144	973
Massimo Dutti	657	108	765
Bershka	919	162	1,081
Stradivarius	812	182	994
Oysho	564	72	636
Zara Home	491	61	552
Uterqüe	65	13	78
Total	6,314	978	7,292

Sales in company-managed and franchised stores:

Concept	Company Managed	Franchised
Zara	87%	13%
Pull&Bear	83%	17%
Massimo Dutti	83%	17%
Bershka	82%	18%
Stradivarius	77%	23%
Oysho	86%	14%
Zara Home	86%	14%
Uterqüe	84%	16%
Total	86%	14%

A list of the stores' locations by concept and by market at FYE is included in Annex II.

Net sales by concept are shown in the table below:

Million Euros	2016	2015	16/15
Zara	15,394	13,628	13%
Pull&Bear	1,566	1,417	10%
Massimo Dutti	1,630	1,498	9%
Bershka	2,012	1,875	7%
Stradivarius	1,343	1,289	4%
Oysho	509	452	13%
Zara Home	774	666	16%
Uterqüe	83	75	10%
Total	23,311	20,900	12%

The Group operates a global store and online model. Store & Online sales by geographical area are shown in the table below:

Area	2016	2015
Europe ex-Spain	43.9%	44.0%
Asia & RoW	23.9%	23.5%
Spain	16.9%	17.7%
Americas	15.3%	14.7%
Total	100.0%	100.0%

Inditex has continued to expand its global, fully integrated store and online model. In October 2016, Inditex launched online sales for all its concepts in Turkey, taking the total for Inditex to 41 markets. Annex III includes information regarding the markets and concepts with online sales.

Gross profit rose to €13.3 billion, 10% higher than the previous year. The Gross margin has reached 57.0% of sales (57.8% in FY2015).

Operating expenses have been tightly managed over the year and have grown by 11%, mainly as a result of the growth in sales and new retail space added. The special profit sharing plan for employees amounting to €28 million which equates to 10% of net income growth. Given the strong operating performance of Inditex in 2016 the Board of Directors has agreed a one-off additional award of €14 million to the plan. This amount is included in Other net operating income/losses.

Million Euros	2016	2015
Personnel expenses	3,643	3,335
Rental expenses	2,221	2,087
Other operating expenses	2,312	1,969
Total	8,176	7,392

At FYE 2016 the number of employees was 162,450 (152,854 at FYE 2015).

EBITDA rose to €5.1 billion, 8% higher than a year earlier. EBIT rose to €4 billion, 9% higher.

The breakdown of EBIT by concept is shown below:

	EBIT by concept (€m)		EBIT/sales	ROCE
Concept	**2016**	**2015**	**2016**	**2016**
Zara	2,764	2,452	18%	30%
Pull&Bear	231	206	15%	39%
Massimo Dutti	280	273	17%	42%
Bershka	333	299	17%	58%
Stradivarius	236	274	18%	51%
Oysho	79	70	16%	47%
Zara Home	94	100	12%	25%
Uterqüe	4	4	5%	11%
Total EBIT	4,021	3,677	17%	33%

The following chart shows the breakdown of financial results:

Million Euros	2016	2015
Net financial income (losses)	14	11
Foreign exchange gains (losses)	(4)	(1)
Total	10	10

Results from companies consolidated by the equity method came to €48 million.

Net income came to €3.2 billion, 10% higher than the previous year.

Return on Equity (ROE), defined as Net income on average Shareholder's equity:

Million Euros	2016	2015
Net income	3,157	2,875
Shareholders equity - previous year	11,410	10,431
Shareholders equity - current year	12,713	11,410
Average equity	12,062	10,920
Return on Equity	26%	26%

Return on Capital Employed (ROCE), defined as EBIT on average capital employed (Shareholder's equity plus net financial debt):

Million Euros	2016	2015
EBIT	4,021	3,677
Average capital employed		
Average shareholders' equity	12,062	10,920
Average net financial debt (*)	-	-
Total average capital employed	**12,062**	**10,920**
Return on Capital employed	33%	34%

(*) Zero when net cash

Return on Capital Employed by concept:

Concept	2016	2015
Zara	30%	30%
Pull&Bear	39%	38%
Massimo Dutti	42%	43%
Bershka	58%	53%
Stradivarius	51%	65%
Oysho	47%	49%
Zara Home	25%	33%
Uterqüe	11%	12%
Total	33%	34%

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached hereto is Annex I showing the 2016 results by quarter.

3. ISSUES RELATING TO SUSTAINABILITY AND EMPLOYEES

The business model of the Inditex Group is based on the premise that all its processes must be sustainable and responsible. Inditex views sustainability as a responsibility that covers all social and environmental aspects related to its environment, in which all the professional teams that make up the Group play a role.

This responsibility is reflected in a series of commitments including most notably the responsible manufacture of goods, the traceability and integrity of the supply chain, efficient use of resources, innovation and customer service and a commitment to its employees and the community. All of these processes are carried out within Inditex under the Right to Wear principle, which defines the ethical and sustainable commitment from the Company's social and environmental point of view and which encompasses, inter alia, product health and safety processes (Clear To Wear and Safe To Wear), traceability and integrity of the supply chain (Tested To Wear), environmental processes (Green To Wear), corporate policies (Teams To Wear), and investment in the community (Social To Wear).

All suppliers and factories involved in the production process of goods for sale are obliged on an explicit and binding basis to adhere to the social responsibility and environmental values and practices. These define the Group, and are transmitted through the Sustainability Department and its purchasing teams. Inditex responds to this challenge through the creation and implementation of policies that are in tune with fundamental employment standards and environmental protection, as well as the establishment of tools for monitoring and direct cooperation with suppliers and multilateral dialogue with bodies and institutions working in these areas.

In this connection, Inditex's commitment and duty to responsible management of its supply chain involve identifying the areas of work that contribute to improving the sector's conditions in each of the countries in which the Group operates, thereby creating sustainable productive environments. The Manufacturer and Supplier Code of Conduct, and the Compliance Program that ensures its implementation, are the cornerstone on which Inditex bases its supply chain management and strengthening work.

Noteworthy among the projects in which Inditex has collaborated in order to meet the challenge posed by a sustainable manufacturing chain are the following:

- The 2014 - 2018 Strategic Plan for a Stable and Sustainable Supply Chain.
- Supply chain traceability system.
- Manufacturer and Supplier Code of Conduct Compliance Program.
- Establishment of supplier clusters as platforms for communication.
- 2016-2020 Inditex Environmental Plan: Program for improved energy, water and waste management in the Green to Wear manufacturing chain.
- Forest product policy to protect primary forests in danger of extinction.
- Product health and safety standards compliance programs Clear to Wear and Safe to Wear.
- Ready to Manufacture program to evaluate the wet textile manufacturing processes, with the aim of implementing practices to guarantee product health and safety.
- The List, by Inditex, research and quality control program for the chemical products employed in textile manufacturing.

These projects are associated with several codes and commitments assumed by Inditex, including most notably the following:

The Framework Agreement with IndustriALL Global Union (formerly ITGLWF) (www.industriall-union.org). To promote fundamental human and social rights in Inditex's manufacturing chain, including the definition of intervention and joint-action mechanisms in the manufacturing chain for the implementation of the Manufacturer and Supplier Code of Conduct. Date of adherence: 4 October 2007. On 4 May 2012 Inditex and IndustriALL signed the "Protocol to specify trade union involvement in order to strengthen the Global Framework Agreement for the manufacturing chain of Inditex". On 8 July 2014 the Framework Agreement between both parties was renewed at the headquarters of the International Labour Organization (ILO) in Geneva (Switzerland). In 2016 a new agreement was reached which allows the involvement of trade union experts in the clusters (local platforms to communicate with our stakeholders), in order to monitor, supervise and work alongside the suppliers throughout the entire supply chain.

The Accord on Fire and Building Safety in Bangladesh's Textile Industry dated 13 May 2013 (www.bangladeshaccord.org). 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.

United Nations Global Compact (www.globalcompact.org). A United Nations initiative to promote social dialogue between companies and the civil society. Date of adherence: 31 October 2001.

Ethical Trading Initiative (ETI) (www.ethicaltrade.org). A platform for dialogue to improve the working conditions

of workers in developing countries in the retail sector, comprising companies, international trade union organizations and non-governmental organizations. Date of adherence: 17 October 2005.

ACT (Action, Collaboration, Transformation) is a collaborative initiative between retail brands, suppliers and trade unions to promote living wages in the textile sector's supply chain. To implement this initiative, the brands included in ACT and IndustriALL Global Union executed a Memorandum of Understanding to establish the principles of freedom of association, collective bargaining and living wages in the manufacturing chains. Date signed: 13 March 2015.

The ILO's Better Work Program (www.betterwork.org). A platform to improve compliance with labor standards and the competiveness of global supply chains. Date of adherence: October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work Program.

Zero Discharge of Hazardous Chemicals in 2020. Commitment to the restriction and elimination of certain chemicals in the product manufacturing process. Date of execution: 27 November 2012.

The CEO Water Mandate (www.ceowatermandate.org). A United Nations initiative to support companies in the development, application and communication of its water strategies and policies. Date of adherence: 30 June 2011.

Sustainable Apparel Coalition (www.apparelcoalition.org). A textile sector initiative to develop a common sustainability index in order to evaluate the environmental performance of suppliers during the production process. Date of adherence: 20 October 2011.

Textile Exchange (www.textileexchange.org). A platform to promote the growing of organic cotton and global sustainability in the textile sector. Date of adherence: 8 September 2010.

Better Cotton Initiative (www.bettercotton.org). An initiative that develops and promotes good practices in the traditional growing of cotton for the benefit of those who produce it, the environment and to ensure the future of the sector. Date of adherence: 1 July 2011.

Code of good tax practices. The code promotes a mutual cooperation between the tax authorities and companies. Date of adherence: 21 September 2010.

The Cotton Campaign is a global coalition of human rights, labor, investor and business organizations dedicated to improving the working conditions of the cotton sectors in Uzbekistan and Turkmenistan. Date of adherence: 26 October 2012.

Fur Free Alliance (www.infurmation.com). Inditex forms part of the Fur Free Alliance's Fur Free Retailer Program. The Fur Free Alliance is an international coalition of organizations to protect animals, whose main objective is to end the exploitation and killing of animals for fur. Date of adherence: 1 January 2014.

Bangladesh Water PaCT (Partnership for Cleaner Textile). A four-year initiative to promote change in the Bangladesh textile sector by improving the environment of the so-called wet processes (dying, washing, printing and other finishes), thereby contributing to the sector's long-term competiveness. Date of adherence: 20 June 2013.

UNI GLOBAL UNION (www.uniglobalunion.org). Promotes respect and fundamental rights, and decent work in the commercial and retail network. Date of adherence: 2 October 2009.

HEALTH AND SAFETY STANDARDS IMPLEMENTED BY INDITEX

Clear to Wear. *Clear to Wear* is the Inditex Group's general and binding product health and safety standard that relates to all its items of clothing, footwear, accessories, knitwear and furniture. The aim of this standard is to eliminate or regulate the use of substances the use of which is limited by law.

Safe to Wear. *Safe to Wear* is the Inditex Group's general and binding product safety standard that relates to all production processes. This standard has been prepared in accordance with the strictest and most up-to-date legislation on the subject and is designed to guarantee the safety of all products sold by Inditex.

Other environmental initiatives are carried out at the Group's facilities including most notably the implementation of ISO 14001 certified environmental management systems at head offices, central offices and all of Inditex's logistics centers; the opening and refurbishing of stores based on the Ecoefficient Store Manual: LEED/BREEAM certification of flagship stores, logistics centers and offices; emission reduction programs; packaging and waste optimization programs; waste minimization plans at logistics centers and stores; design and buyer team awareness initiatives and programs for product recycling and end of product life programs.

Inditex understands that its relationships with its employees and with the community it forms part of must be based on the principles set forth in its Code of Conduct and Responsible Practices. The policies on equal opportunities and the balance between family and working life and the integration projects constitute essential instruments for creating a work environment that encourages the personal and professional growth of the workforce.

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2017 is as follows:

	Gender		
Categories	**W**	**M**	**Total**
Manufacturing and logistics	4,230	5,392	9,621
Central services	7,056	4,342	11,397
Stores	111,639	29,793	141,432
Total	122,924	39,526	162,450

4. LIQUIDITY AND CAPITAL RESOURCES

Inditex continued to show a strong financial position in FY2016.

Million Euros	**31/01/17**	**31/01/16**
Cash & cash equivalents	4,116	4,226
Short term investments	2,037	1,086
Current financial debt	(62)	(10)
Non current financial debt	-	(1)
Net financial cash (debt)	6,090	5,300

The operating working capital position remains negative as a result of the business model:

Million Euros	**31/01/17**	**31/01/16**
Inventories	2,549	2,195
Receivables	861	669
Payables	(5,325)	(4,591)
Operating working capital	(1,915)	(1,728)

Strong cash flow generation. Funds from Operations reached €4.4 billion in FY2016, 13% higher.

Ordinary capital expenditure for FY2016 amounted to €1.4 billion, 4% higher than the prior year.

The Group's capital structure is characterized 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 FY2017.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see Note 20 to the consolidated annual accounts), that guarantee access to such additional funds as might be required.

5. ANALYSIS OF CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET TRANSACTIONS

As detailed in Note 25 to the consolidated annual accounts, the most significant contractual obligations 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 FY2017, the amount of which is included in the figure for capital expenditure detailed under Issues relating to sustainability and employees.

6. MAIN RISKS AND UNCERTAINTIES

In order to facilitate unified and comprehensive risk management, the Group has established a common definition of risk for the Organization as a whole. Accordingly, the Group defines a risk as "any potential event that may have a negative impact on the fulfilment of the business objectives".

The risks reviewed are classified and grouped in the following categories:

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, country-risk triggering geo-political, demographic and socio-economic changes in countries in which procurements or retail sales are made, the emergence of new means of communication and changes in consumer behavior or a downturn in demand in certain markets constitute, inter alia, factors that might have an adverse effect on the optimum achievement of the Group's business objectives.

