INDITEX

ANNUAL REPORT 2017

CONTENTS

ABOUT THIS REPORT

Transparency is the guiding principle that inspires Inditex's relations with all its stakeholders. To this end, this year's Annual Report is presented in the form of an Integrated Report with the goal of informing all of the company's stakeholders about how it seeks to create value in the short, medium and long term. It is rounded out by the information provided on the corporate website: www.inditex.com.

The report relies on a series of reporting standards, most notable among which those of the Global Reporting Initiative (GRI), evidencing our commitment to upholding the best and latest reporting techniques at all times. We have accordingly applied the GRI standards and followed the related guidance. Moreover, we are active members of the GRI Standards Pioneers Programme. Inditex is also a GRI Gold Community member.

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

+ Refer to the materiality matrix on pages 30 and 31.

GLOBAL REPORTING INITIATIVE
- This report has been prepared in accordance with the GRI Standards: Comprehensive option.
- A GRI reporter since 2002.
- Gold Community member.
- Member of the GRI Standards Pioneers Programme.

INTEGRATED REPORTING
- This report also follows the standards prescribed in the integrated reporting framework.
- Member of the International Integrated Reporting Council (IIRC) Business Network.

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

OBJECTIVE: TO PROVIDE INFORMATION THAT IS

TRUTHFUL

RELEVANT

ACCURATE

The GRI content index, from page 368.

Elsewhere, Inditex has made progress on the account it provides of its contribution to the United Nations Sustainable Development Goals (SDGs). To do so, it relies on the specific guide Business Reporting on the SDGs: An Analysis of Goals and Targets, developed by the Action Platform for Reporting on the Sustainable Development Goals - organised jointly by the Global Compact and the Global Reporting Initiative. Inditex has been a member of this platform from the outset.

Sustainable Development Goals in Inditex's strategy, in pages 254 and 255.

EXTERNAL ASSURANCE

Inditex's 2017 Integrated Report has been assured by SGS ICS Ibérica S.A. in accordance with ISO 19011 and following the criteria prescribed in the Global Reporting Initiative (GRI) standards, the principles laid down in the International Reporting Framework and AccountAbility's AA1000 Accountability Principles Standard 2008 (AA1000APS).

A selection of 24 relevant indicators were reviewed by KPMG Asesores in accordance with ISAE3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standard Board (IAASB), and the Guidelines on Corporate Responsibility Report Review Work issued by the ICJCE, Spain's Institute of Auditors. The selection was determined on the basis of the materiality assessment Inditex conducts together with its stakeholders each year. Since it began to commission this review in 2010, Inditex has been increasing the number of indicators reviewed, in line with the firm's continuous improvement philosophy, which extends to its reporting effort, all with a view to further enhancing the level of assurance it provides with respect to the transparency and veracity of the information it discloses.

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

Assurance statements from SGS and KPMG on pages 364 and 366.


EXIT

I. YEAR REVIEW

LETTER FROM THE CHAIRMAN

Dear friends:

This report summarises the activities and initiatives pursued by the more than 170,000 people who worked for Inditex during 2017. It sets out the commitment to creative fashion which drives us all, and how we generate social and economic value in the process. It reflects the investment and the sustainable growth model we deploy to build our integrated store and online platform, all of which is framed by specific and measurable sustainability, transparency and traceability principles.

Investment to drive growth has always been one of the company's hallmarks. The €1.8 billion invested in 2017 went into the introduction of efficient technology, the expansion of our logistics capabilities and the strategy for differentiating and optimizing our saling area, all of which are key growth drivers.

Beyond the facts and figures, however, Inditex is about people. Our people share the same entrepreneurial spirit, unwavering drive, and determination to build the business on the basis of hard work, humility and respect for diversity.

Having launched in Belarus in 2017, we are now present in 96 markets. Over the past six years we have updated and adapted some 80% of our floor space, further accommodating new technology. We have opened 2,994 new stores during this period, while refurbishing and/or expanding 2,148 stores, and absorbing 1,046 older and smaller units into these nearby expanded stores. As a result, we ended the year with 7,475 stores, 80% of which are compliant with our eco-efficiency store criteria, a programme scheduled for full deployment by 2020.

With the rollout of Zara's online platform in India, Malaysia, Singapore, Thailand and Vietnam in 2017, and in Australia and New Zealand in 2018, we have consolidated our global ecommerce platform, which is seamlessly integrated with our store network. Online sales accounted for 12% of the sales generated in the 47 markets where we have an online presence in 2017, with a growth of 41%.

The creative passion of our 700 designers and the commercial proposals of our product teams drew 2.42 billion visits to our websites in 2017 and played a key part in the formation of a global community of 121 million social media followers, evidencing the power of our integrated platform and the tremendous interest sparked by our collections.

Revenue reached a record high of €25.34 billion, representing year-on-year growth of 9%, 10% in constant-currency terms.

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“Thanks to our investment and sustainable growth, we have built an integrated platform of stores and online framed by specific measurable sustainability, transparency and traceability principles”

Same-store sales growth was 5% in 2017, representing accumulated growth of 36% in the last five years.

As a result, Inditex’s tax contribution, including both direct tax and indirect taxes, increased to €6 billion. In Spain, we paid €1.61 billion, €500 million of which was corporation tax, which is over 2% of the total collected by the Spanish tax authorities.

In addition, our growth continued to have a substantial direct and catalysing impact on our network of suppliers, which are crucial to our performance. In Spain, our 7,500 suppliers invoiced us €5.18 billion worth of goods and services, up €500 million year-on-year, generating around 55,000 indirect jobs.

Sustainability and social value generation are at the heart of our business. This report sets out our contribution to the 17 United Nations Sustainable Development Goals (SDGs) for tackling climate change, poverty and inequality as well as our commitment to the United Nations Global Compact and the Guiding Principles on Business and Human Rights.

We put our people and the people who work in our supply chain at the heart of all our decisions, which is why we closely work with the International Labour Organisation (ILO) and participate actively in the Sustainable Apparel Coalition and the Ethical Trading Initiative.

We remain strategically committed to traceability and accountability throughout our entire supply chain, whether in proximity areas (57% of the total) or other countries. We are making progress on the integration of representatives from IndustriALL Global Union, the body representing over 50 million workers with which we signed a pioneering global framework agreement a decade ago.

Through this collaboration, we are fostering important initiatives in support of the freedom to unionise, collective bargaining rights and women’s empowerment. An example of this is our Showbhagyam project which continues working against the illicit Sumangali labour practice in southern India.

We have invested significantly sums to research and development in the environmental sustainability arena. This includes investing in the eco-efficiency of our offices and logistics platforms, introducing advanced waste recycling and re-use solutions, particularly for board and plastics. We also made decisive progress on the use of sustainable fabrics and processes in our collections, which are identified by the Join Life label, which has the aim of disseminating best practices. Zara, Massimo Dutti, Oysho and Pull&Bear are already participating in the Join Life initiative with the rest of the brands preparing to join.

We also began a research project coordinated by the MIT International Science and Technology Initiatives (MISTI) of Massachusetts Institute of Technology (MIT)) mainly focused on the improvement of textile fibre recycling and the creation of new fibres using clean technologies. Through the MIT Spain-Inditex Fund, the universities of Vigo, the Basque Country, Granada and Politécnica de Valencia presented pioneering projects for the separation and subsequent recycling of fibres.

The 2016-2020 Sustainability Plan, whose objective is to put in place the principles of the circular economy, has reached its half-way mark. The Closing the Loop project for the collection, reuse and recycling of used garments has been deployed in 598 stores in eight markets, with implementation in a further four underway. In collaboration with the NGO Caritas, we have also installed 1,856 containers on Spanish streets and, together with the logistics operator Seur, we have created a pioneering service for picking up used clothing in conjunction with at-home deliveries.

This vision of our business is complemented by the work done with entities specialised in fostering community wellbeing and education, enhancing the job prospects of at-risk groups (opening two new for&from stores managed by individuals with differing abilities in 2017) and providing emergency relief. The contributions made by the company in these areas benefitted 1.5 million people. Our core partners continue to be Médecins Sans Frontières (MSF), Caritas, Entreculturas and, more recently, Water.org.

I trust that the following pages will provide a balanced view not only of our customer-centric business model, our people-focused values and our social, economic and sustainable value creation priorities, but also the sense of purpose, dedication and passion that drive all of us within Inditex.

P. Isla

Pablo Isla
Chairman

INDITEX IN FIGURES, MAIN INDICATORS

1. FINANCIAL PERFORMANCE INDICATORS

TURNOVER (in billions of euros)	2017	2016	2015	2014	2013
Net sales	25.3	23.3	20.9	18.1	16.7
% online sales*	10%	NR	NR	NR	NR

SALES BY GEOGRAPHY (%)	2017	2016	2015	2014	2013
Spain	16.3%	16.9%	17.7%	19.0%	19.7%
Europe (excl. Spain)	44.9%	43.9%	44.0%	46.0%	45.9%
Americas	15.6%	15.3%	14.7%	13.9%	14.0%
Asia & RoW	23.2%	23.9%	23.5%	21.1%	20.4%
Total	100%	100.0%	100.0%	100.0%	100.0%

RESULTS AND CASH FLOW (in billions of euros)	2017	2016	2015	2014	2013
EBITDA	5.3	5.1	4.7	4.1	3.9
EBIT	4.3	4.0	3.7	3.2	3.1
Net profit	3.4	3.2	2.9	2.5	2.4
Net profit attributable to the parent company	3.4	3.2	2.9	2.5	2.4
Cash flow	4.4	4.4	3.9	3.3	3.2

FINANCIAL STRUCTURE (in billions of euros)	2017	2016	2015	2014	2013
Equity attributable to the parent company	13.5	12.7	11.4	10.4	9.2
Net financial position	6.4	6.1	5.3	4.0	4.1

FINANCIAL AND MANAGEMENT RATIOS	2017	2016	2015	2014	2013
Return on equity (ROE)	26%	26%	26%	25%	27%
Return on capital employed (ROCE)	33%	33%	34%	33%	35%

STORE DIFFERENTIATION AND OPTIMISATION PROGRAMME	2017	2016	2015	2014	2013
Number of stores	7,475	7,292	7,013	6,683	6,340
Number of markets with brick-and-mortar stores	96	93	88	88	87
Number of markets with online stores	47	43	29	27	25
Gross openings	524	444	428	459	511
Refurbishments	122	233	215	187	277
Extensions	144	191	171	194	132
Units absorbed	341	165	98	116	180
Net openings	183	279	330	343	331

(*) First year in which the company has reported the percentage of online sales.