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 on its business activities.

The risks included in this category include risks relating to tax, customs, labor law, commercial and consumption-related regulations, intellectual property regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk, which determine the criminal liability of legal entities, and other risks of non-compliance with legislation.

The General Secretary's department supervises and manages the Inditex Group's regulatory compliance system in order to prevent legal (including criminal) and reputational risks arising from possible regulatory breaches, and to achieve the best ethical standards and monitor the corporate best practices.

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 incorrect management of issues relating to corporate social responsibility and environmental sustainability, responsibility for product health and safety, the corporate image of the Group, as well as its image in social networks, and any other potential regulatory breach that might have an impact on the Organization's reputation.

6.4. HUMAN RESOURCES

The main risks relating to human resources are those arising from potential dependence on key employees and the difficulties involved in identifying and adequately retaining talent, and maintaining an adequate working environment in all the work centers.

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 constant changes in fashion trends, and in manufacturing, buying and selling new items that meet customer expectations.

The risk arising from the interruption of operations is associated with the possible occurrence of extraordinary events not within 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 centers and at third party operators transporting goods. The clothing, footwear, accessories and household products of all the concepts are distributed from 14 logistics centers located throughout Spain. Logistics distribution is complemented by other smaller logistics centers located in other countries and with third party logistics operators which 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 return thereon.

6.6. FINANCIAL

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes foreign currency risk and counterparty credit risk. In addition, the increasingly international nature of the Group's businesses exposes it to country risk in its various different 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 risk. The Group has investments overseas whose assets are exposed to the foreign currency 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 risk in the translation of the results of all its entities located outside the Economic and Monetary Union. The Group 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 in cash or through credit or debit card payments. In any event, the Group is exposed to the risk that the (mainly financial) counterparties do not fulfil the obligations resulting from investing the Company's liquidity, 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 Management Planning 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 an inadequacy in the Group's management leading to the failure to comply with corporate governance and transparency rules.

Risk management at the Group is a process promoted by the Board of Directors and senior management and is the responsibility of all members of the Organization, 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 applicable to 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.
- Code of Conduct and of Responsible Practices.
- Criminal Risk Prevention Policy.
- Criminal Risk Prevention Proceedings.
- Internal Code of Conduct for matters related to Securities Markets.
- Corporate Social Responsibility Policy.
- Manufacturer and Supplier Code of Conduct.
- Occupational Risk Prevention Policy.
- Environmental Sustainability Policy.
- IT Security Policy.
- Purchasing and Contracting Policy.
- Shareholder, Institutional Investor and Proxy adviser communication and Relations policy.
- Representation by Proxy and Authorised Representative Policy and Procedure.
- Human Rights Policy.
- Compliance Policy.
- Tax Strategy and Policy.
- Procedure to Engage Auditors for the Provision of Non-Audit Services.

For more details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2016.

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, adjusted for the calendar effect of an extra trading day in February 2016 due to the leap year, have increased by 13% from 1 February to 12 March 2017. The Spring/Summer season is influenced by the performance over the Easter period due to its significant sales volumes.

In FY2017 Inditex expects 450-500 gross openings and the selective absorption of 150-200 small units into neighbouring stores. Approximately 70% of the new contracts have been signed but in some cases openings may not take place in FY2017.

Online sales for Zara were launched in Singapore and Malaysia in March 2017, with Thailand and Vietnam to

follow in the coming weeks. In 2017, Zara expects to launch online sales in India.

Ordinary capital expenditure in FY2017 will be approximately €1.5 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.

In view of the performance of Inditex over recent years, the Board of Directors has agreed to extend the existing special profit sharing plan for employees to FY2017 and FY2018.

Inditex sees strong growth opportunities and continues to expand its global, fully integrated store and online sales platform.

8.1. 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 center delivery systems, systems for communications with stores and in-store garment labeling systems.

8.2. ACQUISITION AND SALE OF TREASURY SHARES

The annual general shareholders' meeting held on 16 July 2013 approved the 2013-2017 Long-Term Share-Based Incentive Plan ("the 2013-2017 Plan") aimed at management and other employees of the Inditex Group (see Note 27) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan. Additionally, the annual general shareholders' meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan ("the 2016-2020 Plan") (see Note 27) and authorized the Board of Directors to acquire treasury shares to cater for this plan.

At 1 February 2016 the Company held 3,500,000 treasury shares. In 2016, settlement of the first cycle (2013-2016) of the 2013-2017 Plan took place, with the corresponding shares being delivered to the beneficiaries of the aforementioned first cycle of the Plan.

Also, in order for the Company to have the shares required for their delivery to the beneficiaries of the second cycle (2014-2017) of the 2013-2017 Plan, the Company acquired shares until it reached a total of 3,610,755, representing 0.116 % of the share capital at 31 January 2017.

9. OTHER SALIENT INFORMATION

9.1. STOCK MARKET INFORMATION

Shares in Inditex saw growth of 1.5% during the financial year 2016, closing at 30.535 Euros per share on 31st January 2017, on top of a 15.5% growth during financial year 2015. The average transacted volume of shares in financial year 2016 was approximately 5.7 million per day. In the same period, the Dow Jones Stoxx 600 Retail fell by 5.3% and the Ibex 35 rose by 5.7%, following declines of 4.4% and 15.3%, respectively, in 2015.

Inditex's market capitalization stood at 95,167 million Euros at FYE 2016, up 939% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 3% decrease in the Ibex 35 index in the same period.

The dividend for FY2015 totaling Euros 0.60 per issued share was paid in May and November 2016.

9.2. DIVIDEND POLICY

The Group's policy consists of the payment of dividends equivalent to 50% 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 General Shareholders Meeting a dividend increase of 13%, composed of an ordinary dividend of €0.50 per share and a bonus dividend of €0.18 per share, equating to a total dividend of €0.68 per share. €0.34 would be payable on 2 May 2017 as an interim ordinary dividend and €0.34 would be payable on 2 November 2017 as the final ordinary and bonus dividend.

Dividends paid to shareholders in 2016 reached €1.9 billion.

9.3. OTHER DISCLOSURES

Related party transactions

Transactions with related parties are described in Note 30 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in FY2016 that substantially affected its financial position or results.

The following table shows the information on average payment periods required by Law 15/2012, 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 2016 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 15 March 2017.

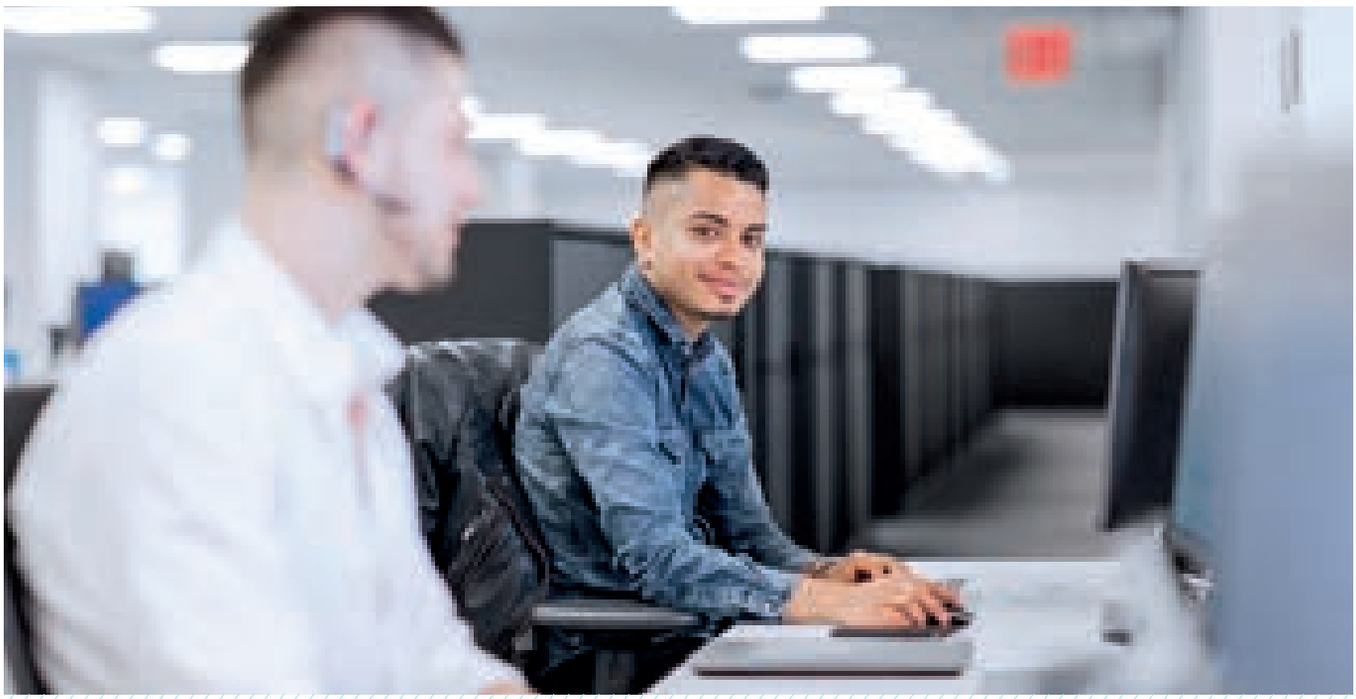
9.4. ALTERNATIVE PERFORMANCE MEASURES

The gross profit, EBITDA, EBIT, ROCE and ROE are defined in the initial note to the consolidated annual accounts for 2016.

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.



Inditex offices, New York (USA).

ANNEX I. INCOME STATEMENT: FY2016 QUARTERLY RESULTS

	1Q	2Q	3Q	4Q
Net sales	4,879	5,586	5,937	6,908
Cost of sales	(2,045)	(2,475)	(2,391)	(3,121)
Gross profit	2,834	3,111	3,546	3,787
	58.1%	55.7%	59.7%	54.8%
Operating expenses	(1,877)	(1,953)	(2,049)	(2,296)
Other net operating income (losses)	(2)	(2)	(2)	(14)
Operating cash flow (EBITDA)	955	1,157	1,495	1,477
	19.6%	20.7%	25.2%	21.4%
Amortisation and depreciation	(250)	(256)	(278)	(278)
Operating income (EBIT)	705	901	1,217	1,198
	14.4%	16.1%	20.5%	17.3%
Financial results	(0)	0	3	7
Results from companies consolidated by equity method	14	9	11	14
Income before taxes	719	910	1,231	1,219
Taxes	(163)	(207)	(280)	(267)
Net income	555	703	951	952
	11.4%	12.6%	16.0%	13.8%
Minorities	1	(0)	2	0
Net income attributable to the controlling company	554	703	949	952
	11.3%	12.6%	16.0%	13.8%

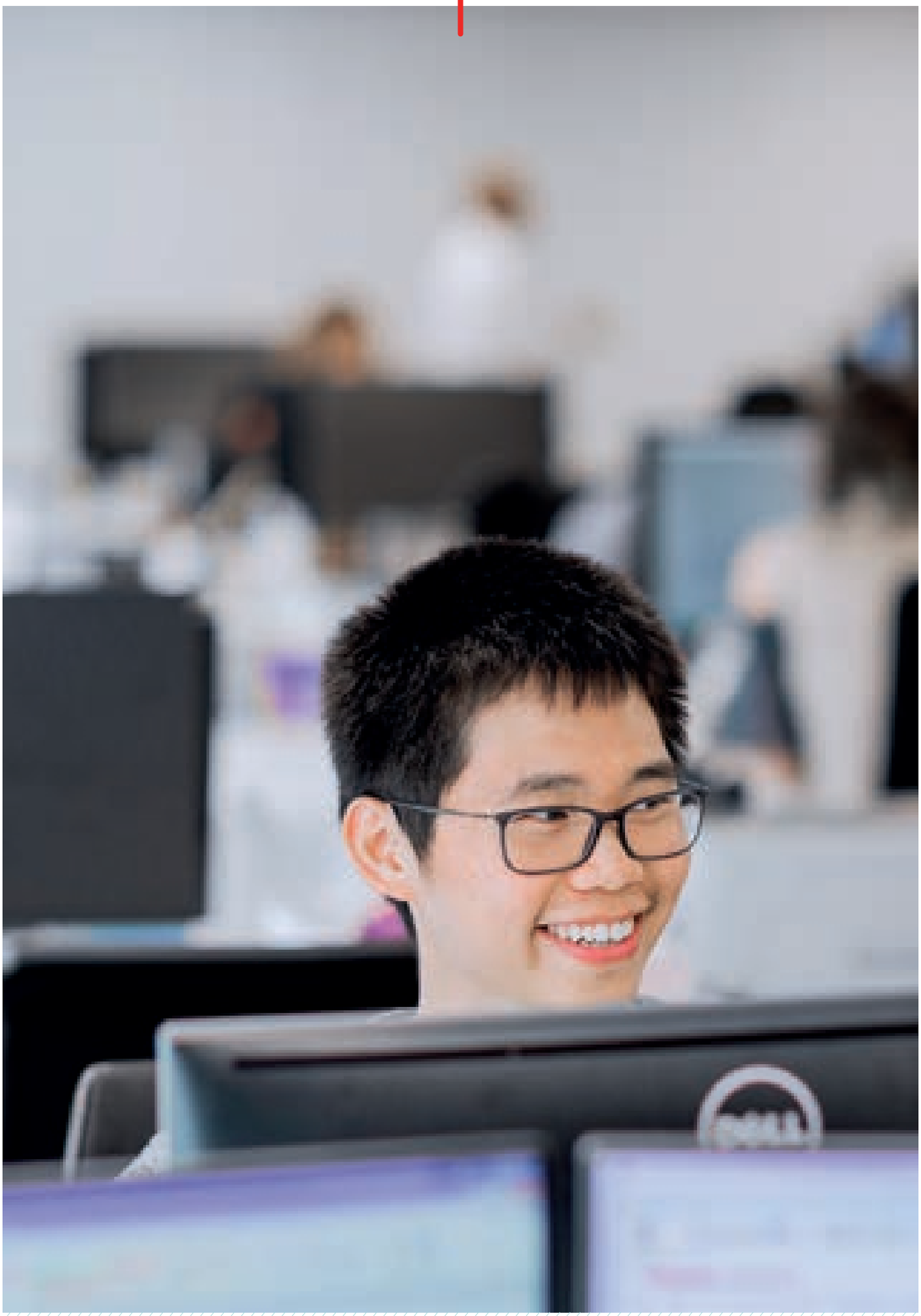
ANNEX II. STORES BY CONCEPT AND MARKET AS AT 31 JANUARY 2017

Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
ALBANIA	1	0	1	1	1	1	0	0	0	**5**
GERMANY	77	0	11	20	11	0	0	18	0	**137**
ANDORRA	1	0	1	1	1	1	1	1	1	**8**
SAUDI ARABIA	34	0	15	14	31	44	18	6	3	**165**
ALGERIA	1	0	0	0	1	2	1	1	0	**6**
ARGENTINA	10	0	0	0	0	0	0	0	0	**10**
ARMENIA	2	0	2	2	2	2	1	0	0	**11**
ARUBA	1	0	0	0	0	0	0	0	0	**1**
AUSTRALIA	18	0	0	0	0	0	0	3	0	**21**
AUSTRIA	14	0	3	3	8	0	0	4	0	**32**
AZERBAIJAN	3	0	2	2	3	2	1	0	0	**13**
BAHREIN	2	0	2	2	1	1	1	1	0	**10**
BELGIUM	29	0	8	23	11	0	2	9	0	**82**
BOSNIA	3	0	3	1	3	3	0	0	0	**13**
BRAZIL	56	0	0	0	0	0	0	15	0	**71**
BULGARIA	6	0	5	5	7	5	5	0	0	**33**
CANADA	28	0	0	8	0	0	0	2	0	**38**
CHILE	9	0	0	0	0	0	0	2	0	**11**
CHINA	193	0	81	79	84	74	73	36	0	**620**
CYPRUS	6	0	5	4	6	6	4	4	0	**35**
COLOMBIA	13	0	5	5	11	11	3	3	0	**51**
SOUTH KOREA	43	0	5	8	6	3	2	3	0	**70**
COSTA RICA	2	0	2	1	2	2	0	1	0	**10**
CROATIA	10	0	6	4	9	6	3	2	0	**40**
DENMARK	4	0	0	0	0	0	0	1	0	**5**
ECUADOR	2	0	2	1	2	2	1	0	0	**10**
EGYPT	5	0	5	4	5	4	3	3	0	**29**
EL SALVADOR	2	0	2	0	2	1	0	0	0	**7**
UAE	11	0	8	11	9	6	8	8	2	**63**
SLOVAKIA	3	0	2	0	3	3	0	0	0	**11**
SLOVENIA	5	0	2	1	4	4	0	0	0	**16**
SPAIN	313	123	243	212	231	292	191	147	35	**1,787**
UNITED STATES	78	0	0	3	0	0	0	0	0	**81**
ESTONIA	3	0	1	2	1	1	0	1	0	**9**
PHILIPPINES	8	0	2	2	4	3	0	0	0	**19**
FINLAND	4	0	0	1	0	0	0	0	0	**5**
FRANCE	128	1	37	24	50	22	12	22	0	**296**
GEORGIA	3	0	1	3	2	2	1	0	0	**12**
GREECE	39	6	24	12	29	20	18	10	0	**158**
GUATEMALA	3	0	3	1	3	3	2	1	0	**16**
NETHERLANDS	26	0	8	7	15	1	0	4	0	**61**
HONDURAS	2	0	2	1	2	2	0	1	0	**10**
HUNGARY	8	0	7	3	10	8	2	2	0	**40**
INDIA	19	0	0	2	0	0	0	0	0	**21**
INDONESIA	15	0	11	4	7	12	1	3	0	**53**
IRELAND	9	0	3	2	6	3	0	0	0	**23**
ICELAND	2	0	0	0	0	0	0	0	0	**2**
ISRAEL	23	0	25	2	10	3	0	0	0	**63**

Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
ITALY	100	0	53	9	60	74	46	35	0	**377**
JAPAN	100	0	0	0	24	11	0	17	0	**152**
JORDAN	3	0	3	3	2	5	2	2	1	**21**
KAZAKHSTAN	4	0	4	3	4	5	2	3	0	**25**
KUWAIT	6	0	3	2	2	2	4	3	2	**24**
LATVIA	4	0	3	2	3	1	0	0	0	**13**
LEBANON	7	0	5	6	8	5	5	4	1	**41**
LITHUANIA	5	0	4	5	4	4	0	2	0	**24**
LUXEMBOURG	3	0	1	1	0	0	0	0	0	**5**
MACEDONIA	1	0	1	1	1	1	0	0	0	**5**
MALAYSIA	9	0	2	5	4	0	0	0	0	**20**
MALTA	1	0	3	1	2	2	1	2	0	**12**
MOROCCO	4	0	2	2	2	6	3	3	1	**23**
MEXICO	79	0	61	37	64	36	46	25	12	**360**
MONACO	1	0	0	0	0	0	0	0	0	**1**
MONTENEGRO	1	0	1	0	1	1	1	0	0	**5**
NICARAGUA	1	0	1	0	1	1	0	0	0	**4**
NORWAY	4	0	0	1	0	0	0	0	0	**5**
NEW ZEALAND	1	0	0	0	0	0	0	0	0	**1**
OMAN	1	0	0	0	1	1	1	1	0	**5**
PANAMA	3	0	2	1	2	2	2	1	0	**13**
PARAGUAY	1	0	0	0	0	0	0	1	0	**2**
PERU	3	0	0	0	0	0	0	2	0	**5**
POLAND	47	0	36	26	52	72	18	11	1	**263**
PORTUGAL	67	16	53	41	50	44	34	26	6	**337**
PUERTO RICO	3	0	0	0	0	0	0	0	0	**3**
QATAR	4	0	3	3	3	1	3	3	2	**22**
UNITED KINGDOM	66	0	8	14	5	4	0	13	0	**110**
CZECH REPUBLIC	7	0	5	1	4	4	0	0	0	**21**
DOMINICAN REPUBLIC	2	0	1	2	2	2	2	1	0	**12**
ROMANIA	24	0	24	11	24	24	9	6	0	**122**
RUSSIA	95	0	89	52	98	86	67	44	10	**541**
SERBIA	4	0	2	2	2	2	2	1	0	**15**
SINGAPORE	9	0	3	4	3	1	0	0	0	**20**
SOUTH AFRICA	9	0	0	0	0	0	0	1	0	**10**
SWEDEN	12	0	1	4	0	0	1	4	0	**22**
SWITZERLAND	19	0	2	8	5	0	0	2	0	**36**
THAILAND	11	0	3	4	1	2	0	2	0	**23**
TAIWAN	9	0	3	5	1	0	0	2	0	**20**
TUNISIA	3	0	2	1	2	1	2	0	0	**11**
TURKEY	36	0	28	22	30	28	25	19	0	**188**
UKRAINE	9	0	11	5	11	11	6	0	1	**54**
URUGUAY	2	0	0	0	0	0	0	2	0	**4**
VENEZUELA	9	0	5	0	10	0	0	0	0	**24**
VIETNAM	1	0	0	0	0	0	0	0	0	**1**
INDITEX	2,067	146	973	765	1,081	994	636	552	78	7,292

ANNEX III. MARKETS AND CONCEPTS WITH ONLINE SALES

	Concept	Market
Since 2007	All Concepts	**Europe:** Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, UK, Switzerland, Norway, Finland, Poland, Romania, Croatia, Slovakia, Czech Republic, Bulgaria, Hungary, Lithuania, Latvia, Estonia, Slovenia, Malta and Turkey
2011	Zara	United States, Japan
Since 2012	All Concepts	China
2012	Massimo Dutti, Zara Home	United States
Since 2013	All Concepts	Russian Federation
2013	Zara	Canada
2014	All Concepts	Mexico
2014	Zara	South Korea
2015	Zara	Taiwan, Hong Kong, Macau
2015	Zara Home	Australia
2016	Zara Home	Dubai
2017	Zara	Singapore, Malaysia, Thailand, Vietnam and India
Progressive roll-out	All Concepts	Globally



Inditex employee at the New York (USA) offices.

annual accounts

SYSTEMS FOR CONTROL OF RISKS

1. INDITEX'S RISK MANAGEMENT SYSTEM
2. CORPORATE BODIES RESPONSIBLE FOR DRAWING UP AND ENFORCING THE RISKS MANAGEMENT SYSTEM
3. MAIN RISKS THAT COULD PREVENT ATTAINMENT OF BUSINESS GOALS
   - 3.1. BUSINESS ENVIRONMENT
   - 3.2. REGULATORY RISK
   - 3.3. REPUTATION
   - 3.4. HUMAN RESOURCES
   - 3.5. OPERATIONS
   - 3.6. FINANCIAL
   - 3.7. INFORMATION FOR THE DECISION MAKING
   - 3.8. TECHNOLOGY AND INFORMATION SYSTEMS
   - 3.9. CORPORATE GOVERNANCE
4. RISK TOLERANCE LEVEL OF THE COMPANY
5. RISKS THAT HAVE MATERIALIZED DURING THE YEAR
6. EXPLAIN THE RESPONSE AND SUPERVISION PLANS FOR THE MAIN RISKS FACED BY THE ENTITY.
   - 6.1. BUSINESS ENVIRONMENT
   - 6.2. REGULATORY RISK
   - 6.3. REPUTATION
   - 6.4. HUMAN RESOURCES
   - 6.5. OPERATIONS
   - 6.6. FINANCIAL
   - 6.7. INFORMATION FOR THE DECISION MAKING
   - 6.8. TECHNOLOGY AND INFORMATION SYSTEMS
   - 6.9. CORPORATE GOVERNANCE
     - 6.9.1. Board of Directors
     - 6.9.2. Audit and Control Committee

1. INDITEX'S RISK MANAGEMENT SYSTEM

Risks 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 safety in the achievement of 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 Enterprise Risks Management Policy of the Group 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 Code of Conduct and Responsible Practices.
- The Policy on Criminal Risk Prevention.
- The Criminal Risk Prevention Procedure.
- 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 at Work 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 Compliance Policy.
- The Tax Policy and the Tax Strategy.
- The Procedure to contract an auditor for the provision of additional services other than auditing of annual accounts.

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 which are 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 control measures which are necessary 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.

2. CORPORATE BODIES RESPONSIBLE FOR DRAWING UP AND ENFORCING THE RISKS MANAGEMENT SYSTEM

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 disclosure thereof to the rest of the organization. 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:

  (i) The different types of risk (including without limitation, operational, technological, financial, legal, reputational and tax related) that the Company is faced with, 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 Company deems acceptable;

  (iii) The course of action planned to reduce the impact of the identified risks, should they materialize; and,

  (iv) 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 about the risks that the Group has to address, 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 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 contain.

The Financial Division (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 proposing the amendment and update thereof to the Board of Directors, where applicable.

- Coordinating and processing the information received by Risks Managers at each business unit or area, reporting to the Senior Executives and the Board of Director through the Audit and Control Committee.

- Promoting appropriate and effective communication channels between the 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 risks management development, 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 to the Audit and Control Committee an effective and independent supervision of the internal control system and issuing recommendations for the Group which 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, certain specific Committees exist in respect of the follow-up of the major risks:Comité de Expansión.

- Expansion Committee

- Logistics Committee

- Committee of Ethics
- Business Monitoring Committee
- Code Compliance Supervisory Board
- Committee for Information Security
- Investments Committee
- Reputation Committee

3. MAIN RISKS THAT COULD PREVENT ATTAINMENT OF BUSINESS GOALS

In order to permit a streamlined and comprehensive risks management, the Group has established a definition of risk valid for the whole Organization. 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:

3.1. BUSINESS ENVIRONMENT

These are risks stemming from external factors, associated with the Group's business.

This category encompasses the risks regarding the difficulty in adjusting to the environment or market in which 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 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 respect, geopolitical, demographic and social and economic changes that trigger the country risk in procurement or distribution countries, the emergence of new communication channels and changes in consumption habits or the consumption decline in certain markets are, inter alia, factors which may have an impact on the effective achievement of the business objectives of the Group.

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, regardless of whether or not they determine criminal liability of the natural person, as well as other risks of regulatory noncompliance.

The General Counsel's Office is charged with overseeing and managing the Compliance System of the Inditex Group to prevent any regulatory risks (including criminal ones) and/or reputational risks, arising from any potential regulatory noncompliance, and to meet the maximum ethical standards and follow-up on best corporate practices.

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 social responsibility 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 which might have an impact on the reputation of the Organization.

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.

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.

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. The distribution of apparel, footwear, accessories and homeware for all the concepts

102-15, 102-26, 102-29, 102-30, 103-2

is based upon 14 hubs spread throughout Spain. Distribution logistics are also ensured by other smaller distribution 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.

3.6. FINANCIAL

In the regular 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.

3.7. INFORMATION FOR THE DECISION MAKING

The risks included in this group are those linked to 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.

3.8. TECHNOLOGY AND INFORMATION SYSTEMS

The 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.

3.9. CORPORATE GOVERNANCE

This category includes the risk associated with the potential existence of an inappropriate management of the Group which might entail noncompliance with Corporate Governance and transparency regulations.

4. RISK TOLERANCE LEVEL OF THE COMPANY

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 the company is willing to assume, to reasonably attain the goals and interests of the Group. Such tolerance is regularly updated, at least every time the Group strategy changes.

Once the risks tolerance for strategic and business objectives of the Group has been defined, it is duly disclosed to the Corporate Enterprise Risks Manager, who determines the assessment scales of key business risks (impact, likelihood and level of preparedness).