NR: Not Reported

2. SUSTAINABILITY AND DIVERSITY INDICATORS

	2017	2016	2015	2014	2013
Number of employees	171,839	162,450	152,854	137,054	128,313
Female-to-male employee ratio	75% / 25%	76% / 24%	76% / 24%	78% / 22%	78% / 22%
Number of nationalities	97	99	90	83	89
Total energy consumption (GJ)	6,824,105	6,675,375	6,543,195	6,357,960	6,095,030
Relative energy consumption (MJ/garment))	4.40	4.83	5.56	6.24	6.42
Corporate Community Investment (€ million)	48	40	35	25	23
Number of product suppliers with purchase during the year	1,824	1,805	1,725	1,625	1,592
Number of supplier audits	11,247	10,833	10,997	10,274	6,612

3. TAX CONTRIBUTION

(in millions of euros)	DIRECT TAXES	INDIRECT TAXES COLLECTED	TOTAL
Spain	1,010	603	1,613
Europe (excl. Spain)	878	2,165	3,043
Americas	479	274	753
Asia & RoW	345	205	550
TOTAL	**2,712**	**3,247**	**5,959**

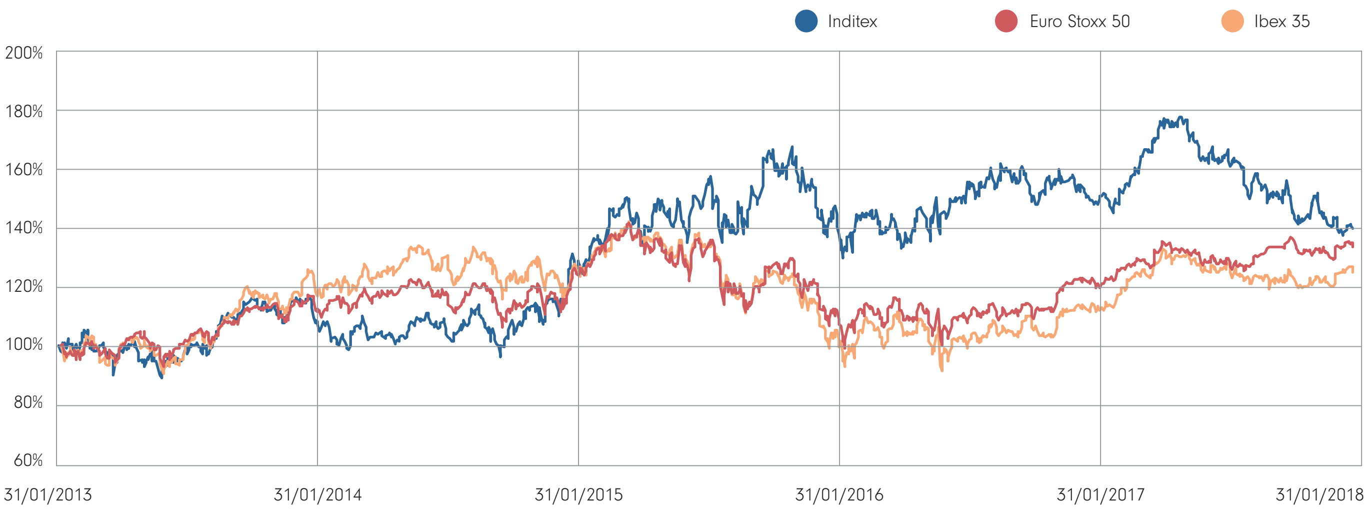
4. SHARE PRICE PERFORMANCE

Inditex's market capitalisation stood at €89.98 billion at fiscal year-end 2017, up 882% from the initial listing on 23 May 2001.

The share price decreased by 5.5% in 2017, closing at €28.87 on 31 January 2018. The daily trading volume averaged approximately 5.3 million shares in 2017.

SHARE PRICE PERFORMANCE DURING THE LAST FIVE YEARS

Inditex vs Indexes



5. DIVIDEND

(€ per share)	2017*	2016	2015	2014	2013
Dividend	0.75	0.68	0.60	0.52	0.48

(*) Dividend proposal ratified by the Board of Directors for submission at the upcoming Annual General Meeting. Of the total, €0.375 per share was paid out on 2 May 2018 as an interim dividend and the remaining €0.375 per share would be paid out on 2 November 2018, subject to approval at the AGM.

THIS YEAR'S HIGHLIGHTS

february

Inditex launched its **Teaming Programme** through which the Group's employees in nine countries can donate a fixed amount of their salaries to initiatives put forward at the recommendation of **MSF**, **the Red Cross** and **Oxfam**. Inditex contributes double the amount donated by employees to each cause.

march

Zara extended its online presence in Southeast Asia with the launch of www.zara.com in **Malaysia**, **Singapore**, **Thailand** and **Vietnam**.

Tempe inaugurated its first ***for&from*** store in **Madrid**, in the Sambil Outlet shopping centre in Leganés. The store is managed by the **Prodis Foundation** and is serviced by people with physical, psychological or intellectual disabilities.

april

Inditex distributed €42 million to around 88,000 employees working at the Group for at least two years as part of its **extraordinary profit-sharing plan** in which its employees participate in the company's earnings growth.

august

Belarus' first **Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho** and **Zara Home** stores opened in the Dana Mall in Minsk.

Massimo Dutti launched its first collections under the Join Life label.

september

Inditex ratified its position as the most sustainable retailer according to the **Dow Jones Sustainability Index** (DJSI). The DJSI flagged the Group's leadership on human rights matters and its commitment to eco-efficiency.

Through the **Red Cross**, the Group contributed $1 million to the emergency relief effort that followed **the Mexico earthquake**.

october

Zara launched its online platform in India.

Inditex and **IndustriALL Global Union** celebrated the 10-year anniversary of their **Global Framework Agreement** for the protection and promotion of better labour conditions across the retailer's supply chain.

may

Zara opened the doors of its first high street flagship store in India, in the Ismail Building in **Mumbai.** It boasts 4,800m^2 of floor space.

june

The **Newsweek Green Ranking** 2017 ranked Inditex among the most sustainable listed companies in the world for the second year in a row.

july

Oysho inaugurated a ***for&from*** store for the integration of people with disabilities into the workforce and society in **Llagostera (Girona)**. The store is managed by **Moltacte**.

november

Massimo Dutti, Pull&Bear and **Stradivarius** entered the Vietnamese market with their first stores in Ho-Chi Minh City.

Inditex renewed its strategic support for **Médecins Sans Frontières** with a €2.3 million contribution to projects in seven different countries.

december

The **Salta Programme**, dedicated to the integration of young people at risk of exclusion into society and the workplace, celebrated its 10-year anniversary. 780 people were hired in Inditex's stores, factories and logistics platforms in 12 cities around the world thanks to this initiative.

january 2018

Zara inaugurated a novel **pop-up store** in London for the management of **online orders**, specifically in the Westfield **Stratford City** shopping centre.

Inditex obtained the **gold medal in the Sustainability Yearbook 2018**, the highest accolade awarded by the sustainability investing specialist RobecoSAM, for the second year in a row.

COMMERCIAL PRESENCE

Defined by its strategy of differentiating and optimizing its saling area, **Inditex opened 524 new stores in 58 markets during 2017 (net openings: 183 stores)** and enlarged and refurbished 144 and 122 stores, respectively, while at the time absorbed 341 smaller-sized units. The Group has **7,475 stores** in **96 markets** and has extended its **online presence** to **47**.

The Group **has transformed 80% of its saling area during the past six years.**

AMERICAS
805
stores

	stores	markets
Zara	328	21
Pull&Bear	95	11
Massimo Dutti	61	10
Bershka	110	12
Stradivarius	72	10
Oysho	64	8
Zara Home	61	14
Uterqüe	14	1

In the **US** the Group opened high-profile stores in several states, including **California**, **New Jersey**, **Florida** and **Michigan**. In parallel, its brands continued to increase their saling area in Latin America, most notably in **Mexico**, **Colombia** and **Argentina**.

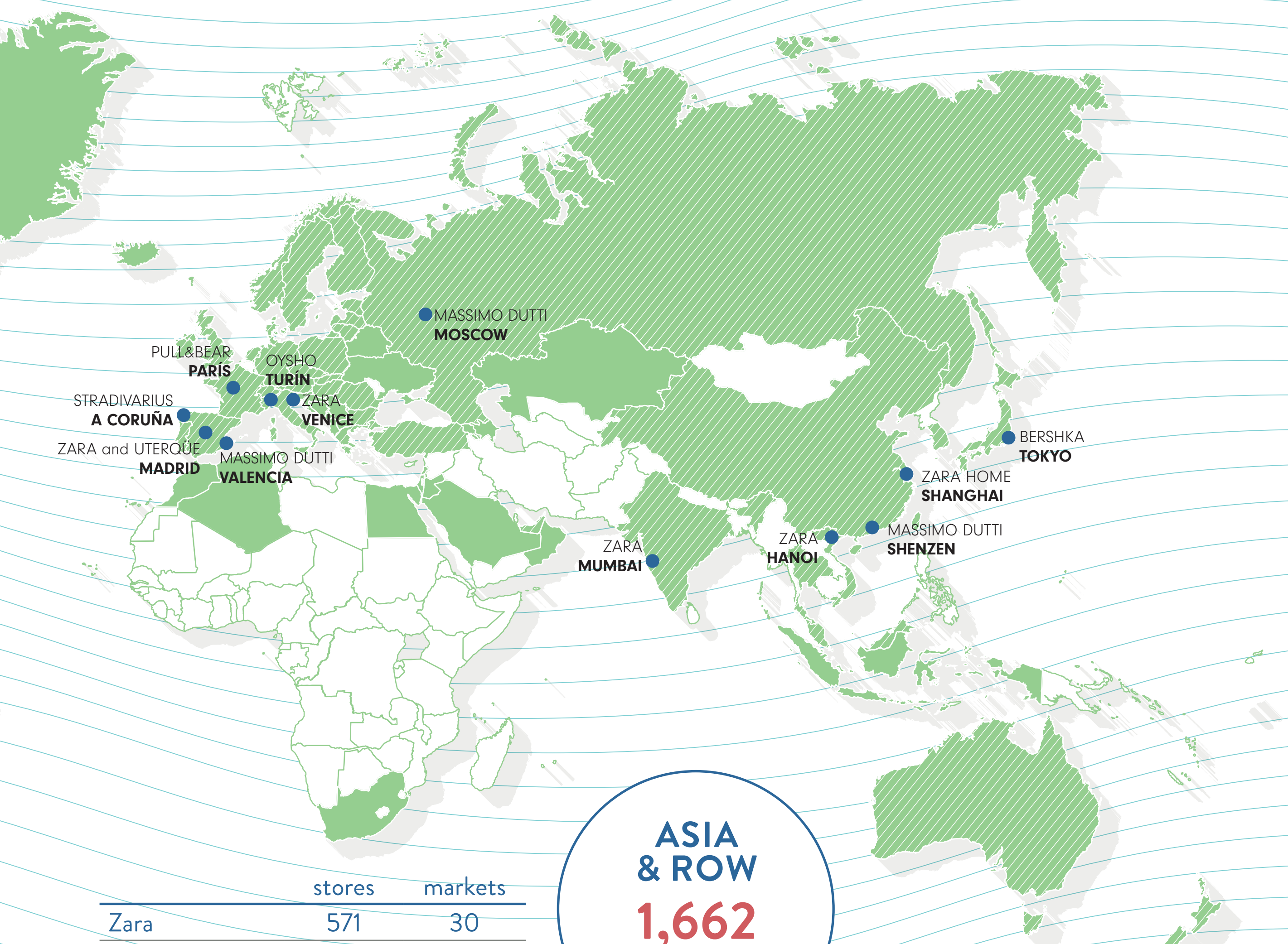
MARKETS WITH COMMERCIAL PRESENCE   ONLINE MARKETS*   MAIN FLAGSHIP STORES OPENED IN 2017

(*) The online platform went live in Australia and New Zealand in 2018.

	stores	markets
Zara	1,352	45
Pull&Bear	691	43
Massimo Dutti	534	43
Bershka	763	42
Stradivarius	746	42
Oysho	456	39
Zara Home	406	37
Uterqüe	60	32

EUROPE
5,008
stores

The arrival of Inditex in Belarus, establishing with seven of the Group's brands locally, was accompanied by **high-profile openings in another 25 markets. Turkey, France, the UK, Italy and Spain** were home to some of the most important openings and expansion/refurbishment of flagship stores as part of the Group's optimisation programme.



ASIA & ROW
1,662
stores

	stores	markets
Zara	571	30
Pull&Bear	193	23
Massimo Dutti	185	24
Bershka	225	25
Stradivarius	199	24
Oysho	150	18
Zara Home	123	24
Uterqüe	16	8

Growth in the Group's **online market presence** was focused on Asia, through the launch of e-commerce platforms in **India, Malaysia, Singapore, Thailand and Vietnam**. In parallel, the Group's brands opened new stores in 10 Asian markets. Some of the most emblematic openings and expansions took place in **China and Japan** during the year.

RETAIL FORMATS

Zara store employee in New York (United States)

In 2017, Inditex's eight brands continued to focus on commercial initiatives and collaborations with artists and celebrities who identify with our brand values. Massimo Dutti and Oysho introduced the Join Life label which features the Group's sustainability-focused collections.