5. RISKS THAT 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 Organization, 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 the course of the year, the depreciation of non-Euro currencies has had a relative negative impact on the growth rate of net sales of the Company, and a negative impact on the cost of sales, particularly during the first half of the year.

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.

The results of the referendum that took place in the UK on 23 June 2016, regarding the United Kingdom European Union membership, led to an unexpected commotion, and sent the markets into a spin. However, the impact of such vote has not been relevant for the Group during the financial year. The depreciation of the sterling pound resulting from Brexit has not entailed either 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.

6. THE RESPONSE AND SUPERVISION PLANS FOR THE MAIN RISKS FACED BY THE ENTITY

The Group relies on response plans that seek to reduce the impact and likelihood of materialization of the critical risks described in section 3 of this Chapter, or to improve the level of preparedness versus risks.

The main response plans for each risk category are explained below:

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 use of new technologies as a communication and sale option for our customers, represents a way to diversify this risk, which downplays the global exposure to this business environment risk.

6.2. REGULATORY RISK

The General Counsel's Office is charged with managing the Model of Compliance System of the Company. Namely, it discharges a triple function: organization, coordination and report.

Organization means that the General Counsel's Office 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 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. For the purposes of reducing such risks, the Group relies on a Criminal Risk Prevention Model, overseen by the Committee of Ethics, made up of three different documents: the Policy on Criminal Risk Prevention, the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls.

The 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.

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 external and independent verification of the facilities which are necessary to manufacture the fashion items that it distributes, for the purposes of minimizing any potential risks of damaging the image of the Group on account of improper behaviour by third parties. Said programme sets out the review procedures which ensure gathering information and evidence on the minimum working conditions that all manufacturers, suppliers and external workshops must comply with. Additional information on this Programme and on other programmes is available in the Annual Report and on the corporate website. Likewise, the Sustainability Department carries out technical and production audits on a regular basis and the Environment Department conducts audits and controls at the facilities where wet processes are carried out.

In such sizable and visible organizations 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, public authorities, etc.,).

The Group sets out, through the Communication and Corporate Affairs Division and the Sustainability Department, the procedures and protocols required to minimize this risk. Likewise, given their relevance, the General Counsel's Office and the Capital Markets Department are charged with managing specifically the relationship with CNMV, and the latter is also charged with investors' relations.

Additionally, different departments, including the Communication and Corporate Affairs Division, are responsible for tracking the image of the Group in the 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 ("Clear to Wear" and "Safe to Wear"), whose enforcement is mandatory throughout the production line for all finished products, footwear and accessories.

The Group relies on a Code of Conduct and Responsible Practices and a Code of Conduct for Manufacturers and Suppliers. The Committee of Ethics is responsible for the enforcement and construction of both Codes, and the Code Compliance Office runs training on the Code of Conduct and Responsible Practices for employees.

6.4. HUMAN RESOURCES

To minimize these risks, the Human Resources Department carries out continuous recruitment and hiring processes of new personnel, including hunting processes for key personnel. It has also developed a regular training programme for its staff and has implemented specific systems:

- To combine quality in employees' performance and the job satisfaction each of them may derive at the workplace;
- To facilitate the exchange of jobs among those employees wishing to broaden their experience in the different areas of the Organization
- To provide career opportunities to the most talented and diligent persons within the Organization.

On the other hand, the work system implemented within the Organization encourages the transfer of knowledge between employees in the different areas, thus minimizing the risk of depending excessively on the knowledge of key personnel Additionally, the use of career development, training and compensation policies seeks to retain key employees.

To ensure an appropriate work environment, the Human Resources Department follows a series of action lines which are described in greater detail in the Performance section of the Annual Report.

Meanwhile, a growing demand has arisen lately within the labour market, linked to the corporate social responsibility, which has become a key factor upon selecting a company for the job of choice. Thus, issues such as equal opportunities, remuneration systems other than salary or family and work balance are inter alia, factors that the Company takes into account, with policies designed for such purposes.

In this respect, the Inditex Group has implemented Equal Opportunities Plans, with measures that seek to meet different goals, including, without limitation fostering the commitment and effective implementation of the equal opportunities principle between female and male employees, contributing to reduce inequality and imbalance, preventing labour discrimination, fostering the Company's commitment towards improving life quality, ensuring a healthy work environment and providing actions to promote family and work balance.

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 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 stoppage of operations, 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 volume of each concept or the specific requirements of the geographical area which they service. Namely, part of the above mentioned logistics centres specialize in distribution of goods sold on-line. 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 hubs 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 for the purposes of 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 in the course of carriage, 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.

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. At present, the exchange risk insurance (forward contract) is the main hedging instrument. Additionally, other instruments, such as collars and swaps are used, to a lesser extent.

The Payment Management Policy addresses 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 of the Group, which seeks to ensure security, integrity and liquidity of financial assets of the Company, provides the guidelines which need to be observed by counterparties, and classifies them in panels in accordance with their rating, solvency and relevance profile for the Group. 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.

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 IT Security Department, reporting to the IT Division, 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) aimed at achieving an ongoing follow-up and assessment of the main risks associated, which permits ensuring reasonably 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.

6. 8. TECHNOLOGY AND INFORMATION SYSTEMS

Given the importance of the smooth running of technological systems to achieve the objectives of the Group, the IT Division exercises, through the IT Security area, and with the support of the Committee for Information Security, a 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 Organization.

As a benchmark, aimed at keeping the safety of the 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. Such Policy is available on the INET.

For the specific purpose of keeping a continuous systems operation, the Group relies on technical and procedural contingency systems which would reduce the consequences of any breakdown or stoppage. Among such technical contingency systems, the main data centre, TIER IV certified, 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 IT Security area within the IT Division 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 public liability of the company for damages incurred by third parties. The Company considers, based upon the available information, that these controls have been successful to date.

However, taking into account that every year a large number of hackers attempts 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 Organization, cannot be ruled out.

6.9. CORPORATE GOVERNANCE

In order to reduce these risks, compliance with the corporate governance system of the Company is required. Such system comprises 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 and the Remuneration Committee's Regulations, the corporate policies implemented for enterprise risk management, and the internal regulations of the Group (the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, and the Internal Regulations of Conduct regarding Transactions in Securities", among others).

The Code Compliance Supervisory Board and the Code Compliance Officer 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 ex officio 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.

With regard to supervision, the Board of Directors and the Audit and Control Committee are the main governing bodies responsible for risks control.

1. BOARD OF DIRECTORS

The Board of Directors is the maximum authority responsible for identifying the main risks for the Group and for organizing the appropriate internal control and information systems.

2. 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 the Audit and Control Committee, 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 Organization.

Likewise, according to such Charter, the goals of the Internal Audit function are to promote the existence of appropriate internal control and risk management systems; the streamlined and efficient application of the policies and procedures which make up such internal control system; and to serve as communication channel between the Organization and the Audit and Control Committee, with regard to those matters under the remit of the Internal Audit function.



Zara employee at the Arteixo head office (Spain).



Employee at the Inditex offices, New York (USA).

annual accounts

ICFR

Internal control and risks management systems with regard to financial reporting

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6. REPORT OF THE EXTERNAL AUDITOR

This chapter addresses the mechanisms which comprise the internal control and risks management systems (ICFR) with regard to the financial reporting of the company

1. ENTITY'S CONTROL ENVIRONMENT

1.1. RESPONSIBLE BODIES

The description of the duties of the bodies responsible for (i) the existence and maintenance of an appropriate and effective ICFR; (ii) its implementation, and (iii) its supervision, is provided below:

1.1.1. 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 monitoring body of the Company, being ultimately responsible for the existence and update of an appropriate and effective ICFR.

The Board of Directors is entrusted with the management and representation of the Group, delegating in general 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, assessing officers' management, making the most relevant decisions for the Group and liaising with the shareholders.

1.1.2. 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 to monitor the effectiveness of the ICFR. In this respect, the Committee discharges, inter alia, the following duties:

- Overseeing the effectiveness of the internal control system of the Company, the internal audit, and the risks management system, including tax risks, and to discuss with the auditor the significant weaknesses of the internal control system revealed 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 internal control and risk management policy:

  · Overseeing the control and risk management function.

  · Regularly reviewing the internal control and risks management policy, including tax risks. .

  · Ensuring that the internal control and risks 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 is faced with, 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 Company deems acceptable;

    iii. The measures planned to reduce the impact of the identified risks, should they materialize; and,

    iv. 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 about the risks that the Group is faced with, 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, legal, social, environmental, political and reputational) that the control policy and the risks management systems must contain;

Most members of the Audit and Control Committee are independent directors. The Committee meets on a quarterly basis and each time it is called by its Chair. In FY2016, the Audit and Control Committee has met 6 times.

1.1.3. Financial Division

The *Dirección General de Finanzas* [Financial Division] is responsible for the design, roll-out and update of an appropriate ICFR, as provided in the Procedure for Enterprise Risk Management in respect of Financial Information. Such procedure is part of the Enterprise Risk Management System of the Group and it covers exclusively those risks which affect the financial information.

The Financial Division sets out and circulates the policies, guidelines and procedures, associated with financial information production and is charged with ensuring the appropriate enforcement thereof within the Group.

1.1.4. 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 of financial information systems, by performing specific audits about ICFR, 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 the mission, authority and responsibilities of such function 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).

1.2. ELEMENTS OF THE PROCESS FOR DRAWING UP THE FINANCIAL INFORMATION

Additionally, with regard to the process for drawing up the financial information, a number of departments and/or mechanisms are charged with (i) designing and reviewing the organizational structure; (ii) clearly defining the lines of responsibility and authority with an appropriate allocation of duties and functions; and, (iii) ensuring the existence of the required procedures for the appropriate circulation within the company.

The design and review of the organizational structure and of the lines of responsibility and authority within the Group falls on the Board of Directors. The departments charged with drawing up the financial information are to be found within such structure.

The Nomination Committee, which is composed of a majority of independent directors is charged with providing and reviewing the criteria to be followed in the recruitment of the senior executives of the Group.

It is incumbent on such Committee, inter alia, to issue a report on any appointment and/or removal of senior executives of the Group proposed to the Board of Directors by the chief executive pursuant to the provisions of section 16.2 (g) of the Board of Directors' Regulations.

Senior executives and the Human Resources Department (hereinafter DRRHH, (Spanish acronym)) are charged with describing duties and responsibilities of each area. Additionally, the Compensation Department, reporting to the DRRHH 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 financial information, the Group has clearly defined authority and responsibility lines. 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 DRRHH.

To carry out its activity, the Financial Division is organized in the following departments:

- Administration Department
- Planning and Management Control Department
- Financial Management Department
- Enterprise Risks Management Department
- Processes and Projects Department
- Tax Department

The Group relies on financial organization structures that meet local requirements in each country where it operates, headed by a Chief Financial Officer who is charged, among other things with following the procedures which are part of the ICFR.

Code of Conduct

The Board of Directors approved in the meeting held on 17 July 2012, following a favorable 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).

Therefore, the Group's internal conduct policies are covered in the following codes:

- The Code of Conduct and Responsible Practices.
- The Code of Conduct for Manufacturers and Suppliers.
- The Internal Regulations of Conduct regarding Transactions in Securities.

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 Code Compliance Officer, who chairs it.
- The Chief Audit Officer.
- The Chief Sustainability Officer.
- The Chief Human Resources Officer.

The Committee of Ethics may act *ex officio* or at the behest of any of Inditex's employees, manufacturers, suppliers 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 as a result of bringing 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 twice a year, 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.

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.

The Code applies to all manufacturers and suppliers involved in the processes for procuring, manufacturing and finishing the products that the Group commercializes and it is based upon the general principles that define Inditex's ethical behavior, i.e.: all Inditex's operations shall be carried out under an ethical and responsible perspective; all persons, individuals or entities, who maintain, directly or indirectly, any kind of employment, economic, social and/or industrial relationship with Inditex, are treated in a fair and honourable manner; all Inditex's activities are carried out in a manner that most respects the environment; all manufacturers and suppliers (production centers that are not the property of Inditex) fully adhere to these commitments and undertake to ensure that the standards which are set forth in the Code of Conduct for Manufacturers and Suppliers are met.

Manufacturers of goods commercialized by Inditex are bound to comply with this 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.

IRC

Moreover, the Board of Directors approved on 19 July 2016 the Internal Regulations of Conduct regarding Transactions in Securities of Inditex and its corporate group, 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.

By approving the IRC, Inditex Inditex follows the latest regulatory developments which apply to such persons who, given their position, duties or office, have (or may have) access to Inside Information of the Inditex Group (hereinafter, the **"Affected Persons"**) and their Related Persons, as well as to the proceedings of Affected Persons and their Related Persons related to the stock exchanges. All the transactions in Inditex shares carried out by Affected Persons and their Related Persons are subject to the IRC.

All the procedures related to Personal Transactions regarding Affected Securities and Instruments (Inditex shares) are kept in the new IRC. As was previously the case, Affected Persons must:

- Request from the Code Compliance Office (hereinafter, the "CCO") prior authorization for any transactions in Inditex shares, where the actual amount thereof is equal to or in excess of €60,000. Regardless of the economic value of the transaction, notify such transaction to the CCO within the first 15 days of the month immediately after the one during which it was carried out.

- Request authorization, where appropriate and disclose as provided in the two previous paragraphs, such transactions in Inditex shares carried out by their Related Persons.

- Refrain from carrying out any transaction in Inditex's shares during close periods. As customary, and to help compliance with this obligation, the Code Compliance Office will give Affected Persons written notice of both the beginning and the end of such close periods.

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 respect, noncompliance with the IRC may give rise to the relevant disciplinary sanctions, as the case may be; to civil, criminal and/or administrative liability, and to the obligation to compensate any damages incurred, where appropriate.

Finally, there is a Code Compliance Supervisory Board 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

- The Director of the Capital Markets Department, and

- The Chief Human Resources Officer.

Such Supervisory Board is mainly responsible for developing procedures and implementing regulations to enforce the IRC. Likewise, a Code Compliance Office exists within the Code Compliance Supervisory Board. The General Counsel of the Inditex Group is the Code Compliance Officer. The Code Compliance Office 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 Code Compliance Supervisory Board and the Code Compliance Office shall ensure that the above referred principles are observed.

With regard to the dissemination of the above referred regulations, 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 organization.

Likewise, an 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 organization. Additionally, the Code of Conduct and Responsible Practices is also available at the stores' TGT in most countries.

With regard to the IRC, the Code Compliance Office keeps a General Documentary Register of all Affected Persons. The Code Compliance Office 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 Code Compliance Office shall inform the Affected Persons that they have been included in the General Documentary Register and about any other issues addressed by *Ley Orgánica* 15/1999, of 13 December on Personal Data Protection.

Whistle Blowing Channel

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 geographical 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 and the enforcement of the Whistle Blowing Channel Procedure.

The proceedings of such 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 and regulatory compliance policies 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 any 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 relevant department or department shall, having heard first the interested party, propose any of the following measures to the Committee of Ethics which will have final say:

- 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

The Training and Career Development area of the Group, which reports to the DRRHH, 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 departments which make up the company, and specific schemes aimed at training and refreshing employees in respect of new regulatory changes in the matter of preparation and supervision of financial information.

(a) 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.

(b) Specific training

Group employees involved in procedures associated with the preparation of financial information regularly receive training and refresher courses that seek to provide knowledge about local and international standards governing financial information, as well as about the existing regulations and best practices in the area of internal control.

Within the financial environment, such training and refresher schemes are organized by the DRRHH, 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 in respect of the management model of the INDITEX Group, as well as in the internal control on financial information system implemented by the Group.

Additionally, supplementary courses are taught by internal staff on the operation of financial software tools used in the preparation of financial information.

With regard to specialized training proceedings carried out by employees from the different departments of Financial Division during FY2016, the following stand out, among others:

- International Cash & Treasury Management
- Accounting regulations on derivatives and hedging
- Corporate Fraud and Cyber Risks
- COSO Framework 21013

2. RISKS ASSESSMENT IN FINANCIAL REPORTING

2.1. MAIN FEATURES OF THE RISK IDENTIFICATION PROCESS:

The risk identification process has been documented in the *"Procedure for Enterprise Risks Management in respect of Financial Information"*. This process seeks to describe the mechanisms to identify and assess, on an annual basis, the risks which may lead to material mistakes in financial reporting.

The above referred risks management process is based upon five stages:

1. Gathering financial information.
2. Identification of the operation cycles with an impact on financial information.
3. Assessment of risks by the reporting unit of financial statements.
4. Prioritization of accounts criticality.
5. 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 financial statements, 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; (v) rights and obligations.

Further to 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 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 the Incorporation and Financing of Companies.

Recorded in such Master are on the one hand, general information about companies, 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, shareholding, 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, reviews and updates 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.

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 the involved areas of the organization. Thus, the Group may consider the impact that the remaining risks classified within the following groups: Business Environment, Reputation, Regulatory Risks, Human Resources, Operations, Financial, Information for the decision-making, Technology and IT Systems and Corporate Governance, may have on financial statements.

The whole process is overseen and approved on a yearly basis by the Audit and Control Committee.

3. CONTROL ACTIVITIES

3.1. PROCEDURES TO REVIEW AND AUTHORIZE FINANCIAL INFORMATION AND ICFR DESCRIPTION.

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.

The Group relies on review mechanisms of the financial information. Each of the organizational 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 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 duly documented all processes which, in its view, entail a risk of a material impact on the preparation of the financial information, through the relevant procedures.

Such procedures 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. Such procedures and controls are covered in the SAP GRC Process Control tool.

Additionally, such processes are represented in flow charts and scoping risks and controls matrixes whereby the relevant control activities are identified. Each control activity is overseen by the relevant supervisor and is systematically carried out. Circulation of procedures, flow charts and matrixes to staff members involved in the preparation of the financial information is carried out through the specific Financial Division portal of the Group available on the Group's INET, where they are available to any member of the financial team. Such portal represents an additional work tool.

Each procedure is allocated to a supervisor charged with its review and update. Said updates are duly reviewed and authorized by the management of the area prior to their disclosure.

With regard to the accounting closing, the Financial Division issues the instructions together with the calendar and contents of the financial reporting for each of the local financial structures to prepare the consolidated financial statements.

Additionally, this procedure includes a section on "Provisions, Opinions and Estimates" regarding the specific identification of the relevant consolidated opinions, estimates, assessments and projection, as well as the review and approval thereof by the Financial Division.

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 environments which are especially relevant for IT.

The Group has an IT Security area, reporting to the IT Division, which seeks to ensure security of all computer processes by:

- Setting and circulating regulations to ensure security, pursuant to the Policy for Information Security (hereinafter, the "PSI" *(Spanish acronym)*).
- Carrying out reviews and setting up controls aimed at verifying enforcement of such regulations.

The PSI 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 Policy for Information Security 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 Transactions Management
- Systems Development and Update
- Business Continuity Management
- Management of Information Security Incidences
- Regulatory and Legal Compliance.

Additionally, regarding the design and implementation of 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.

During FY2016, the Committee for Information Security has held quarterly meetings. Such body is charged with ensuring within the organization support to any and all initiatives about information security. Members of the following areas serve on such Committee:

- Administration and Finances
- Internal Audit
- Corporate Development
- Internationa
- Legal
- Corporate Logistics
- Product Diversion Control
- Human Resources
- General Counsel's Office
- Corporate Security
- IT.

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.

During FY2016, a number of activities, such as valuation of fixed assets, valuation of intangible assets, actuarial calculations, HHRR-related services or valuation of derivatives, were outsourced to third parties. They did not have 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 individuals or companies hired.

4. INFORMATION AND COMMUNICATION

The External Reporting area, within the Planning and Management Control Department, is responsible for drafting, publishing, implementing and updating the Manual of Accounting Policies of the Group. Such area has, among others, the following duties associated with the Group's accounting policies:

- 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. During 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.

The process for consolidation and preparation of consolidated financial statements is centralized, falling 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 based upon SAP BPC tool.

Financial information reported to CNMV is drafted based upon consolidated financial statements gathered through the above referred tool, and based upon certain supplementary information reported by the subsidiaries, required to prepare the annual/half-year report. Contemporaneously, certain specific controls are exerted to confirm integrity of such information.

5. SUPERVISION OF THE SYSTEM'S OPERATION

5.1. ICFR SUPERVISION ACTIVITIES CARRIED OUT BY THE AUDIT COMMITTEE.

In particular, regarding the supervision activities about ICFR, the Audit and Control Committee has carried out during the year, 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 kept regular meetings 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 organizational structure by means of a direct link to the Board of Directors, which ensures a 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 it relies on representatives at such geographical areas where the presence of the Inditex Group justifies such existence. Additionally, it is divided into specialized areas, which allows gathering deeper knowledge 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.

Among the goals of the Internal Audit function are the assessment of risk exposure and the suitability and effectiveness of controls vis-à-vis risks identified and namely, those regarding 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 reviews of ICFR for the significant processes and t elements regarding the financial statements of the Group. Review priority is set in accordance with 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.

Namely, the design and effective operation of key transactional controls and general controls on the main software tools involved in the preparation of the financial information, is subject to review, as well as the review of the general control environment.

Additionally, this review is supplemented with the implementation and review 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 mistakes, including those of financial nature and fraud. Such key risk indicators are

centrally implemented for the different business units and geographical areas included in the audit plan.

To carry out its activities, Internal Audit relies on different audit techniques, mainly interviews, analytical reviews, specific control tests, reviewing both the effectiveness of design and the effective operation thereof, review of the effectiveness of software tools and material tests.

Likewise, Internal Audit carries out certain limited procedures of analytical review 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. The implementation of such measures is subsequently followed up by Internal Audit and reported to the Audit and Control Committee.

5.2. DISCUSSION PROCEDURE BETWEEN THE FINANCIAL AUDITOR, THE INTERNAL AUDIT FUNCTION AND OTHER EXPERTS TO DISCLOSE SIGNIFICANT INTERNAL CONTROL WEAKNESSES IDENTIFIED AND ACTION PLAN.

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, the 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.

During 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 laid down in the above referred section 45.5, any discussion or different view existing is advanced in the meetings held between the Audit and Control Committee and the external auditors. Meanwhile, external auditors report, where appropriate, about the main issues that need to be improved regarding internal control 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 auditors of the individual and consolidated statements for the purposes of reviewing on the one hand the financial statements of the Group 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 legal requirements and the appropriate enforcement of generally accepted accounting standards upon preparing such information.

During FY2016, members of the Internal Audit Department have attended all 6 meetings of the Audit and Control Committee, and the external auditors four meetings.

6. REPORT OF THE EXTERNAL AUDITOR

The Group's Management has decided to submit the information about ICFR of the Annual Corporate Governance Report for FY2016 prepared by the Company's Management, to the external auditors for review.

Arteixo (A Coruña), April 2017.

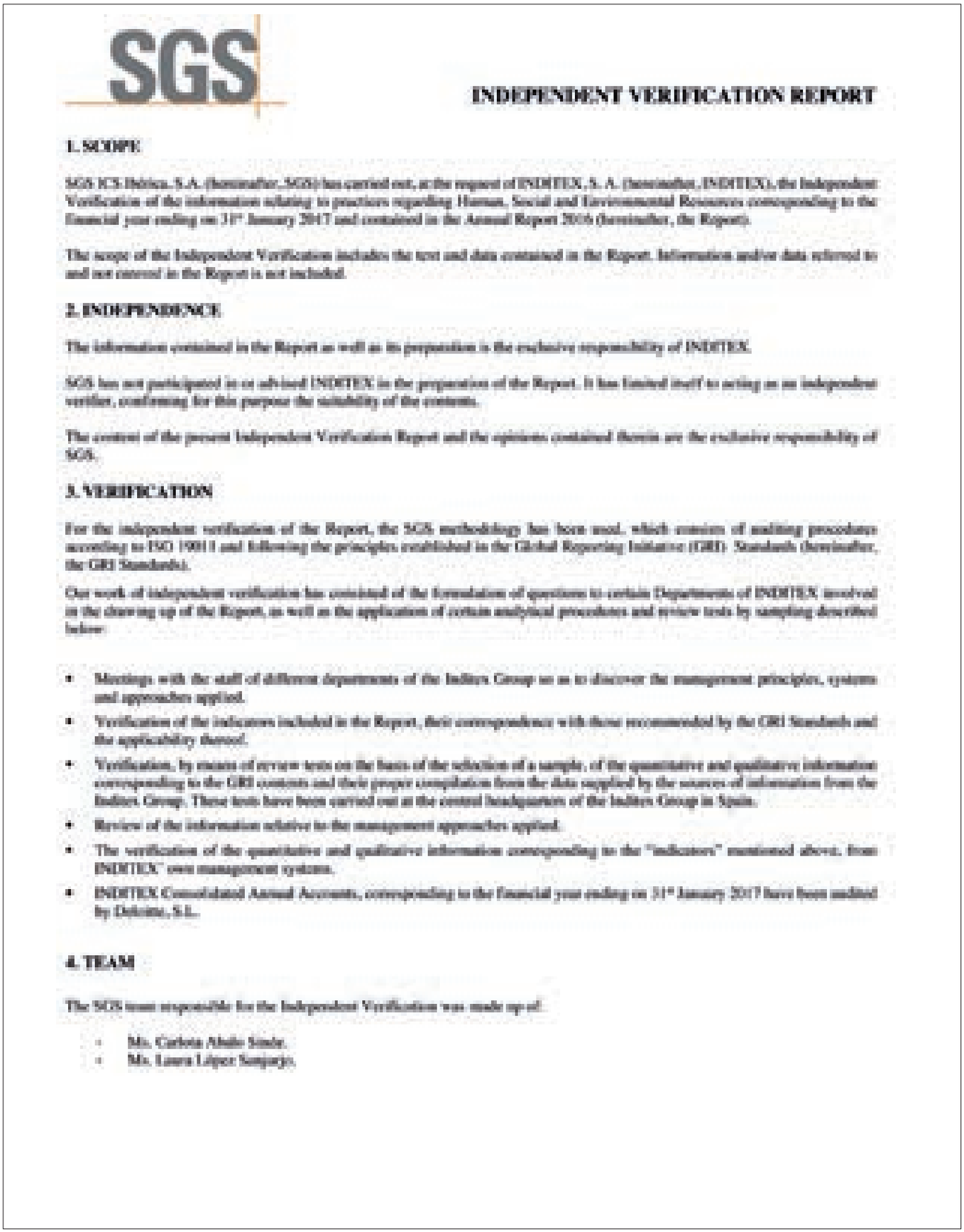


Zara Fifth Avenue store employee in New York (USA).

GRI CONTENT INDEX



GRI CONTENT VERIFICATION



SGS

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 2017 and contained in the Annual Report 2016 (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 conveyed 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 2017 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.

SGS

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 contents information, focusing on Occupational Health and Safety area as most of the GRI contents related to that area reflect mainly Inditex operations in Spain.
- ✓ Enhancement of the systematic for gathering GRI contents on a yearly basis although it has to be highlighted a good progress in terms of systems.

6. STRONG POINTS

- The Corporate Social Responsibility aspect is much improved and developed and has made significant progress compared to the previous year.
- An important change has been demonstrated in the Human Resources department by introducing new contents in the Annual Report.

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.

14th JUNE 2017

Carlota Abalo Sisalle

KPMG

KPMG Asesores, S.L.
Pº. de la Castellana, 259 C
28046 Madrid

Independent Assurance Report to the Management of Industria de Diseño Textil, S.A.