The Group's brands worked to drive and consolidate the integration of stores and online, rolling out Same-Day Delivery and Next-Day Delivery services, fully integrating store inventory with the online warehouses, gradually deploying RFID technology across the rest of our brands (fully implemented at Zara) and extending mobile payments to a growing number of markets.

ZARA

16,620
net sales (€ million)

2,251
stores

51
net openings

96
markets

46
online markets

New markets: Belarus
New online markets: India, Malaysia, Singapore, Thailand and Vietnam

During 2017, Zara continued to differentiate and optimise the saling area with flagship openings in Madrid, Venice and Mumbai, and high-profile refurbishments and enlargements such as those in Paris's Opèra and Nagoya. The launch of www.zara.com in India, Malaysia, Singapore, Thailand and Vietnam and the initiatives taken to further enhance the integrated stores and online model, were important highlights during a year where sustainability gained ground with growth in the number of products under the Join Life label.

www.zara.com

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PULL&BEAR

1,747
net sales (€ million)

979
stores

6
net openings

77
markets

33
online markets

New markets: Belarus, Vietnam

The flagship store on Rue de Rivoli (Paris) and high-profile store refurbishments in Ermou (Athens), Vorosmarty (Budapest) and One World (Bangkok) marked a year during which Pull&Bear cemented its collaboration with the motor-cycling world champion Marc Márquez, developing new collections that look beyond the world of sport. It is also worth highlighting the brand's sponsorship of the Pull&Bear Pantín Classic Galicia Pro, Spain's most prized surfing competition.

www.pullandbear.com

Massimo Dutti

1,765
net sales (€ million)

780
stores

15
net openings

77
markets

37
online markets

New markets: Belarus, Vietnam

Massimo Dutti opened new stores on Calle Colón (Valencia) and in the Galleria Vittorio Emanuele (Milan) during 2017. Both have outstanding architectural features and minimalist interior designs. The brand received a further boost when it was award the Prix Versailles architecture award for its flagship store on Presidente Masaryk in Mexico City. In 2017, the brand also began to promote its more sustainably-made garments via the Join Life label.

www.massimodutti.com

Bershka

2,227
net sales (€ million)

1,098
stores

17
net openings

79
markets

35
online markets

New markets: Belarus
New online markets: South Korea, US and Japan

The brand's collaborations with influencers comes to life in capsule collections, such as the 'Fedez for Bershka' range, and was one of the highlights during a year in which Bershka introduced its online platform in South Korea, the US and Japan. Echoing its fusion of fashion and music, the brand opened pop-up stores in New York and Rome which sold all of its collections and featured the brand's Stage store image and even its eco-efficiency criteria for lighting, reuse of materials and use of sustainable wood.

www.bershka.com

stradivarius

1,480
net sales (€ million)

1,017
stores

23
net openings

76
markets

32
online markets

New markets: Belarus, Vietnam

The Stradivarius store count topped the 1,000 mark in 2017 following the inauguration of new flagship stores, such as the new store on Portal del Ángel (Barcelona). This brand's noteworthy commercial initiatives included a unisex capsule collection paying homage to Keith Haring and the launch of an online publication called The Monthly Edit. It shares the experiences of young people from all around the world with the idea of connecting fashion with other ways of life.

www.stradivarius.com

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OYSHO

570
net sales (€ million)

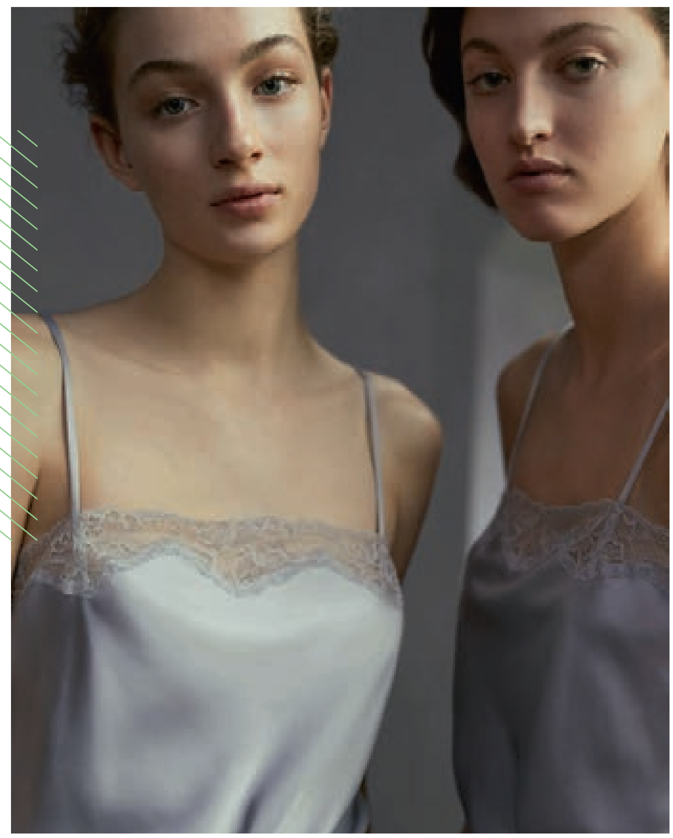
670
stores

34
net openings

65
markets

33
online markets

New markets: Belarus, Costa Rica, Honduras, Czech Republic and Switzerland
New online markets: South Korea



In 2017, Oysho took its yoga collections to iconic places in Barcelona, Madrid, Milan, Doha, Moscow, Paris, Tunisia, Istanbul, Dubai and Bali with the Oysho Yoga Tour. It also launched a Gymwear Yoga line in which the combination of neutral shades such as white, grey and black define a collection characterised by a variety of textures and prints and a range of shapes. On the store opening front, it is worth highlighting the inauguration of a flagship store in Cannes and the launch of online sales in South Korea.

www.oysho.com

ZARA HOME

830
net sales (€ million)

590
stores

38
net openings

75
markets

37
online markets

New markets: Armenia, Belarus, Israel, Czech Republic and Tunisia

The first store openings in Armenia, Belarus, Israel, the Czech Republic and Tunisia highlight in a year in which Zara Home also overhauled its online sales app and continued to surprise its fans with pop-up facilities in collaboration with artists and interior designers of the calibre of Simon Costin in the Piazza San Babila store in Milan. A nod to nature and craftsmanship, with a touch of sophistication, came to life with the launch of the Linen and Second Nature collections.

www.zarahome.com

UTERQÜE

97
net sales (€ million)

90
stores

12
net openings

41
markets

30
online markets

New markets: Kazakhstan, Romania

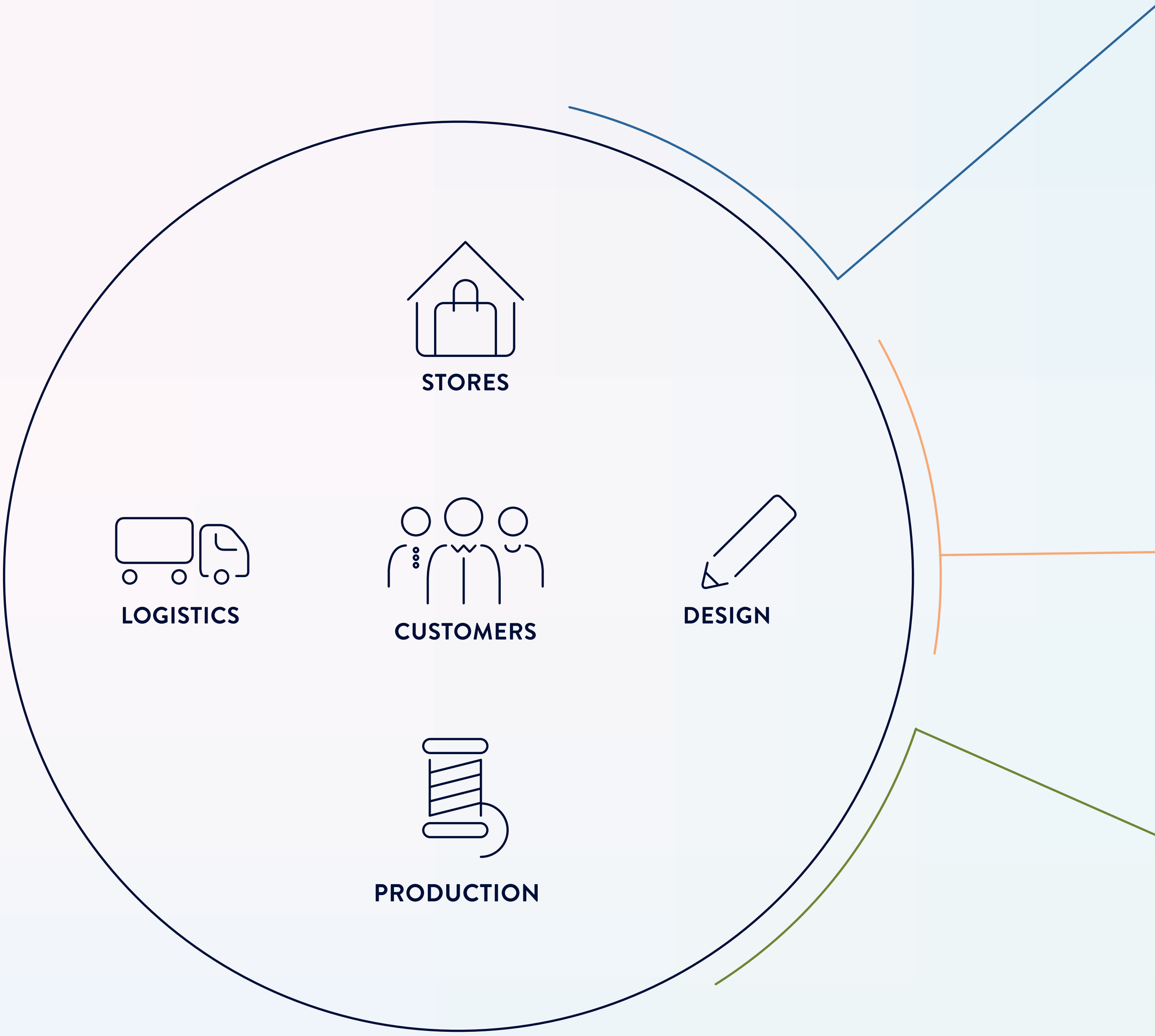
Quality, design and 'Made in Spain' defined the Quality Stories campaign launched by Uterqüe to market its bag and shoe collections. The brand's alliance with the world of art also evolved during the year with its art essays, the first in collaboration with Pablo Thecuadro to showcase the season's new looks. In 2017 Uterqüe inaugurated flagship stores on Paseo de Gracia (Barcelona) and Claudio Coello (Madrid), unveiling The Apartment, its new store concept.

www.uterque.com

II. SUSTAINABLE STRATEGY

SUSTAINABLE MODEL

At Inditex, we work with the goal of offering our customers the fashion products that they demand in an ethical and responsible manner, following the Right to Wear philosophy, which brings sustainability to all areas of our business model.
To meet this goal, we believe in an ongoing dialogue with our stakeholders, transparency and the protection of Human Rights.



ABOUT US

Inditex is one of the leading fashion groups in the world. With **over 171,000 employees**, it operates in **96 markets** through its network of stores and online business. Our way of understanding fashion, our commitment to flexibility and innovation, have allowed our brands **Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe** to respond to customers' needs at the right time to offer them the latest trends that they demand.

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

HOW WE WORK

Our sustainable business model is characterised by a high degree of integration of all phases of the fashion process: design, supply, product and manufacturing quality control, logistics and retail through our 7,475 stores worldwide and in 47 online markets.