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

In accordance with our engagement letter, we performed a limited assurance review on the non-financial information contained in the 2016 Annual Report of Industria de Diseño Textil, S.A. for the year ended 31 January 2017 (hereinafter "the Report"). The information reviewed corresponds to the economic, environmental and social indicators with the Ø symbol in the GRI Content Index of the Report: 102-8, 102-9, 401-3, 403-2, 405-1, 414-1, 308-2, 416-1, 302-1, 305-1, 305-2, 305-3, 306-2, 201-1, 103-2, AF7, AF8, AF14, AF16 and AF21.

Management responsibilities

Inditex management is responsible for the preparation and presentation of the Report 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. It is also 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 Standards 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 misstatement.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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 founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Limited assurance over limited assurance indicators

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

- Verification of Inditex's processes for determining the material issues, and the participation of stakeholder groups therein.
- Evaluation through interviews concerning the consistency of the description of the application of Inditex's policies and strategy on sustainability, governance, ethics and integrity.
- 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 requirements of the *Sustainability Reporting Standards* of Global Reporting Initiative (GRI Standards), 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.
- Verification that the financial information reflected in the Report was audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. 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 Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that the 2016 Annual Report of Industria de Diseño Textil, S.A. for the year ended 31 January 2017, have not in all material respects, been prepared and presented 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 information presented and the absence of significant deviations and omissions.

Under separate cover, we will provide Inditex management with an internal report outlining our complete findings and areas for improvement.

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 2016 Annual Report and for no other purpose or in any other context.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco

12 June 2017



Zara employee at the store in London (UK).

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 Report 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 20 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.



GRI Standard	Disclosure	Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact

General Disclosures

GRI 102: GENERAL DISCLOSURES 2016

ORGANIZATIONAL PROFILE

102-1	Name of the organization	Industria de Diseño Textil, S.A.		Yes, Page 332	
102-2	Activities, brands, products, and services	15-22		Yes, Page 332	
102-3	Location of headquarters	Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña, España		Yes, Page 332	
102-4	Location of operations	12,13, 303-305		Yes, Page 332	
102-5	Ownership and legal form	168		Yes, Page 332	
102-6	Markets served	12,13, 303-305		Yes, Page 332	
102-7	Scale of the organization	6, 208, 216		Yes, Page 332	
102-8	Information on employees and other workers	38, 39, 50		Yes, Page 332 and 334 ☑	
102-9	Supply chain	59, 60, 83, 208		Yes, Page 332 and 334 ☑	
102-10	Significant changes to the organization and its supply chain	168, 293		Yes, Page 332	
102-11	Precautionary Principle or approach	312-316		Yes, Page 332	
102-12	External initiatives	30, 58, 114, 122, 123		Yes, Page 332	
102-13	Membership of associations	65, 93, 121- 123		Yes, Page 332	

STRATEGY

102-14	Statement from senior decision-maker	8, 9		Yes, Page 332	
102-15	Key impacts, risks, and opportunities	310, 311		Yes, Page 332	

ETHICS AND INTEGRITY

102-16	Values, principles, standards, and norms of behavior	30, 106, 107, 201, 295 Issues related to sustainability and personnel Code of Conduct and Responsible Practices: https://www.inditex.com/en/how-we-do-business/right-to-wear		Yes, Page 332	
102-17	Mechanisms for advice and concerns about ethics	201, 202, 324		Yes, Page 332	

GOVERNANCE

102-18	Governance structure	169-171 General meeting of Shareholders, 172-180 Board of Directors, 180-198 Board of Directors' Committees		Yes, Page 332	
102-19	Delegating authority	180 Board of Directors' Committees, 202		Yes, Page 332	
102-20	Executive-level responsibility for economic, environmental, and social topics	190, 197, 198		Yes, Page 332	
102-21	Consulting stakeholders on economic, environmental, and social topics	28		Yes, Page 332	
102-22	Composition of the highest governance body and its committees	172-180 Board of Directors, 191, 195, 197		Yes, Page 332	
102-23	Chair of the highest governance body	174		Yes, Page 332	
102-24	Nominating and selecting the highest governance body	176-178, 191-193		Yes, Page 332	
102-25	Conflicts of interest	199		Yes, Page 332	

GRI Standard	Disclosure	Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
	102-26 Role of highest governance body in setting purpose, values, and strategy	172 Board of Directors, 308-310 Additional information available on the Inditex website. Our principles and Sustainable management: https://www.inditex.com/en/how-we-do-business/right-to-wear		Yes, Page 332	
	102-27 Collective knowledge of highest governance body	179		Yes, Page 332	
	102-28 Evaluating the highest governance body's performance	179		Yes, Page 332	
	102-29 Identifying and managing economic, environmental, and social impacts	28, 169, 170 Authorities, 297-299 Main risks and uncertainties, 308-310 Corporate bodies responsible for drawing up and enforcing the risks management systems		Yes, Page 332	
	102-30 Effectiveness of risk management processes	308 Corporate bodies responsible for drawing up and enforcing the risks management systems		Yes, Page 332	
	102-31 Review of economic, environmental, and social topics	178		Yes, Page 332	
	102-32 Highest governance body's role in sustainability reporting	The Board of Directors is the body in charge of reviewing and approving the Annual Report		Yes, Page 332	
	102-33 Communicating critical concerns	28, 180-198 Board of Directors' Committes		Yes, Page 332	
	102-34 Nature and total number of critical concerns	186, 187, 193, 196		Yes, Page 332	
	102-35 Remuneration policies	198 For more information please consult the Annual Report on Remuneration of Directors (sections A.1.1., A.1.2., A.1.3. and A.1.4.) available at https://www.inditex.com/en/investors/corporate-governance/report-on-remuneration-of-directors		Yes, Page 332	
	102-36 Process for determining remuneration	195- 198 For more information please consult the Annual Report on Remuneration of Directors (sections A.1.1., A.1.2. and A.1.3.) available at https://www.inditex.com/en/investors/corporate-governance/report-on-remuneration-of-directors		Yes, Page 332	
	102-37 Stakeholders' involvement in remuneration	197 For more information please consult the Annual Report on Remuneration of Directors (sections A.1.3., A.3 and D3) available at https://www.inditex.com/en/investors/corporate-governance/report-on-remuneration-of-directors		Yes, Page 332	
	102-38 Annual total compensation ratio	51, 198		Yes, Page 332	
	102-39 Percentage increase in annual total compensation ratio	51, 198		Yes, Page 332	
STAKEHOLDER ENGAGEMENT					
	102-40 List of stakeholder groups	28		Yes, Page 332	
	102-41 Collective bargaining agreements	70% of Inditex employees are covered by a collective agreement (there were no significant changes to this indicator on a country level from 2014).		Yes, Page 332	
	102-42 Identifying and selecting stakeholders	28 Inditex performs a detailed analysis of its stakeholders with the aim of identifying the impact of its activities on stakeholders and developing a strategy aimed at attaining sustainability in its processes.		Yes, Page 332	
	102-43 Approach to stakeholder engagement	28, 60, 64, 171, 229		Yes, Page 332	
	102-44 Key topics and concerns raised	28, 29, 228, 229		Yes, Page 332	
REPORTING PRACTICE					
	102-45 Entities included in the consolidated financial statements	283 Composición del Grupo Inditex		Yes, Page 332	
	102-46 Defining report content and topic Boundaries	2, 3, 29, 337 The contents of the Annual Report are defined based on the materiality analysis. This analysis takes into account the different stages of Inditex's value chain in order to identify the most relevant internal and external aspects. The Material Aspects identified within the organization by means of this focus are also material for all entities that form part of the Inditex Group.		Yes, Page 332	
	102-47 List of material topics	228, 229		Yes, Page 332	
	102-48 Restatements of information	There were no significant changes that led to a redrafting of the information. The details of any changes in information with a timescale or organizational scope different to that of previous years are described along with the data in question		Yes, Page 332	
	102-49 Changes in reporting	228, 229 There were no significant changes in the list of material issues and their boudaries.		Yes, Page 332	

GRI Standard	Disclosure		Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
	102-50	Reporting period	245 The Annual Report reflects the Inditex Group's economic, social and environmental performance in the year 2016, which extends from 1 February 2016 to 31 January 2017.		Yes, Page 332	
	102-51	Date of most recent report	jun-16		Yes, Page 332	
	102-52	Reporting cycle	245		Yes, Page 332	
	102-53	Contact point for questions regarding the report	352		Yes, Page 332	
	102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Comprehensive option.		Yes, Page 332	
	102-55	GRI content index	338		Yes, Page 332	
	102-56	External assurance	332, 334		Yes, Page 332	

Material topics

LABOUR PRACTICES

(GRI 401: EMPLOYMENT 2016; GRI 402: LABOR/ MANAGEMENT RELATIONS2016; GRI 403: OCCUPATIONAL HEALTH AND SAFETY2016; GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016; GRI 406: NON-DISCRIMINATION 2016; GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016)

GRI 103: MANAGEMENT APPROACH 2016

	103-1	Explanation of the material topic and its Boundary	36, 228, 229		Yes, Page 332	
	103-2	The management approach and its components	36, 40, 41, 52, 53		Yes, Page 332	
	103-3	Evaluation of the management approach	28, 40, 324, 332, 334		Yes, Page 332	

GRI 401: EMPLOYMENT 2016

	401-1	New employee hires and employee turnover	During 2016, the turnover of the Inditex Group, including voluntary casualties, was 36.6% in women and 13.4 in the case of men. Regarding the turnover by age, 44.7% were aged under 30, 4.9% were aged 30 to 45 and 0,1 were over 45.	Data on the total number and rate of new employee hires, as well as turnover rate by region, are not available. Inditex is presently working on improving its systems to report these data in 2018.	Yes, Page 332	Principle 6
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	51 The Group provides the same social benefits for temporary workers as to part- and full-time employees.		Yes, Page 332	
	401-3	Parental leave	40	Total number of employees who have returned to work after completing parental leave and who were still employed 12 months after returning to work and the retention rate are not available. Inditex is working on improving its systems to report this data in 2018.	Yes, Page 332 and 334 ☑	Principle 6

GRI 402: LABOR/MANAGEMENT RELATIONS 2016

	402-1	Minimum notice periods regarding operational changes	The collective agreements in force do not set out a minimum period for the formal notification of any organizational changes that take place within Inditex. However, when relevant events take place, prior notice is given in line with the provisions of the law in force (art. 41 of the Workers' Statute).		Yes, Page 332	Principle 3

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 on the same level (management and employees) and all agreements are confirmed by management.		Yes, Page 332	
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	52	Breakdown according to gender is not available. Inditex is working to improve its systems in order to report this data by 2018.	Yes, Page 332 and 334 ☑	
	403-3	Workers with high incidence or high risk of diseases related to their occupation	In general, no workers were identified as being involved in activities with a high accident rate or high risk of specific diseases.		Yes, Page 332	
	403-4	Health and safety topics covered in formal agreements with trade unions	All committees have reached agreements related to worker health and safety. During the period object of the Annual Report Inditex had reached agreements in force on an international and national scale with trade unions which covered aspects such as personal protective equipment, periodic inspections, training and education, complaints mechanisms, and so on.		Yes, Page 332	

GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016

	405-1	Diversity of governance bodies and employees	36, 38, 39, 50, 174	Breakdown according to gender is not available. Inditex is working on improving its systems in order to report this data by 2018.	Yes, Page 332 and 334 ☑	Principle 6
	405-2	Ratio of basic salary and remuneration of women to men		Not available. Inditex is working on improving its systems in order to report these data by 2018.	Yes, Page 332	Principle 6

GRI Standard	Disclosure	Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
GRI 406: NON-DISCRIMINATION 2016					
406-1	Incidents of discrimination and corrective actions taken	87, 90 No incidents of discrimination were recorded among Inditex Group employees during 2016.		Yes, Page 332	Principle 6
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	87, 90 Inditex's Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses the level of compliance with worker freedom of association, and is applicable to all of the Group's operations and suppliers.		Yes, Page 332	Principle 3
ATTRACTING AND RETAINING TALENT					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	43, 228, 229		Yes, Page 332	
103-2	The management approach and its components	43, 44		Yes, Page 332	
103-3	Evaluation of the management approach	28, 324, 332		Yes, Page 332	
DEVELOPING HUMAN CAPITAL (GRI 404: TRAINING AND EDUCATION 2016)					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	45, 228, 229		Yes, Page 332	
103-2	The management approach and its components	45, 48		Yes, Page 332	
103-3	Evaluation of the management approach	48, 324, 332		Yes, Page 332	
GRI 404: TRAINING AND EDUCATION 2016					
404-1	Average hours of training per year per employee	10,34 hours/ employee	Breakdown according to gender and employee type not available. Inditex is working to improve its systems in order to report these data by 2018.	Yes, Page 332	Principle 6
404-2	Programs for upgrading employee skills and transition assistance programs	48, 81 96% of the Group's employees are less than 45 years olds, meaning that the Group is not facing the need to develop programmes to assist employees at the end of their professional careers in the near future.		Yes, Page 332	
404-3	Percentage of employees receiving regular performance and career development reviews	179, 180	Breakdown according to gender and employee type not available. Inditex is working to improve its systems in order to report these data by 2018.	Yes, Page 332	Principle 6
HEALTH AND SAFETY AT SUPPLIERS AND MANUFACTURERS (GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016)					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	74, 228, 229		Yes, Page 332	
103-2	The management approach and its components	74-78		Yes, Page 332	
103-3	Evaluation of the management approach	86, 87, 324, 332, 334		Yes, Page 332	
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016					
414-1	New suppliers that were screened using social criteria	83, 86, 213		Yes, Page 332 and 334 ☑	
414-2	Negative social impacts in the supply chain and actions taken	87, 88, 90, 213		Yes, Page 332	
HUMAN RIGHTS AND INDUSTRIAL RELATIONS IN THE SUPPLY CHAIN (GRI 408: CHILD LABOR2016; GRI 409: FORCED OR COMPULSORY LABOR 2016; GRI 412: HUMAN RIGHTS ASSESSMENT 2016)					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	58, 228, 229		Yes, Page 332	
103-2	The management approach and its components	58, 62		Yes, Page 332	
103-3	Evaluation of the management approach	86, 87, 324, 332		Yes, Page 332	
GRI 408: CHILD LABOR 2016					
408-1	Operations and suppliers at significant risk for incidents of child labor	87, 90 Inditex's Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses the level of compliance with prohibition of child labour, and is applicable to all of the Group's operations and suppliers.		Yes, Page 332	Principle 5
GRI 409: FORCED OR COMPULSORY LABOR 2016					
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	87, 90 Inditex's Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses the level of compliance with prohibition of forced or compulsory labour, and is applicable to all of the Group's operations and suppliers.		Yes, Page 332	Principle 4
GRI 412: HUMAN RIGHTS ASSESSMENT 2016					
412-1	Operations that have been subject to human rights reviews or impact assessments	86, 87, 208, 213		Yes, Page 332	Principle 2

GRI Standard	Disclosure		Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
	412-2	Employee training on human rights policies or procedures	80, 81		Yes, Page 332	Principle 1
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	83		Yes, Page 332	Principle 2
TRACEABILITY OF THE SUPPLY CHAIN (GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	61, 115, 118, 209 Inditex has developed the a project of Technical Capacity Building for the Supply Chain (https://www.wateractionplan.com/en/web/gestion-del-agua/capacity). This project consists on the environmental evaluation of suppliers and their technical capacitation to improve their environmental performance and therefore achieve a more sustainable production and *Zero Discharge* in 2020.		Yes, Page 332	
	103-3	Evaluation of the management approach	118, 332, 334		Yes, Page 332	
GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016						
	308-1	New suppliers that were screened using environmental criteria	83, 86, 118		Yes, Page 332	Principle 8
	308-2	Negative environmental impacts in the supply chain and actions taken	118		Yes, Page 332 and 334 ☑	Principle 8
RESPONSIBLE PURCHASING PRACTICES						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	70, 110, 228, 229		Yes, Page 332	
	103-2	The management approach and its components	70, 110-113		Yes, Page 332	
	103-3	Evaluation of the management approach	324, 332		Yes, Page 332	
COMMITMENT TO CUSTOMERS						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	96, 228, 229		Yes, Page 332	
	103-2	The management approach and its components	98-101		Yes, Page 332	
	103-3	Evaluation of the management approach	101, 324, 332		Yes, Page 332	
CHANGES IN CONSUMPTION HABITS						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	112		Yes, Page 332	
	103-3	Evaluation of the management approach	112, 324, 332		Yes, Page 332	
NEW SALES CHANNELS						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	96, 228, 229		Yes, Page 332	
	103-2	The management approach and its components	98, 99		Yes, Page 332	
	103-3	Evaluation of the management approach	101, 332		Yes, Page 332	
PRODUCT QUALITY, HEALTH AND SAFETY (GRI 416: CUSTOMER HEALTH AND SAFETY 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	104, 228, 229		Yes, Page 332	
	103-2	The management approach and its components	104, 106, 107, 209		Yes, Page 332	
	103-3	Evaluation of the management approach	116, 117, 119, 332, 334		Yes, Page 332	
GRI 416: CUSTOMER HEALTH AND SAFETY 2016						
	416-1	Assessment of the health and safety impacts of product and service categories	116, 117, 119, 209		Yes, Page 332 and 334 ☑	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No significant incidents of non-compliance with standards related to the impact of products on customer health and safety were recorded in 2016.		Yes, Page 332	
PRODUCT INFORMATION AND LABELLING (GRI 4017: MARKETING AND LABELING 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	

GRI Standard	Disclosure		Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
	103-2	The management approach and its components	106, 107, 112		Yes, Page 332	
	103-3	Evaluation of the management approach	112, 332		Yes, Page 332	
GRI 417: MARKETING AND LABELING 2016						
	417-1	Requirements for product and service information and labeling	106, 107, 112 Product health and safety standards are in general application and mandatory for the whole of the Group's production (100%).		Yes, Page 332	
	417-2	Incidents of non-compliance concerning product and service information and labeling	No significant incidents of non-compliance with standards related to product information or labelling or voluntary codes were recorded in 2016.		Yes, Page 332	
	417-3	Incidents of non-compliance concerning marketing communications	No significant incidents of non-compliance with standards related to marketing communications were recorded in 2016.		Yes, Page 332	
ECO-DESIGN (GRI 301: MATERIALS 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	104, 228, 229 In order to offer safe, healthy and products manufactured with sustainable management of resources and processes, we begin with the first phases of the life cycle by implementing eco-design as a key tool for sustainably managing natural resources.		Yes, Page 332	
	103-2	The management approach and its components	106, 107, 324 In the Code of Conduct, Inditex undertakes to minimize the environmental impact throughout the life cycle of its products.		Yes, Page 332	
	103-3	Evaluation of the management approach	324, 332		Yes, Page 332	
GRI 301: MATERIALS 2016						
	301-1	Materials used by weight or volume	Inditex distributes the finished fashion items (clothing, footwear, accessories) and home textiles it purchases from its suppliers. Nevertheless, Inditex works hard to promote the efficient use of materials in its supply chain via the use of more sustainable fibres, packaging and distribution of its products in line with its standard, ZNormativa, and waste management by means of its Waste Reduction Plan. The packaging materials of the products put on the market are recovered at the end of their useful life for recycling by authorized managers in those countries where there are Integrated Packaging Management Systems.	This information is not currently accessible. Data related to volume or weight of used materials is not available. Inditex is presently improving its systems to provide data related to this indicator in 2018.	Yes, Page 332	Principle 7 and 8
	301-2	Recycled input materials used	100, 111, 136		Yes, Page 332	Principle 8
	301-3	Reclaimed products and their packaging materials	108 109, 136		Yes, Page 332	
MANAGING PRODUCT END-OF-LIFE AND RECYCLING SYSTEMS						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	104, 228, 229		Yes, Page 332	
	103-2	The management approach and its components	106-109 At Inditex we have a long-term strategy to integrate the vision of the circular economy in our business model. Within the framework of our Sustainable Strategic Plan, we work to comply with the integration of the circular economy through the target for 2020 that none of the waste from our activities ends in a dump. We promote circular systems of reuse of packaging like the one of tubes pallets, boxes, alarms and hangers, opting for recycled materials when it is possible. We also develop projects to close the product life-cycle with initiatives such as *Closing the Loop* to promote the closure of the cycle in the textile sector.		Yes, Page 332	
	103-3	Evaluation of the management approach	332		Yes, Page 332	
ANIMAL WELFARE						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229 Inditex aims to protect, conserve and develop species richness and diversity. Inditex works by avoiding the purchase of materials that represent a risk for endangered species, animal welfare and forests.		Yes, Page 332	

GRI Standard	Disclosure		Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
	103-2	The management approach and its components	113 The Inditex Group applies standards of responsible production to its products in relation to the use of elements of animal origin. Inditex has an Animal Welfare Policy (https://www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop/sustainable-materials/animal-welfare) and a Biodiversity Strategy (https://www.inditex.com/en/our-commitment-to-the-environment/biodiversity) that set its management criteria along their value chain.		Yes, Page 332	
	103-3	Evaluation of the management approach	324, 332		Yes, Page 332	
ENERGY CONSUMPTION AND GHGs (GRI 302: ENERGY 2016; GRI 305: EMISSIONS 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	126, 228, 229		Yes, Page 332	
	103-2	The management approach and its components	126, 132 We have an Energy Strategy (https://www.inditex.com/en/our-commitment-to-the-environment/climate-change-and-energy) and we work to minimize our impact on climate change throughout our value chain. To do this, we optimize our logistics processes, boost efficiency in our facilities and progress in our commitment to renewable energy.		Yes, Page 332	
	103-3	Evaluation of the management approach	332, 334 Through the periodic measurement of energy consumption and GHG emission, we quantitatively record the progress made in reducing energy consumption and generating emissions, as well as the better efficiency of our facilities.		Yes, Page 332	
GRI 302: ENERGY 2016						
	302-1	Energy consumption within the organization	216- 219		Yes, Page 332 and 334 ☑	Principle 7 and 8
	302-2	Energy consumption outside of the organization	220		Yes, Page 332	Principle 8
	302-3	Energy intensity	209, 217-219		Yes, Page 332	Principle 8
	302-4	Reduction of energy consumption	132, 136, 217-219		Yes, Page 332	Principle 8 and 9
	302-5	Reductions in energy requirements of products and services	132, 136, 209, 217-219		Yes, Page 332	Principle 8 and 9
GRI 305: EMISSIONS 2016						
	305-1	Direct (Scope 1) GHG emissions	219		Yes, Page 332 and 334 ☑	Principle 7 and 8
	305-2	Energy indirect (Scope 2) GHG emissions	219		Yes, Page 332 and 334 ☑	Principle 7 and 8
	305-3	Other indirect (Scope 3) GHG emissions	220		Yes, Page 332 and 334 ☑	Principle 7 and 8
	305-4	GHG emissions intensity	219		Yes, Page 332	Principle 8
	305-5	Reduction of GHG emissions	219, 220		Yes, Page 332	Principle 8 and y 9
	305-6	Emissions of ozone-depleting substances (ODS)	132 Plans have been set up to replace air conditioning equipment in the already existing stores with the more efficient class A systems to ensure there are no gasses that are destructive to the ozone layer. Furthermore, eco efficient measures implemented in our stores resulted in significant power saving, in particular in air-conditioning, with an estimated average reduction of 40%. This implies an attendant cutting in the greenhouse gas emissions. Our goal is for all our stores to be eco efficient by 2020.		Yes, Page 332	Principle 7 and 8
	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		No relevant data on air emissions has been reported this year due to the specifications of the equipment and the frequency of revisions established according to the inforce legislation. Any particle emissions resulting from transport are generated by the transport companies themselves and not by Inditex. Nevertheless, Inditex promotes a better management and control of these emissions by means of a tool which enables such emissions to be calculated according to GHG Protocol. The Group also drafts improvement plans to reduce emissions.	Yes, Page 332	Principle 7 and 8

GRI Standard	Disclosure		Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
WATER CONSUMPTION AND CONTROLLING DISCHARGES (GRI 303: WATER 2016; GRI 306: EFFLUENTS AND WASTE 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	126, 228, 229		Yes, Page 332	
	103-2	The management approach and its components	126, 132 The Global Water Management Strategy (https://www.inditex.com/en/our-commitment-to-the-environment/water) constitutes a road map for the sustainable and rational management of water, working to better preserve the environmental quality of river and marine ecosystems. In addition, our commitment to reach the *Zero Discharge of Unwanted Substances* allows to contribute in the sustainability of the water resource. More information on the specific website: http://www.wateractionplan.com/		Yes, Page 332	
	103-3	Evaluation of the management approach	324, 332		Yes, Page 332	
GRI 303: WATER 2016						
	303-1	Water withdrawal by source	223		Yes, Page 332	Principle 7 and 8
	303-2	Water sources significantly affected by withdrawal of water	223 Water supplied to all the centres for use both in processes and for consumption comes from public, authorised supply networks with the result that Inditex has no impact on protected habitats.		Yes, Page 332	Principio 8
	303-3	Water recycled and reused	132		Yes, Page 332	Principle 8
GRI 306: EFFLUENTS AND WASTE 2016						
	306-1	Water discharge by quality and destination	https://www.inditex.com/en/our-commitment-to-the-environment/water		Yes, Page 332	Principle 8
	306-2	Waste by type and disposal method	221, 222 None of the waste generated is disposed of through deep-well injection or stored in-situ.		Yes, Page 332 and 334 ☑	Principle 8
	306-3	Significant spills	During the reporting period no significant accidental discharges were recorded.		Yes, Page 332	Principle 8
	306-4	Transport of hazardous waste	Inditex does not transport, import or export any of the hazardous waste products included in the Basel Convention in any of the countries where it performs its activities.		Yes, Page 332	Principle 8
	306-5	Water bodies affected by water discharges and/or runoff	118 The water consumed by Inditex is discharged by means of sanitation networks, in all cases with the appropriate administrative authorization. In case of irregularities, Inditex analyses the causes and looks for pertinent solutions. Therefore, there are no water bodies or related habitats significantly affected by discharges or run-off generated by the organization. In relation to the Group's suppliers and due to the commitment undertaken in November 2012 towards *Zero Discharge of Hazardous Chemicals* in 2020, Inditex works with its suppliers within its Master Plan for Water Management in the Supply Chain. In 2015, we keep working on the Capacity Building project aimed at the supply chain. In this programme, our suppliers undergo an environmental evaluation and technical training in order to improve their environmental performance. This will lead to a more sustainable production and *Zero Discharge* by 2020. More information is available for consultation at https://www.inditex.com/en/our-commitment-to-the-environment/water		Yes, Page 332	Principle 8
WASTE CONTROL AND MANAGEMENT						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	107-109, 136, 222 In the framework of our Sustainable Strategic Plan, we work to comply with the integration of the circular economy through the target for 2020 that none of the waste from our activities ends up in a landfill. In addition, we have different tools, such as the Waste Minimization Plan or the Store Waste Management Manual, which allow to manage waste more efficiently in our centers.		Yes, Page 332	
	103-3	Evaluation of the management approach	324, 332, 334		Yes, Page 332	
PROTECTING BIODIVERSITY (GRI 304: BIODIVERSITY 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	