CORPORATE VALUES

1. Strong customer focus
2. Modesty
3. Self-reliance
4. Non-conformism
5. Team work
6. Creativity
7. Diversity
8. Innovation

OUR PRIORITIES

1. Our customers
2. Our people
3. Innovation in supply chain management
4. Socially responsible supply chain
5. Excellence of our products
6. Circularity and efficient use of resources
7. Tax transparency
8. Improving community welfare
9. Creation of value for shareholders
10. Corporate governance

SUSTAINABLE DEVELOPMENT

GUIDING PRINCIPLES

1. Human Rights policy
2. Code of Conduct and Responsible Practices
3. Code of Conduct for Manufacturers and Suppliers
4. Right to Wear guiding principles
5. Lines of work in each area to obtain high-quality, sustainable and responsible products

STAKEHOLDER RELATIONS

EMPLOYEES
Any person who works for Inditex Group, whether at stores, offices or logistics centres.

CUSTOMERS
Any person who purchases any product marketed by Inditex Group's brands.

SUPPLIERS
Companies that are part of Inditex supply chain as well as their respective employees.

COMMUNITY
All people or entities that are part of the context in which Inditex carries out activity.

SHAREHOLDERS
Any person or entity that owns Inditex Group shares.

ENVIRONMENT
Set of natural elements present in the environment where Inditex develops its business model.

Getting to know and collaborating with all our stakeholders, understanding their expectations and responding to them are key elements of Inditex's strategy. Our approach to dialogue and transparency allows us to fulfil the goal of creating value in a sustainable manner and it is key to face the challenges and opportunities that arise in the development of our activity. It also allows us to make progress in the promotion of Human Rights or in the achievement of the Sustainable Development Goals (SDG).

In this respect, we have various global and specific policies that govern the relationship with stakeholders and that reflect our values and guiding principles with them such as the Human Rights Policy, the Corporate Social Responsibility Policy, the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and the Environmental Responsibility Policy, among others.

To determine the specific relationship strategy with each stakeholder and to establish the objectives and communication channels to be used, we identify and review our relation with each one of them on a continuous basis. After this first step, we determine which are priority groups according to their direct or indirect involvement in our value chain.

In order to formalise and institutionalise the dialogue with key interlocutors in civil society, we have a Social Advisory Board, which is an advisory body on sustainability issues, made up of individuals and external institutions who are independent of Inditex.

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

DIALOGUE WITH STAKEHOLDERS

ONGOING DIALOGUE

TRANSPARENCY

HOW DO WE COMMUNICATE?(*)
Materiality analysis, Social Advisory Board, corporate website, Annual Report and specific tools (*)

EMPLOYEES

EMPLOYEES AT OFFICES, STORES, LOGISTIC CENTRES

OBJECTIVE
- Strengthening the commitment to the Code of Conduct and Responsible Practices
- Team motivation

OUR COMMITMENTS
- Respect for human and labour rights
- Fair and decent treatment

CUSTOMERS

OUR CUSTOMERS AND POTENTIAL CUSTOMERS

OBJECTIVE
- Rapid response to customer demands
- Customer care segmented by country and service to higher personalised care

OUR COMMITMENTS
- Providing trendy products in a responsible way
- Offering the best service and customer response through all our channels
- Protection of their privacy and personal data

SUPPLIERS

SUPPLIERS, MANUFACTURERS, WORKERS AND UNIONS

OBJECTIVE
- Ensuring compliance with the Code of Conduct for Manufacturers and Suppliers

OUR COMMITMENTS
- Promotion and protection of Human Rights, fundamental labour rights and international standards
- Promotion of sustainable production environments

COMMUNITY

NGO, GOVERNMENTS AND PUBLIC ADMINISTRATIONS, MEDIA, ACADEMIC INSTITUTIONS AND CIVIL SOCIETY

OBJECTIVE
- Achieving maximum reach and impact in the programmes developed

OUR COMMITMENTS
- Contribution to social and economic development
- Contribution to the improvement of global welfare

SHAREHOLDERS

INSTITUTIONAL AND PRIVATE INVESTORS

OBJECTIVE
- Consolidating position on sustainability indexes
- Corporate transparency

OUR COMMITMENTS
- Social interests and the shared interests of all the shareholders
- Encouragement of informed participation

ENVIRONMENT

ENVIRONMENTAL PROTECTION ORGANISATIONS AND GOVERNMENTS

OBJECTIVE
- Applying the Environmental Strategic Plan

OUR COMMITMENTS
- Respect for the environment
- Protecting biodiversity
- Efficient use of resources

(*) A table with detailed information on the main dialogue tools used with each stakeholder is available on the Sustainability Balance Sheet on page 257.

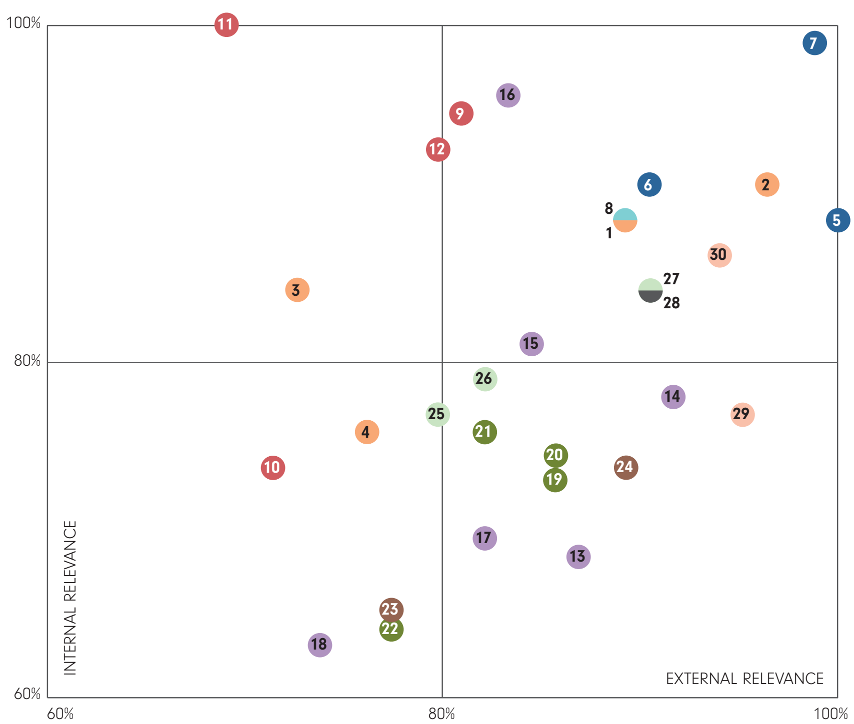
MATERIALITY ANALYSIS

Identifying the most relevant issues for our stakeholders is key to developing our sustainable strategy. One of the most important dialogue tools for this task is the materiality analysis, which allows us to know the issues that most concern or interest these stakeholders and that are, at the same time, important for us. Thanks to the materiality analysis, we can establish the priorities to address and ensure that they are aligned with the stakeholders' expectations. In the same way, the analysis also defines the content that we include in the Annual Report.

In 2017, for the seventh year in a row, we have carried out this process where representatives of our priority internal and external stakeholders have identified and assessed the importance of various topics. Inditex's Social Advisory Board has actively participated in this process, the result of which is a materiality matrix where 30 issues are covered. In turn, these issues are grouped into 10 main areas which we call Our Priorities. That is to say, the major issues on which our sustainable strategy is based and which allow us to make progress in the creation of economic, social and environmental value and ensure that the stakeholders' current and future needs are met.

Each of the ten priority areas is explained in a specific chapter of the Report, which tells us about Inditex's strategy and performance in this regard.

MATERIALITY MATRIX



- Our customers
- Our people
- Innovation in supply chain management
- Socially responsible supply chain
- Excellence of our products
- Circularity and efficient use of resources
- Tax transparency
- Contribution to community welfare
- Creating value for the shareholder
- Corporate Governance

1. Diversity and Inclusion
2. Labour practices
3. Attracting and reaining talent
4. Human capital development
5. Responsible purchasing practices
6. Health and safety at suppliers and manufacturers
7. Respect for labour rights in the supply chain
8. Transparency and traceability of the supply chain
9. Commitment to customers
10. Purchasing habits
11. Integration of sales channels
12. Cybersecurity and data protection
13. Protection of biodiversity
14. Sustainable products
15. Management of chemicals and sustainable processes in manufacturing
16. Product quality, health and safety
17. Product information and labelling
18. Animal welfare
19. Circularity
20. Energy and climate change
21. Use of water
22. Packaging
23. Investment in the community
24. Relationship with stakeholders
25. Corporate Governance
26. Risk management and control systems
27. Corruption and bribery
28. Regulatory compliance and responsible practices
29. Socioeconomic impact on society
30. Transparency and tax contribution

GRI REPORTING PRINCIPLES

STAKEHOLDER INCLUSIVENESS	SUSTAINABILITY CONTEXT	MATERIALITY	COMPLETENESS

PROCESS OF DRAFTING INDITEX'S MATERIALITY MATRIX

IDENTIFICATION

Analysis of mega trends which affect the business model and identification of important issues which impact value creation. Evaluation of the boundary (internal and external) of each important issue.

PRIORITISATION

Presentation of relevant issues to internal and external stakeholders to assess their importance in the economic, social and environmental impacts and the influence on stakeholders' decisions and expectations.

VALIDATION

Validation of the result of the materiality matrix to ensure that it is a reasonable and balanced reflection of the issues important to the organisation. Internal validation by Inditex's management and external validation via its Social Advisory Board.

REVIEW

The conclusions from the internal and external review of the materiality matrix of the previous year have been applied during the year.

To carry out the process of identifying the priority issues and their scope, the recommendations included in the *Global Reporting Initiative* (GRI) Standards have been followed. In addition, this year the list of material issues has been revised to include some new ones and exclude others so that the current matrix takes a look at 30 material topics compared to 32 in 2016.

Year after year, we confirm that the majority of issues considered to be material by our stakeholders and their relevance stay the same. This is the case of Human or Labour Rights in the supply chain or the quality, health and safety of our products, both of which are among the five most important topics for internal and external stakeholders.

However, other important issues have changed their prioritisation in recent years. This analysis of the evolution of materiality also allows us to react to changes in our stakeholders' expectations and respond to new needs.

The information about the materiality matrix is complemented in the Sustainability Balance Sheet with an analysis of each material topic, which includes its scope or boundary and Inditex's involvement in the possible impact (if the contribution to the impact is directly related to the organisation or it is through any of its business relationships).

+ See page 258 of this Annual Report.

EVOLUTION OF MATERIALITY

32 MATERIAL TOPICS

2015

IMPORTANT ISSUES

- Human Rights and industrial relations in the supply chain
- Product quality, health and safety
- Safety and health at suppliers and manufacturers
- Commitment to customers
- Traceability of the supply chain

32 MATERIAL TOPICS

2016

IMPORTANT ISSUES

- Product quality, health and safety
- Human Rights and industrial relations in the supply chain
- Commitment to customers
- Traceability of the supply chain
- Labour practices

30 MATERIAL TOPICS

2017

IMPORTANT ISSUES

- Respect for labour rights in the supply chain
- Labour practices
- Health and Safety at suppliers and manufacturers
- Product quality, health and safety
- Responsible purchasing practices

CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

At Inditex, we have aligned our strategy with the United Nations 2030 Agenda for Sustainable Development, adopting a firm commitment to the 17 Sustainable Development Goals (SDGs), in line with the Group's commitment to sustainability and respect for Human Rights across the value chain. We are convinced of the relevance of the SDGs in the development of a common roadmap for all parties involved in sustainable development, from governments to private companies and civil society organisations.

Our strategy encompasses all the SDGs (17) defined in the 2030 Agenda because we are convinced that achieving them will put an end to all types of poverty, reduce inequality and aid the fight against climate change. In fact, the 17 SDGs are interrelated to cover the three pillars of sustainable development: economic growth, social inclusion and environmental protection.

These SDGs are developed through 169 specific targets. In 2017, we began to identify and align our strategy with the targets where our influence could be stronger, using the indicators that measure the progress towards achieving each of them as a benchmark. We have carried out an analysis of our business model and our priorities based on the Guide Business Reporting on the SDGs: An Analysis of Goals and Targets. This guide has been developed by the Action Platform for Reporting on the Sustainable Development Goals organised by the UN Global Compact and the Global Reporting Initiative. Inditex has been a member of this platform since it was launched.

The result of this exercise of identification and prioritisation of the targets where Inditex's contribution may be more relevant is presented in the Sustainability Balance.

+ See from page 254 of this Annual Report.

SDG 8: DECENT WORK AND ECONOMIC GROWTH

At Inditex, we believe that sustainable development means aligning economic growth with decent work. Because of this, the promotion of sustainable, sustained and inclusive economic growth, as well as productive employment and decent work for all, is a fundamental goal of Inditex's strategy. Thus, our contribution to SDG 8 extends to the entire value chain and materialises in various actions promoted from different areas of the Company. We promote the generation of decent jobs for both our employees and for the workers of our supply chain. We develop projects to achieve the welfare of the communities where we operate and we create policies that formalise our commitment to decent employment and mechanisms that ensure its implementation, among other actions. All this, together with our stakeholders and the relevant organisations in each area. In line with this commitment to SDG 8, we participate in Alliance 8.7 promoted by the International Labour Organization (ILO), which brings together governments, companies, workers' organisations and civil society and whose goal is to eradicate forced labour, modern slavery, human trafficking and child labour. We also participate in the UN Global Compact Decent Work in Global Supply Chains Action Platform.

+ See pages 63, 82, and 169 of this Annual Report.

OUTSTANDING CONTRIBUTION IN 2017

We invest in corporate community investment projects whose main goal is directly related to the goal of eradicating poverty (€1,459,180 in 2017).

In 2017, we invested €221,255 in programmes that contribute to the goal of zero hunger as part of our strategy to contribute to community welfare.

We develop activities to guarantee safe and healthy working environments for our own employees as well as for all the workers of our supply chain. In 2017, we continued with the certification of our facilities under the OHSAS 18001 standard and we have developed health and safety programmes that have benefited 484,070 workers of our supply chain.

We promote training programmes for all our employees so that they can develop their talent to the fullest. In 2017, more than 2.1 million hours of training were carried out.

Gender equality and women empowerment are a basic commitment for Inditex. So we raise our employees' awareness of this aspect and develop Equality Plans, among other actions. In addition, we have developed a strategy for women empowerment in the supply chain.

We have committed to achieve Zero Discharge of Hazardous Chemicals, in 2017, we have continued to move towards this goal through the programmes The List by Inditex or Ready To Manufacture.

We promote the use of sustainable and efficient energy sources both at our own facilities and with our suppliers through the Join Life garments.

We finished 2017 with 171,839 employees representing 97 different nationalities. Our priority is to improve the quality of their employment day by day, opting for remuneration policies that favour them and encourage their development and talent. Over 2 million workers of our supply chain are our priority when developing programmes that promote decent work.

We promote the industrialisation of our supply chain through the implementation of the Ready to Manufacture programme or projects such as Lean or SCORE in collaboration with the International Labour Organization.

Reducing inequality is one of the main goals upon which our corporate community investment has been focused in 2017. 18% of our investment in corporate community investment projects contributes to this goal.

Making cities and human settlements inclusive, safe, resilient and sustainable is a goal which we have contributed to in 2017 through an investment of €1,255,581 in corporate community investment projects.

Our actions in product life cycle management are aimed at achieving a circular system where through our different standards and programmes, we promote sustainable behaviours both for our suppliers and our customers.

We work to minimise the impact on climate change. 45% of the energy consumption at our headquarters, logistics centres and stores comes from renewable sources.

We avoid harming underwater life in any way. We also invest in programmes to protect it in line with our commitment to Zero Discharge of Hazardous Chemicals.

We promote sustainable raw materials and efficient production techniques to enhance the protection of biodiversity. In 2017, we marked 10 years of our collaboration with the Xunta de Galicia for forest improvement.

Our Compliance Model allows us to transmit an ethical culture to both employees and suppliers. In addition, in 2017 the Board of Directors of Inditex approved the Group's Integrity Policies.

Our Compliance Model allows us to transmit an ethical culture to both employees and suppliers. In addition, the Board of Directors of Inditex approved the Group's Integrity Policies in 2017.

PROMOTION AND RESPECT OF HUMAN RIGHTS

Defending and promoting Human Rights is one of the foundations of Inditex's corporate culture. Inditex has acquired formal policies and procedures and has made progress in formalising due diligence and grievance mechanisms as an essential component of the Human Rights Policy, approved in 2016.

Inditex has a solid and sustainable supply chain management system. This system, its policies and procedures, are based on respect for Human Rights and have been developed thanks to the knowledge of, and proximity to, the entire supply chain.

+ See the chapter Socially Responsible Supply chain on pages 79 and onwards of this Annual Report.

In July 2017, all those responsible for sustainable supply chain management received specialised training on Human Rights due diligence procedures in accordance with the United Nations Guiding Principles on Business and Human Rights. The training was conducted by SHIFT, a non-profit organisation with expertise in Human Rights and chaired by John Ruggie, author of the Guiding Principles. At Inditex, progress has been made in standardising existing processes for the identification and prioritisation of relevant issues regarding Human Rights, and there has been progress in the creation of a model for the collection and processing of potential impacts on operations.

The due diligence process is being adopted across the entire organisation in 2018. It is driven by Inditex's incorporation as a member of the Learning Business Programme, a leadership programme in Human Rights. It brings together 18 companies from all sectors to work on the implementation of the Guiding Principles under SHIFT's leadership.

Employee from the Zara Home store in Shanghai (China)

CONTENT

HUMAN RIGHTS POLICY	DUE DILIGENCE	GRIEVANCE MECHANISMS

OBJECTIVE

HUMAN RIGHTS POLICY	DUE DILIGENCE	GRIEVANCE MECHANISMS
Developing, approving and communicating a corporate Human Rights Policy.	Establishing and implementing a due diligence process to evaluate impacts and developing prevention and mitigation processes.	Reviewing and updating current grievance mechanisms to ensure access and remediation.

DEVELOPMENT

HUMAN RIGHTS POLICY APPROVED IN DECEMBER 2016

INSTITUTIONAL REFERENCE FRAMEWORK

- Universal Declaration of Human Rights
- Principles of the UN Global Compact
- Guiding Principles on Business and Human Rights
- Fundamental ILO conventions and ILO Declaration on fundamental principles and rights at work

Inditex's Code of Conduct and Responsible Practices

Inditex's Code of Conduct for Manufacturers and Suppliers

Other internal regulations

ANALYSIS OF IMPACTS ON HUMAN RIGHTS

REVISION OF GRIEVANCE MECHANISMS

DEVELOPMENT AND INTEGRATION OF PROCESSES

COLLABORATION WITH STAKEHOLDERS

Participation in SHIFT's *Business Learning Programme*

III. OUR PRIORITIES

Customers and an employee at the Zara store in Miami (United States)

OUR PRIORITIES

OUR CUSTOMERS

RELATED SUSTAINABLE DEVELOPMENT GOALS		INDITEX'S CONTRIBUTION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Goal 12:** Ensure sustainable consumption and production patterns.	Customers are at the centre of our decision-making and our business. We are committed to maintaining their trust in the long- term by always sustainably producing the responsible fashion they are looking for. Inditex has developed an integrated model for stores and online that seeks to maintain a continuous dialogue with customers, thus meeting their needs while providing the necessary information to facilitate a purchase, promoting a model of responsible consumption.

The customer is at the centre of Inditex's activity and, we have developed an integrated store and online platform in order to listen their feedback. We want to guarantee the best possible shopping experience by taking advantage of complementary channels.

1. CUSTOMERS AT THE CENTRE

Customers are at the centre of our business and our decision-making process. Aiming to know customer demands. Inditex has developed an integrated model of stores and online that seeks to maintain a continuous dialogue with customers. The Group's brands can find out not only what their needs are, but also understand how they seek them out and where or how they prefer to receive a product.

Our designers, store and customer care teams, IT personnel, logistics personnel and the over 170,000 individuals making up Inditex work every day with one single focus: to understand the demands of our customers and offer them the products they want in a fast, agile and comfortable way.

To do so, the Inditex brands have developed new solutions based on our commitment to improve the customer experience both in our stores and online. In fact, the Group has invested more than one billion euros to technological and logistics investments over the last four years.

Thanks to these innovations, Inditex has explored new store concepts and new technologies for the collection of online orders, developed the Radio Frequency Identification project and introduced payment through mobile devices, among other initiatives.

This constant innovation and commitment to new systems to facilitate the customer experience is inherently accompanied by a cybersecurity and data protection policy. So, we work to ensure that their purchases are secure, comfortable and agile, and that all their data is properly protected.

Offering a multi-channel customer service is another key to the model. Inditex brands have more than 40 call centres located on all continents, capable of attending to the over 20 million queries that our customers made through the various channels in 2017.

2. INTEGRATED MODEL OF STORES AND ONLINE

Wander around a store, have a look at all the new items, touch the fabrics, try on a garment and buy it using your mobile phone to receive it at home a few hours later. This is one of the many new possibilities thanks to the emergence of new technologies, which allow us to relate to customers in new ways.

Given this new reality, Inditex's commitment focuses on offering customers the greatest number of possibilities. Thanks to the integrated model of stores and online, our customers can relate to our brands at the most convenient moment, place and way for them.

Currently, the integration of stores and online is a reality in a total of 47 of the 96 markets in which Inditex brands are present.

The Group's online sales grew by 41% in 2017, reaching 10% of the total, 12% in all the markets which have online presence.

With this, the number of visits to our online stores increased rapidly until the end of the year when it reached over 9 million hits per day. Throughout the year the Group's websites registered a total of 2.4 billion hits, reaching peaks of up to 249,000 orders in one hour.

In addition, our brands have also advanced in terms of order collection, expanding services such as *Same Day Delivery*, available in Madrid, London, Paris, Istanbul, Shanghai and Taipei, and *Next Day Delivery*, which is already in place in Spain, France, the United Kingdom, China, Poland and Korea.

A NEW SHOPPING CONCEPT

Interior of the Zara store in Stratford, London (United Kingdom)

In 2017 Zara launched a new pop-up concept with a novel shopping experience in Stratford (London, United Kingdom), one which has been replicated and updated in Milan (Italy) and Roppongi (Tokyo, Japan). It is a temporary concept store specialised in placing and collecting online orders, as well as making any type of return or exchange. This pop-up store is a temporary format, and in the case of London, was operating until the opening of the new Zara flagship store in the city's Westfield Stratford shopping centre in May 2018.

According to the words of Pablo Isla, Inditex's chairman and CEO, this concept is "another milestone in our strategy of integrating our stores with the online world, which defines our identity as a business".

This new store format was conceived with the aim of intensifying customer satisfaction in the shopping experience and offering a select collection of items that can be purchased through Zara.com directly from the store.

In order to help our customers and improve the shopping experience, the team in this new store format is equipped with tablets and other mobile devices, as well as an innovative bluetooth POS terminal which allows to purchase at any point of the store and pay at the till. In addition, the smart mirrors that are part of this concept show the various possibilities in real size to coordinate and combine items with other garments and accessories.

3. INNOVATION FOR AN IMPROVED SHOPPING EXPERIENCE

Based on our commitment to offering our customers a shopping experience that meets the highest standards, at Inditex we are working to develop new projects and technologies that allow us to offer them better service while advancing to integrate our stores and online.

To do this, our Radio Frequency Identification (RFID) programme for garments is a basic pillar on which many of the innovations we put into operation are based on. This project lets us know where each of our garments is at all times.

From the moment we codify the garment alarms, we can use this system to individually recognise each item from our logistics centers to the sales area itself. Using this, we can quickly locate a garment at the request of a customer. In addition, stock management can be conducted 80% faster, which allows us to allocate more time to offering the customer better service.