GRI Standard	Disclosure		Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
	103-2	The management approach and its components	113, 126 Inditex includes in its Biodiversity Policy (https://www.inditex.com/en/our-commitment-to-the-environment/biodiversity) its objectives for the protection and conservation of biodiversity which has defined following the principles established in the United Nations Convention on Biological Diversity and recognizing the work of the International Union for the Conservation of Nature (IUCN). To ensure the implementation of this strategy, its principles are integrated into the master plans of each of the key areas of the business model.		Yes, Page 332	
	103-3	Evaluation of the management approach	324, 332, 334		Yes, Page 332	
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 not located adjacent to or within protected natural spaces or areas of high biodiversity, and therefore the Group does not generate significant impacts on biodiversity.	Yes, Page 332	Principle 8
	304-2	Significant impacts of activities, products, and services on biodiversity	113		Yes, Page 332	Principle 8
	304-3	Habitats protected or restored		Not applicable. Inditex distributes the finished fashion items (clothing, footwear, accessories) and home textiles it purchases from its suppliers, and therefore there are no protected or restored habitats related to the company's activity.	Yes, Page 332	Principle 8
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		Not applicable. Inditex distributes the finished fashion items (clothing, footwear, accessories) and home textiles it purchases from its suppliers, and therefore there are no habitats that are affected by its operations.	Yes, Page 332	Principle 8
SOCIO-ECONOMIC IMPACT ON THE COMMUNITY (GRI 201: ECONOMIC PERFORMANCE 2016; GRI 203: INDIRECT ECONOMIC IMPACTS 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	142, 147		Yes, Page 332	
	103-3	Evaluation of the management approach	6, 144-147, 238		Yes, Page 332	
GRI 201: ECONOMIC PERFORMANCE 2016						
	201-1	Direct economic value generated and distributed	215		Yes, Page 332 and 334 ☑	
	201-2	Financial implications and other risks and opportunities due to climate change	27, 126 Inditex Sustainability Strategy: https://www.inditex.com/en/how-we-do-business/right-to-wear Despite the fact that its direct activity does not have a significant impact on climatic change, Inditex implements energy-efficient activities and measures to mitigate such a risk.		Yes, Page 332	
	201-3	Defined benefit plan obligations and other retirement plans	51, 276, 277		Yes, Page 332	
	201-4	Financial assistance received from government	During this reporting period no significant government assistance was received in the form of subsidies, awards, holiday entitlements or export credit assistance.		Yes, Page 332	
GRI 203: INDIRECT ECONOMIC IMPACTS 2016						
	203-1	Infrastructure investments and services supported	146, 147, 214, 215		Yes, Page 332	
	203-2	Significant indirect economic impacts	148 Key Programmes in 2016		Yes, Page 332	
INVESTMENT IN THE COMMUNITY (GRI 413: LOCAL COMMUNITIES 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	142, 147		Yes, Page 332	
	103-3	Evaluation of the management approach	144-147, 238		Yes, Page 332	
GRI 413: LOCAL COMMUNITIES 2016						
	413-1	Operations with local community engagement, impact assessments, and development programs	64-66, 144, 145		Yes, Page 332	Principle 1

GRI Standard	Disclosure		Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
	413-2	Operations with significant actual and potential negative impacts on local communities	87, 118		Yes, Page 332	Principle 1
STAKEHOLDER ENGAGEMENT AND DIALOGUE						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	28		Yes, Page 332	
	103-3	Evaluation of the management approach	332		Yes, Page 332	
SECURITY AND PROTECTION OF DATA AND INFORMATION SYSTEMS (GRI 418: CUSTOMER PRIVACY 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	100		Yes, Page 332	
	103-3	Evaluation of the management approach	332		Yes, Page 332	
GRI 418: CUSTOMER PRIVACY 2016						
	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	During 2016, Inditex has not received through the available set channels any administrative sanction for the breach of the costumer's privacy and personal data protection rules. Regarding significant customer complaints based on privacy legislation and received by Inditex through the appropriate available channels, those complaints related to the Fair and Accurate Credit Transactions (FACTA) must be highlighted. This Act requires retailers in the United States to limit the number of customer's credit card digits printed on the purchase receipt to those established by law.		Yes, Page 332	
CORPORATE GOVERNANCE (GRI 415: PUBLIC POLICY 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	166		Yes, Page 332	
	103-3	Evaluation of the management approach	167, 179, 324, 332		Yes, Page 332	
GRI 415: PUBLIC POLICY 2016						
	415-1	Political contributions	The Code of Conduct and Responsible Practices expressly indicates that "Any relationship that the Inditex Group may have with any governments, authorities, institutions and political parties shall be based upon the principles of legality and neutrality. Contributions, whether in cash and/or in kind that might be made by the company, where applicable, to any political parties, institutions and public authorities, shall always be made in accordance with the current legislation in force and ensuring the transparency thereof; for such purposes, a previous report of the Legal Department evidencing that any such contributions are lawful, shall be required.		Yes, Page 332	Principle 10
TRANSPARENCY AND TAX CONTRIBUTION						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	226, 227		Yes, Page 332	
	103-3	Evaluation of the management approach	324, 332		Yes, Page 332	
COMPLIANCE WITH REGULATIONS AND RESPONSIBLE PRACTICES (GRI 205: ANTI-CORRUPTION 2016; GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016; GRI 307: ENVIRONMENTAL COMPLIANCE 2016; GRI 419: SOCIOECONOMIC COMPLIANCE 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	201		Yes, Page 332 and 334 ☑	
	103-3	Evaluation of the management approach	324, 332		Yes, Page 332	
GRI 205: ANTI-CORRUPTION 2016						
	205-1	Operations assessed for risks related to corruption	87, 201, 202 Code of Conduct and Responsible Practices includes the prevention of all forms of corruption. This standard is applicable to 100% of the Group's business units and is available on the Inditex website at: https://www.inditex.com/en/how-we-do-business/right-to-wear		Yes, Page 332	Principle 10

GRI Standard	Disclosure		Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
	205-2	Communication and training about anti-corruption policies and procedures	80-82, 201, 202 Inditex's Code of Conduct and Responsible Practices, applicable to 100% of the Group's employees, deals with the prevention of all forms of corruption and correct internal dissemination of the code among all employees. It is available on Inditex's website at: https://www.inditex.com/en/how-we-do-business/right-to-wear	Total figures and percentage of employees and board members that have received training on issues of corruption broken down according to region and employee type not available. At the time of writing Inditex was working to generate this indicator. This indicator is expect to be included by 2018.	Yes, Page 332	Principle 10
	205-3	Confirmed incidents of corruption and actions taken	During 2016, Inditex has not been notified through the available channels of any corruption related incident in the organization.		Yes, Page 332	Principle 10
GRI 206: ANTI-COMPETITIVE BEHAVIOR 2016						
	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	During 2016, Inditex has not received through the available channels any (final) legal actions for anti-competitive behavior, anti-trust and monopoly practices.		Yes, Page 332	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016						
	307-1	Non-compliance with environmental laws and regulations	During 2016, Inditex has not been notified through the available channels of any significant sanction for non compliance with environmental laws and regulation.		Yes, Page 332	Principle 8
GRI 419: SOCIOECONOMIC COMPLIANCE 2016						
	419-1	Non-compliance with laws and regulations in the social and economic area	During 2016, Inditex has not been notified through the available channels of any significant sanction for non compliance with applicable laws and regulation.		Yes, Page 332	
RISK MANAGEMENT AND CONTROL SYSTEMS						
GRI 103: ENFOQUE DE GESTIÓN 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	308, 312-316		Yes, Page 332	
	103-3	Evaluation of the management approach	312-316, 324		Yes, Page 332	
VOLATILITY OF RAW MATERIAL PRICES						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	310, 311		Yes, Page 332	
	103-3	Evaluation of the management approach	314		Yes, Page 332	
CHANGES IN REGULATION						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	203-205, 310		Yes, Page 332	
	103-3	Evaluation of the management approach	312		Yes, Page 332	
LOGISTICS MODEL						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	128, 136		Yes, Page 332	
	103-3	Evaluation of the management approach	332		Yes, Page 332	
EXPANSION IN NEW MARKETS						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	12. 13		Yes, Page 332	
	103-3	Evaluation of the management approach	332		Yes, Page 332	
EXPOSURE IN MATURE MARKETS						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	228, 229		Yes, Page 332	
	103-2	The management approach and its components	310		Yes, Page 332	
	103-3	Evaluation of the management approach	312		Yes, Page 332	

Specific contents for the sector

Aspect	Indicator		Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
CATEGORY: SUPPLY CHAIN STANDARDS						
MATERIAL ASPECT: CODE OF CONDUCT						
	AF1	Code of conduct content and coverage	60, 87, 201, 202 Code of Conduct and Responsible Practices: https://www.inditex.com/en/how-we-do-business/right-to-wear Code of Conduct for Manufacturers and Suppliers: https://www.inditex.com/en/how-we-do-business/our-model/sourcing/traceability Compliance Programme: https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement		Yes, Page 332	
	AF7	Number and location of workplaces covered by code of conduct	59, 60 The Code of Conduct for Manufacturers and Suppliers is applicable to each and every one of Inditex's suppliers and manufacturers. More information about the identification of the supply can be found on the Inditex website: https://www.inditex.com/en/how-we-do-business/our-model/sourcing		Yes, Page 332 and 334 ☑	
MATERIAL ASPECT: AUDIT PROCESS						
	AF2	Parties and personnel engaged in code of conduct compliance function	81, 82, 202 Compliance Programme: https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement		Yes, Page 332	
	AF3	Compliance audit process	60, 86-89 https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvemen		Yes, Page 332	
	AF8	Number of audits conducted and percentage of workplaces audited	84, 86, 87, 208, 213		Yes, Page 332 and 334 ☑	
MATERIAL ASPECT: GRIEVANCE PROCEDURES						
	AF4	Policy and procedures for receiving, investigating, and responding to grievances and complaints	201-202, 324		Yes, Page 332	
MATERIAL ASPECT: CAPACITY BUILDING						
	AF5	Strategy and scope of efforts to strengthen capacity of management, workers and other staff to improve in social and environmental performance.	48, 80-82 Inditex offers specific training courses on aspects of sustainability to its employees. The Group also provides training programmes for auditors and suppliers on aspects of the Code of Conduct and environmental issues.		Yes, Page 332	
MATERIAL ASPECT: CAPACITY BUILDING						
	AF6	Policies for supplier selection, management, and termination	60, 85, 88-90 Inditex Code of Conduct for Manufacturers and Suppliers includes the standards and requirements that suppliers must meet in order to form part of Inditex's supply chain. It is available on the website https://www.inditex.com/en/how-we-do-business/our-model/sourcing		Yes, Page 332	
	AF17	Actions to identify and mitigate business practices that affect code compliance	87-90		Yes, Page 332	
MATERIAL ASPECT: NON-COMPLIANCE FINDINGS						
	AF9	Incidents of non-compliance with legal requirements or collective bargaining agreements on wages	87		Yes, Page 332	
	AF10	Incidents of non-compliance with overtime standards	87		Yes, Page 332	
	AF11	Incidents of non-compliance with standards on pregnancy and maternity rights	87		Yes, Page 332	
	AF12	Incidents of the use of child labor	87		Yes, Page 332	
	AF13	Incidents of non-compliance with standards on gender discrimination	87		Yes, Page 332	
	AF14	Incidents of non-compliance with code of conduct	87		Yes, Page 332 and 334 ☑	
	AF15	Analysis of data from code compliance audits	87, 90		Yes, Page 332	
MATERIAL ASPECT: REMEDIATION						
	AF16	Remediation practices to address non-compliance findings	88, 90		Yes, Page 332 and 334 ☑	

Aspect	Indicator		Page numbers and/or URL	Omission	External assurance	Principles of UN Global Compact
CATEGORY: ENVIRONMENTAL						
MATERIAL ASPECT: MATERIALS						
	AF18	Programs to replace organic-based adhesives and primers with water-based adhesives and primers	116-118		Yes, Page 332	
	AF19	Practices to source safer alternative substances to those on the restricted substances list, including description of associated management systems	116		Yes, Page 332	
	AF20	List of environmentally preferable materials used in apparel and footwear products	110, 111		Yes, Page 332	
MATERIAL ASPECT: ENERGY						
	AF21	Amount of energy consumed and percentage of the energy that is from renewable sources	128, 209, 217, 218		Yes, Page 332 and 334 ☑	
CATEGORY: SOCIAL						
Sub-category: labor practices and decent work						
MATERIAL ASPECT: EMPLOYMENT						
	AF22	Policy and practices regarding the use of employees with non-permanent and non-fulltime status	50		Yes, Page 332	
	AF23	Policy regarding the use of home working	40		Yes, Page 332	
	AF24	Policy on the use and selection of labor brokers, including adherence to relevant ILO Conventions	40, 201, 202 Inditex carries out analysis and control of the level of compliance with its Sustainability Strategy achieved by suppliers by means of the Group's Code of Conduct for Manufacturers and Suppliers Compliance Programme.		Yes, Page 332	
MATERIAL ASPECT: WAGES AND HOURS						
	AF25	Policy and practices on wage deductions that are not mandated by law	51 Inditex does not adhere to any wage deduction policy or practice beyond those stipulated by law.		Yes, Page 332	
	AF26	Policy on working hours, including definition of overtime, and actions to prevent excessive and forced overtime	The in force collective agreements do not contemplate any deadline to inform of the organizational changes undergone by Inditex. However, when a relevant fact is stated, this is duly notified according to the in force regulations (Act 41 of the Spanish Workers' Statute).		Yes, Page 332	
MATERIAL ASPECT: LABOR/ MANAGEMENT RELATIONS						
	AF29	Percentage of workplaces where there is one or more independent trade union(s)	Some 37% of Inditex's work centres have workers' representatives (There have been no significant changes in this indicator on a national level in comparison with 2015).		Yes, Page 332	
	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 representative bodies that do not involve the trade unions.		Yes, Page 332	
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY						
	AF31	Initiatives and programs to respond to, reduce, and prevent the occurrence of musculoskeletal disorders	53		Yes, Page 332	
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY						
	AF27	Policy and actions to protect the pregnancy and maternity rights of women workers	40		Yes, Page 332	
	AF32	Actions to address gender discrimination and to provide opportunities for the advancement of women workers	40, 41		Yes, Page 332	
MATERIAL ASPECT: COMMUNITY INVESTMENT						
	AF33	Priorities in community investment strategy	148		Yes, Page 332	
	AF34	Amount of investment in worker communities broken down by location	146, 147, 214		Yes, Page 332	

The **Annual Report 2016** provided information under the terms of the triple –economic, social and environmental- dimension.

The Annual Report 2016 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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