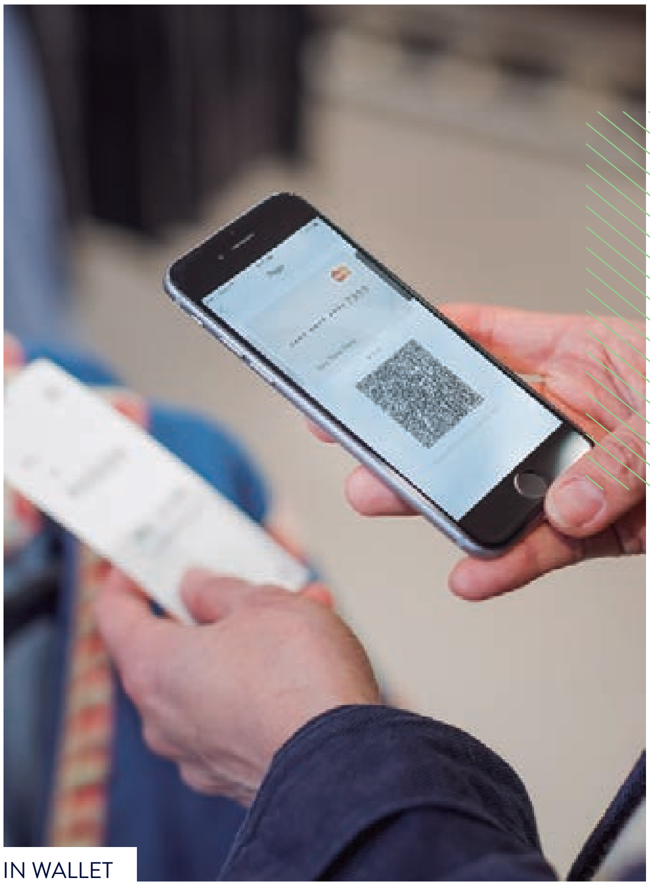
Zara has already completed the integration of this technology in all markets where it is present, while Uterqüe joined Massimo Dutti and Pull&Bear in implementing this project into its stores in 2017. At Inditex we are working towards the goal of implementing RFID technology into all our brands by 2020.

Along the same line of offering our customers a more efficient and agile service, at Inditex we are implementing new systems that allow us to eliminate unnecessary waiting during the entire purchasing process, such as self-checkout, specifically designed for periods with a greater number of customers in store.

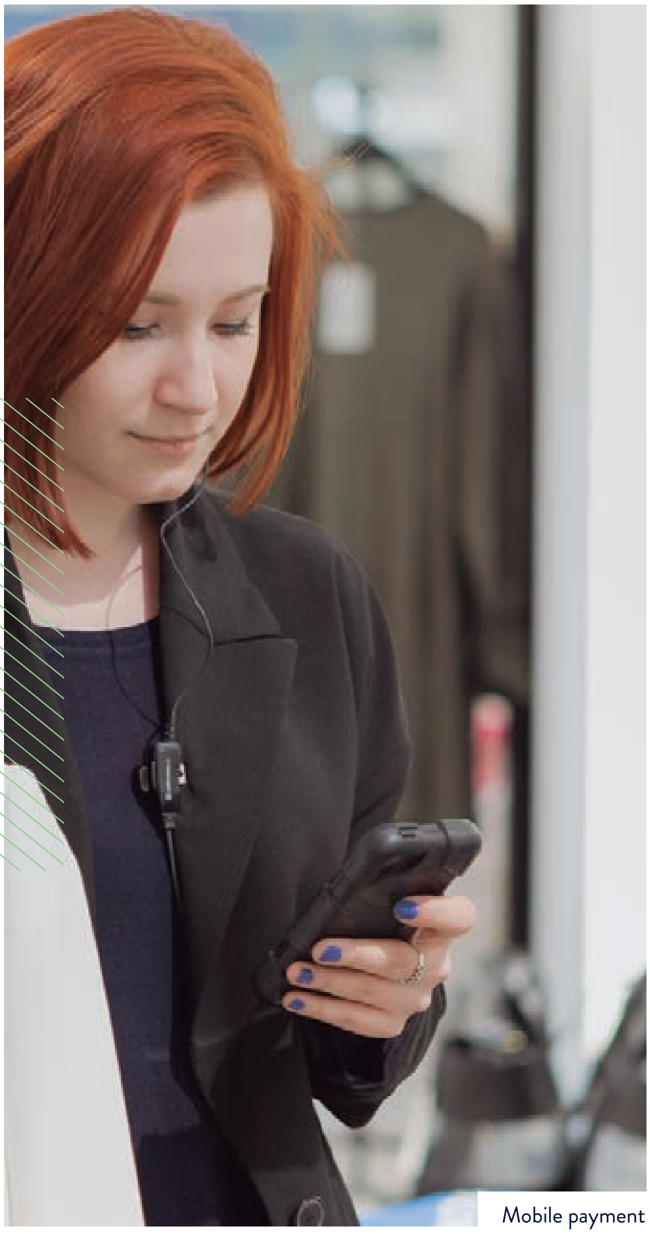
With this same objective, in 2016 we launched mobile phone payment through our different brand applications and a new app for the Group called InWallet, which centralises purchases from all our stores. This system is operational in Spain, France and the United Kingdom. In addition, 24 other markets also have different mobile phone payment options.

In addition, this new tool allows for integrated receipt management. The system stores all purchase receipts from our stores and online which can be accessed at all times, and offers the customer the possibility of making an exchange or return.

Self-checkout



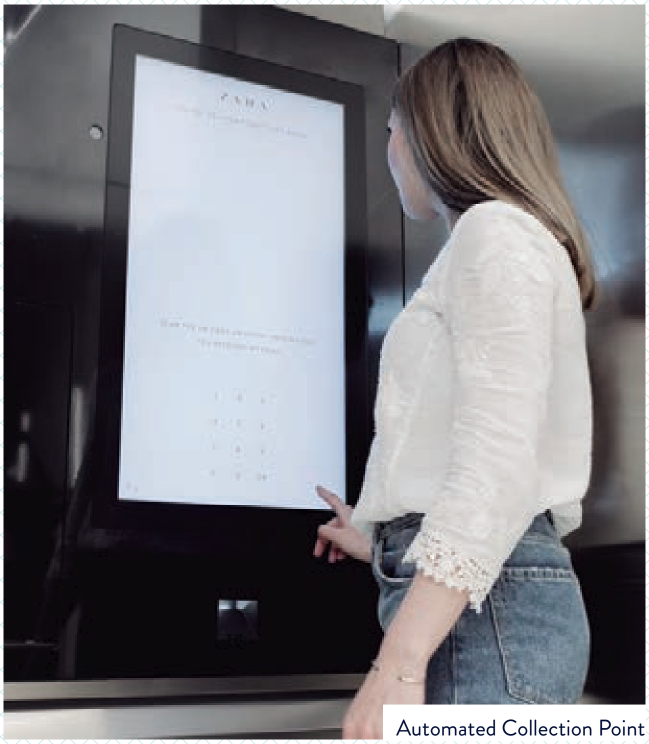
IN WALLET



Mobile payment

RFID

COLLECTING ONLINE ORDERS IN SECONDS



Automated Collection Point

In order to offer faster, more efficient service without queues, in 2017 we launched our first Automated Collection Point for Zara.com orders. This tool has allowed us to offer our customers a comfortable and agile online purchase collection experience, taking just a few seconds.

This Automated Collection Point, already located in the Marineda shopping centre Zara store in A Coruña (Spain) and which will be installed in other stores around the world, allows the customer to easily collect online purchases, scanning the QR code or entering the PIN code included on the electronic receipt. The automated system will instantly locate the order, transferring it to the collection door in just a few seconds.

This Automated Collection Point conceals a robotic system that efficiently manages the space, as it creates dynamic compartments that can change size according to package dimensions. The unit installed at Marineda can store up to 700 packages, and later models, such as those at the new Stratford flagship store, can manage 2,400 packages.

Once the customer requests order collection, the smart system locates the tray on which that package is located and transports it to the delivery door. The space is then available to receive new orders in a totally smart, flexible and dynamic way.

We work continuously to continue improving the security measures to ensure the security of our customers' personal data in all of our store processes

4. CYBERSECURITY, PRIVACY AND PROTECTION OF PERSONAL DATA

Privacy and the protection of personal data of all our customers and users, as well as our employees and suppliers, is a top priority for Inditex.

In order to ensure the protection of data in all processes and corporate tools, we have Security Committee in charge to embrace the necessary measures and protocols. Furthermore, our Department of Data Protection and Privacy guarantees and coordinates compliance with data protection and privacy regulations in each of the territories where the Inditex Group companies operate.

To show our commitment to information security, Inditex holds the ISO 27001 certificate (the international standard in information security) since December 2017. This certification guarantees strict security measures applied to activities regarding the control, monitoring and maintenance of the necessary infrastructures to offer top-quality service through our online stores.

This seal is in addition to the accreditation obtained in recent years for PCI DSS (Payment Card Industry - Data Security Standard) payment security. This standard of best practices guarantees that at Inditex we follow all the necessary data protection measures to avoid possible fraud when using credit or debit cards.

This year we have also satisfactorily passed the audit required by the Spanish data protection regulation every two years. The result of this external audit reveals compliance with the security measures (technical and organisational) required for all Spanish companies that process personal data.

It should be noted in this regard that our Technology Centre, located at the Group headquarters in Arteixo (Spain), has been designed to mitigate all types of incidents, thus guaranteeing the security of all our systems. To do this, the technological platform has a duplication system for equipment and systems guaranteeing continuity of our business activities at all times.

Furthermore, in 2017 we also implemented a training plan for employees, in which 5,600 workers from the Group participated onsite and 10,800 remotely, with the aim of preventing potential risks in terms of cybersecurity and developing response mechanisms.

During 2017, Inditex worked to adapt our privacy and data protection practices to the new requirements of the General Data Protection Regulation of the European Union (GDPR), applicable as of May 25, 2018.

Due to this new legal framework, we are applying changes, among handling other issues, as we adapt our customer privacy policies in order to reinforce their right to transparency and make progress in the management of their privacy and data protection rights.

Thus, we consider adapting to this new European regulation to be a process of continuous evolution. In accordance with regulatory requirements, the Group formally appointed a corporate Data Protection officer in 2017 for all Group entities.

5. IMMEDIATE MULTI-CHANNEL RESPONSE

At Inditex we believe that a top-quality shopping experience is only possible if we can offer our customers an immediate and effective response to all questions and incidents that may arise. To do this, we have teams trained in all product features and all store operations so they can resolve any issue as quickly as possible.

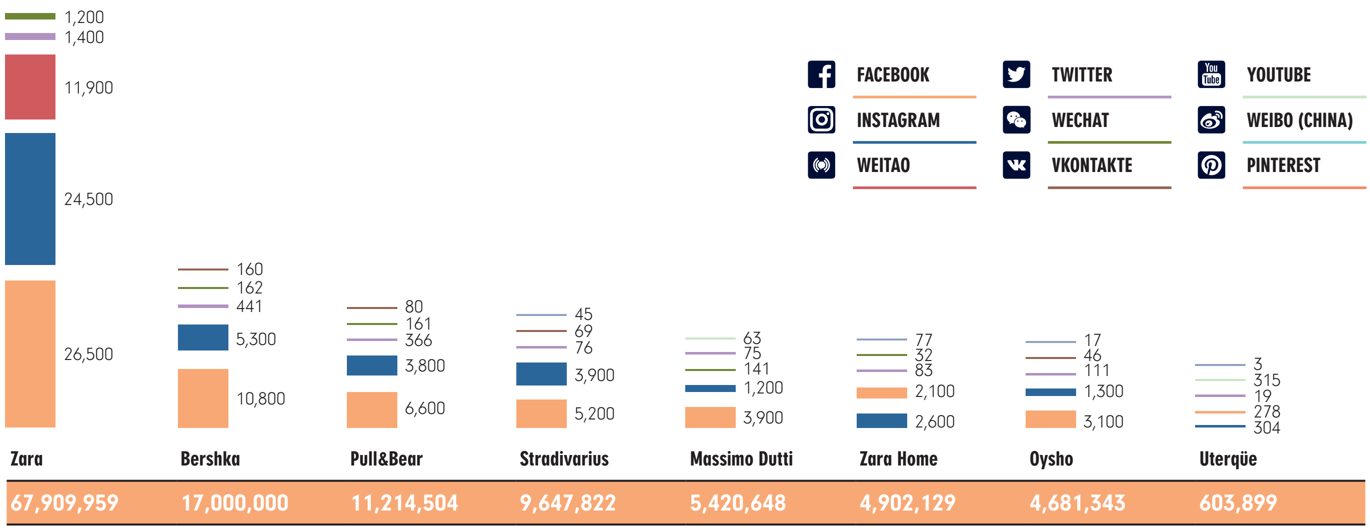
Our brands have over 40 call centres receiving a total of 20.9 million queries in 2017 which our customers posted through social media, emails, chats and phone calls. With these, our teams achieved a level score of 95%*.

The most frequent requests and questions focused on our brands and products, doubts about our return policy, inquiries about the status of an order and information regarding our stores, such as opening hours.

Throughout the year we also exceeded 120 million followers for our brand pages on social media.

The Group also offers the Affinity Card with which allow make purchases in all of the Group's stores. In 2017, over 100,000 individuals joined the programme, which now has a total of 1,174,063 accounts.

OVER 120 MILLION FOLLOWERS ON SOCIAL MEDIA



Total number of followers of our social media profiles and, in thousands, a breakdown of those networks with the most presence for each brand

RESPONSE TO OUR CUSTOMERS IN 2017

	Contacts	Level of service*	Complaint forms**
Zara	12,200,809	97%	2,873
Pull&Bear	1,958,872	96%	481
Massimo Dutti	1,686,318	86%	295
Bershka	1,865,322	90%	515
Stradivarius	1,813,874	96%	403
Oysho	803,900	97%	334
Zara Home	557,122	92%	123
Uterqüe	77,917	91%	50
TOTAL	20,964,134	95%	5,074

(*) Percentage of calls, emails, chats and messages attended to over the total

(**) Complaint forms presented in Spain

DATA FOR USERS WITH AN AFFINITY CARD

	2017	2016	2015
Total accounts	1,174,063	1,099,007	1,032,259
New accounts	109,246	92,243	82,616
Tickets	6,476,186	6,333,372	5,732,301
Newsletter	4,809,143	1,112,385	2,586,943
Website hits	1,281,521	796,433	694,937

Inditex office employee, Shanghai (China)

OUR PRIORITIES

OUR PEOPLE

RELATED SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
Goal 3: Ensure healthy lives and promote well-being for all at all ages.	Inditex approaches occupational health and safety as an essential part of its relationship with its employees. We train all our employees and make them into participants regarding health and safety in their workplace, and apply the provisions of our Code of Conduct and Responsible Practices and our Health and Safety Policy. Besides this, we seek to ensure continual improvement in their health and well-being, as proven through the OHSAS 18001 certification held by our work centres.
Goal 4: Ensure inclusive and equitable quality education.	Training our employees is a key part of developing our business model, based on continual innovation and teamwork. Besides the initial training provided for each job, every area has specific technical training programmes. Being able to learn new things every day is one of the opportunities we offer each employee.
Goal 5: Achieve gender equality and empower all women and girls.	Promoting gender equality is one of the pillars of Inditex's commitment to its employees. We do not tolerate discrimination of any kind and we develop measures to foster gender equality, including approving Equality Plans, providing training and raising awareness. Furthermore, we have an Equality Monitoring Committee, whose mission is to assess the implementation and impact of all measures developed in this area.
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Each of the more than 170,000 people who comprise Inditex plays a key role in the company's success. Consequently, continually improving employment quality is a priority for us. We have attractive remuneration policies, encourage training and talent development, and run different programmes that support, and are adapted to, the needs of our employees.

171,839 people, with 97 nationalities and speaking 54 different languages work for Inditex. 75% of them are women. Equality, diversity, multiculturalism, sustainability, teamwork and respect are the values that underpin their daily behaviour. To encourage this, the Group establishes different policies and activities, at the same time as choosing to offer quality employment. 73% of the global workforce has a permanent employment contract.

1. WHAT WE ARE LIKE

Diversity, multiculturalism, sustainability, teamwork and respect are values of the Inditex DNA: our 171,839 employees at the close of the 2017 financial year represent 97 nationalities and speak 54 different languages.

The main stage for this wealth of talent is the store, Inditex's primary area of activity and the place where 87% of all Group employees work.

The high proportion of female talent in the business is another of the features that best defines our Group. With 75% women and 25% men, female leadership is a pillar of our performance.

Another feature that defines our people is generational diversity. In the last 10 years, the number of employees at Inditex has doubled, which means that different generations of employees now work together. As a result of our growth, our average age of 28.7 in the Group as a whole creates a natural bridge between younger generations and those with more experience, with 38% of employees aged over 30 and 62% under 30.

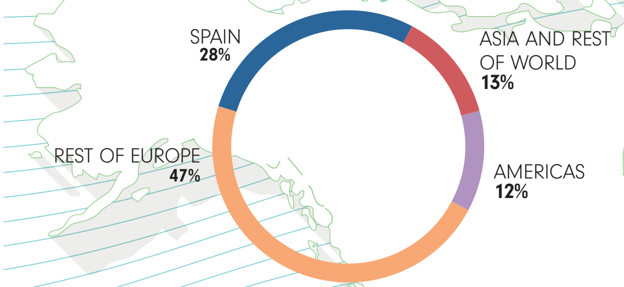
For all these people, Inditex is firmly dedicated to guaranteeing stable and secure working environments, where we actively promote equal opportunities, professional growth and development (through internal promotion and our tailored programmes) and work-life balance. Proof of this can be found in: the new, globally applicable Diversity and Inclusion Policy; the 2017 internal promotion rate, which totals 18% of Group employees; and the reduced work day, enjoyed by 20% of store employees in Spain.

Our urtherance of quality employment is also evident in the fact that 73% of our global workforce has a permanent employment contract. Also, based on type of working day, the number of full-time contracts compared to part-time contracts has been balanced at 50%. These proportions are reflected in the 144,722 FTE (full-time equivalent) employments for 2017, representing 84% of our total workforce.

Zara Home store employees, Tokyo (Japan)

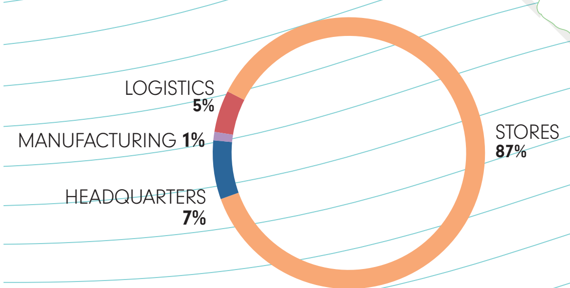
OUR PEOPLE IN 2017

WORKFORCE DISTRIBUTION BY GEOGRAPHIC AREA As a percentage (%)



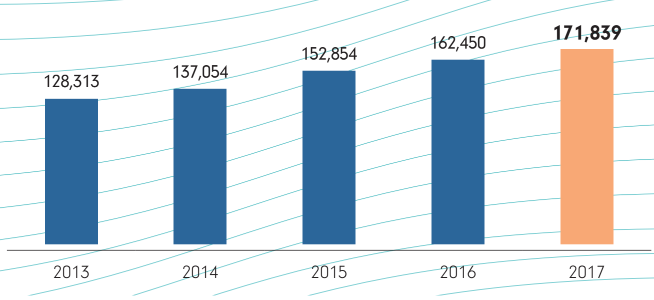
In total figures	2017
Spain	47,667
Rest of Europe (without Spain)	81,189
Americas	19,718
Asia and rest of world	23,265

WORKFORCE DISTRIBUTION BY ACTIVITY As a percentage (%)



In total figures	2017
STORES	149,543
LOGISTICS	8,565
HEADQUARTERS	12,852
MANUFACTURING	879

EMPLOYEE EVOLUTION OVER THE LAST FIVE FINANCIAL YEARS



AMERICAS
19,718
employees

	employees
Argentina	860
Brazil	2,746
Canada	2,342
Chile	963
Mexico	6,640
United States	5,803
Uruguay	364

EUROPE
128,856
employees

	employees
Albania	229
Austria	1,577
Belarus	323
Belgium	2,691
Bosnia and Herzegovina	352
Bulgaria	602
Croatia	1,069
Czech Republic	603
Denmark	294
Finland	244
France	9,336

	employees
Germany	5,653
Greece	3,798
Holland	2,673
Hungary	1,013
Ireland	943
Italy	8,291
Luxembourg	190
Macedonia	160
Monaco	37
Montenegro	122
Norway	293
Poland	4,848

	employees
Portugal	6,859
Romania	3,065
Russia	10,724
Serbia	585
Slovakia	301
Slovenia	232
Spain (*)	47,667
Sweden	835
Switzerland	1,522
Turkey	5,095
Ukraine	1,271
United Kingdom	5,359

ASIA AND REST OF WORLD
23,265
employees

TOTAL
171,839
employees

	employees
Australia	1,523
Bangladesh	54
Cambodia	4
China	11,243
Hong Kong SAR	1,249
Macao SAR	180
Taiwan	650
India	1,048
Japan	4,489

	employees
Kazakhstan	715
Morocco	5
New Zealand	107
Pakistan	2
Singapore	3
South Africa	493
South Korea	1,488
Vietnam	12

(*) The variation in employees in Spain with regard to what was reported in the 2016 Annual Report (48,589 employees in 2016 compared to 47,667 in 2017) is owing to a change in calculation criteria. In previous financial years, we reported the average number of employees at the end of the last three months. From the 2017 financial year, the average workforce in the fourth quarter is reported. If this new calculation criteria is applied to the 2016 financial year, then the 2017 financial year would produce an increase of 1,907 employees in Spain.

We are committed to creating safe, healthy, diverse and inclusive working environments. We do not tolerate discrimination and we believe that diversity strategically contributes to our goals

2. EQUALITY, DIVERSITY AND INCLUSION

The starting point and foundation for growth at Inditex is the professional development of the people who work at the Company. Our 171,839 people represent 97 different nationalities, speak 54 languages and have different profiles, cultures, origins and experiences.

For all these people, we commit to creating safe, healthy working environments where equal opportunities and work-life balance are a reality. These working environments must also respect diversity and encourage the inclusion of our employees, regardless of their race, ethnicity, gender and gender identity, sexual orientation, age, religion and nationality, among other aspects.

Consequently, in accordance with our Code of Conduct and Responsible Practices, we do not tolerate any type of discrimination and we work to provide equal opportunities for all employees and candidates.

Promoting gender equality is another of the pillars of our commitment to Inditex employees. Women represent 75% of the Group's global workforce. We are firmly committed to developing measures to foster equality and to favour work-life balance, maternity and breastfeeding. The Group Equality Monitoring Committee is specifically tasked with assessing implementation of these measures and their impact.

A total of 2,587 Inditex employees in Spain enjoyed maternity or paternity leave in 2017. Of these, 99.3% returned to their job after this period. In relation to these percentages, mention should also be made that, over the year, 16% of the Spanish workforce enjoyed a reduced work day. In the specific case of store employees (the largest professional group at Inditex and the one where there is the greatest bias towards women), 20% of people have a reduced work day.

Another area of focus, which has been a constant in Spain for more than a decade, is the implementation of Equality Plans in the different brands and work centres. In 2017, as a result of the implementation of new tools for dissemination and information access, all employees in Spain have received the content of these Equality Plans, which are available through the different Group communication channels and on INet, the Inditex intranet.

During the year, new steps have been taken through the approval of the Equality Plan at the Cabanillas del Campo logistic centre and the second Massimo Dutti Equality Plan, in addition to negotiations beginning to update the Equality Plans of Zara, Pull&Bear, Bershka, Stradivarius, Oysho and the logistic centres in León and Meco.

All Equality Plans signed include protocols to prevent sexual harassment and sex-based harassment. In the other countries where Inditex operates, different initiatives and protocols are also being developed with regard to this matter.

The task of raising awareness about equality is a reali ty from the moment our people start their employment relationship with Inditex, starting at onboarding training. Furthermore, solidarity activities are organised on special dates like International Day for the Elimination of Violence against Women (25 November) and Equality Week for the store teams.

INDITEX DIVERSITY AND INCLUSION POLICY

Aware that creating and fostering a diverse and inclusive working environment makes an essential contribution to achieving our corporate goals and improving business performance, in December 2017, the Inditex Board of Directors approved the first globally applicable **Diversity and Inclusion Policy**, which establishes the framework that promotes the values of diversity, multiculturalism, acceptance and integration in all Group entities.

Backed and driven by our top management, the Diversity and Inclusion Policy reinforces our commitment to creating working environments where each employee has the responsibility to treat all other workers, in addition to candidates, suppliers and customers, with the utmost respect. We have a zero-tolerance policy with regard to all types of discrimination, and promote equal opportunities in all areas of the Group.

This Diversity and Inclusion Policy governs all our activities related to Human Resources, such as engagement and selection, remuneration and benefits, promotions, transfers and professional development, among other aspects.

To effectively contribute to disseminating the Diversity and Inclusion strategy through all business areas, Inditex is developing procedures and creating suitable corporate-governance structures. In this regard, we have a multidisciplinary team of professionals focused on promoting diversity values who advises all business areas in this regard.

The Diversity and Inclusion Policy is derived from the Group Code of Conduct and Responsible Practices, which is based on respect, acceptance and equality, among other values. It is also in accordance with the Inditex Compliance Policy and its Human Rights Policy.

Furthermore, Inditex has an Ethics Committee, to ensure compliance with the Diversity and Inclusion Policy, and a whistle-blowing channel, to receive and deal with comments, questions and complaints made in good faith, with regard to interpretation, application and fulfilment of this policy.

DIVERSITY AND INCLUSION IN THE UNITED STATES

Zara store employees, Miami (United States)

Also in 2017, we organised various initiatives to foster diversity. Consequently, for the second year running, Zara USA took part in the Love & Pride campaign, designed to give visibility to Inditex's commitment to the LGBT+ community. We also have the "Diversity and Inclusion Calendar", created and shared by the subsidiary's entire workforce, which sets out celebrations and days of a cultural, ethnic or religious nature, to foster inclusion, mutual respect and understanding.

In April 2017, the Advisory Board for Diversity and Inclusion in the United States came together for the second time to make progress our strategic approach to diversity as an axis for business development. Further, in May the first Zara USA Diversity Committee was created, made up of corporate employees who are particularly committed to inclusion. This Committee, which has four ordinary meetings each year, aims to develop and implement the different diversity projects that are organised for employees.

Every corporate employee of the subsidiary in the United States received at least one training session on Diversity and Inclusion in 2017. Furthermore, all store employees, numbering more than 5,000, received the online course Principles of Customer Service, which, for the first time, included elements related to diversity and non-discrimination that are applicable to daily activities in our stores, regarding employees and customers.

Open For Business

LGBT+ INCLUSION AT INDITEX

Inditex is a member of the Open for Business coalition (www.open-for-business.org), which brings together leading global companies that advocate the inclusion and rights of the LGBT+ (lesbian, gay, bisexual and transsexual) community. From this platform, we work alongside a further 24 companies to show that more inclusive companies are better for business and that companies that promote the inclusion of the LGBT+ community are more dynamic, productive and innovative.

3. ATTRACTION, DEVELOPMENT AND PROMOTION OF TALENT

The more than 170,000 people who belong to Inditex share a love of responsible fashion, strong motivation, passion for creativity and customer orientation, in addition to great capacity for decission-making with autonomy.

To manage this enormous human capital, we foster a culture where teamwork, humility, diversity, sustainability and being open to new ideas are constants. Based on this, the central axes for people are attraction, development and professional growth, through strategies, actions and tools that create a motivating environment for continual professional growth.

Of these people, 75% are women and 25% are men. This confirms our commitment as a company to grow and alongside our people.

3.1. ATTRACTION OF TALENT

INDITEX CAREERS

To attract talent and the best professionals, we have a website called *Inditex Careers (www.inditexcareers.com)*, our employer brand, which channels all our employment offers.

This tool, which enables us to strengthen our brand as a global employer, is designed to be an open communications platform that provides information about Inditex for potential candidates. This way, the user has access to specific contents about our different areas of activity: personal stories to convey what we are like and the day-to-day activities of our teams.

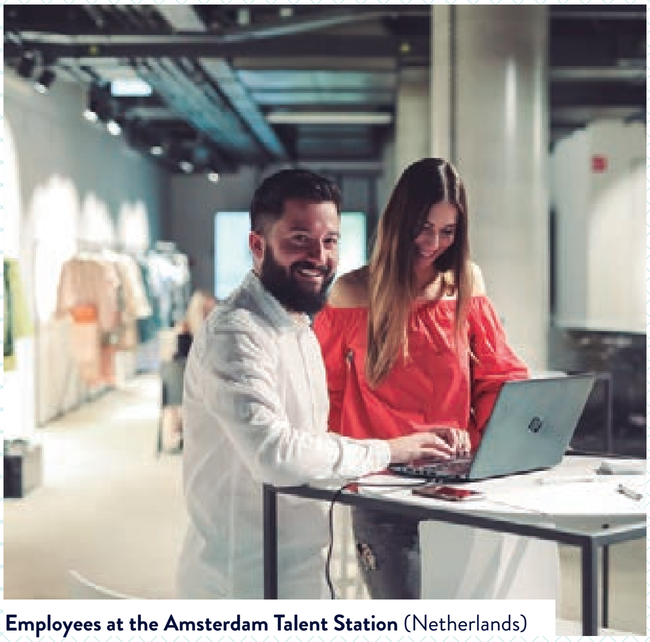
In 2017, *Inditex Careers*, which is available in 23 languages, received more than 6.3 million visits and over 700,000 worldwide candidate registrations. Some candidates sent us their data to apply for published vacancies, while others sent their CVs, to participate in future selection processes.

At the close of the year, it is worth highlighting the following aspects:

- the Inditex Careers social network profiles have more than 1 million followers;
- more than 39,000 applications have been received through our social networks.

TALENT CENTRES: TALENT ATTRACTION FOR STORES

More than a decade ago, we set up our Talent Centres, designed as places to meet our potential candidates, in 11 cities that are key for Inditex because of our commercial presence: Madrid, Barcelona, London, Milan, Paris, Moscow, Istanbul, New York, Mexico City, Shanghai and Beijing, which we opened in late 2017, to provide support for more than 200 stores in northern China.



Employees at the Amsterdam Talent Station (Netherlands)

TALENT STATIONS: POP-UPS TO ATTRACT TALENT IN OTHER CITIES

Inditex teams also work to attract talent for stores in cities where there are no dedicated Talent Centres. In 2017, we launched the first Talent Station, in Amsterdam.

Over the past financial year, we had a significant number of openings and re-openings of stores in Holland, belonging to several of our brands. To increase awareness about our employer brand in that market and explore new recruitment routes, we opened a unit in Amsterdam Central Station, which we made into an pop-up version of the Talent Centre. For two months, we brought our local and corporate teams into contact with potential candidates and told them what it is like to work at Inditex.

103-1, 103-2

Creativity is one of the driving forces of Inditex. More than 700 designers create our fashion ranges, in coordination with our commercial, purchasing and pattern teams, and make sure that customer preferences are the basis of the design process

Show Us Your Talent initiative

SUYT (SHOW US YOUR TALENT) INITIATIVE

Show Us Your Talent is a pioneering, mobile project to search for creative talent in design schools in Spain, Italy, France and the United Kingdom. It involves using an installation that allows students to exhibit their talents in a unique space, showcasing their creativity and imagination. Through the SUYT cabin, we offer a different and surprising opportunity to take part in company selection processes.

ATTRACTING CREATIVE AND PRODUCT PROFILES

The eight Inditex brands have a multidisciplinary team focused on developing and creating collections that are sold in the 96 markets in which we operate. There are more than 700 designers in this team, which is completed through the purchasing, commercial and pattern areas of each brand, centralised in Spain.

Attracting talent for these teams is, therefore, key for the Group and promotes two lines of action. On one hand, the best junior talent is selected from leading design schools worldwide. On the other, our employer branding strategy seeks to demonstrate that Inditex is an attractive company for the appropriate candidates.

Inditex is increasingly connecting with young designers. We have a close relationship with more than 35 design schools, including Kingston and CSM (London), Parsons (New York) and the IED (Madrid and Barcelona), among others. Different initiatives and projects are underway at each institution, focussed on employing junior creators directly or through grants for final-year students. Often, there are also special collaborations, like, for instance, with Central Saint Martins (London). We are supporting the top five students from each year in developing their end-of-degree collection.

ATTRACTING TECHNOLOGICAL AND DIGITAL PROFILES

The digital transformation of our retail business model has meant that attracting, selecting and onboarding candidates with the technological and digital skills is a priority. In 2017, we brought on more professionals with STEM (science, technology, engineering and mathematics) backgrounds.

In addition to collaborating with leading technology schools, we participated in sector events and activities. One of the most important initiatives was organising our first Hackathon at South Summit in Madrid, in September 2017. Participants spent 24 hours programming and the three winning teams were awarded with a cash prize.

Zara store employees, Miami (United States)

More than half of positions related to Zara product and commercial areas were filled by internal candidates in 2017

3.2. PROFESSIONAL DEVELOPMENT

At Inditex, we believe that the Group's growth and evolution should be closely linked to that of its employees. This is why we champion internal promotions, particularly in our stores. For instance, more than half of positions related to Zara product and commercial areas were filled by internal candidates in 2017. In logistics, we have also been rolling out professional development programmes.

In 2017, the main initiatives for identifying and promoting internal talent were driven by three programmes: InTalent, Inditex Go! and Lead In.

INTALENT

InTalent is a tool that manages the information in our store employee's CVs. This enables us to help them better define their next professional steps at Inditex. In 2017, InTalent was rolled out across 39 countries and more than 48,000 employees have registered their data in this tool.

INDITEX GO!

Inditex Go! serves to identify, select and develop young talent in our stores and from among recent university graduates. Individuals selected through this programme spend between three and six months training in store, to later be placed in a role that best suits their profile. They then undertake a professional development programme which allows them to take on responsibilities from day one. This programme is our vehicle to train future managers.

Inditex Go! started in 2013 in response to the needs of Zara's commercial team. As a result of its success, and the equality of the candidates it involved, it was also rolled across other brands in the Group including Massimo Dutti, Oysho, Zara Home and Pull&Bear, as well as the logistics department.

The key skills identified as part of this programme have also evolved alongside business needs. Having initially focussed on developing commercial profiles, the programme now develops other skills with focus on purchasing, distribution, logistics and management control.

Nearly 200 people have taken part in Inditex Go! since the programme first started. Most are still with the company and have been promoted internally to take on new responsibilities.

LEAD IN

2017 saw the launch of Lead In, a project structured into two parts, which involved 462 Zara store managers from across Europe. In the first part, via an interactive video, participants took part in a decision making exercise, faced with different contexts and working with someone from the commercial area. Based on the responses each manager gave, the system produced their Lead In Personal Profile.

The second part involves an individual development plan, adapted to each participant's circumstances. It includes onsite training and a development plan led by the Human Resources manager for the participant's respective region, and relates to areas including organisation, people management and commercial management, in accordance with the needs identified by each manager.

3.3. TRAINING

Inditex culture is eminently practical. That is why team training normally takes place on the job. This ensures that training is closer to the reality of work processes, whether in the store, logistics or headquarters.

This on-the-job training fulfils three premises: it ensures the basic skills to correctly perform the job; it means that the Group's operating priorities are always considered; and it contributes to the development of employees who will occupy key positions for business in the immediate future.

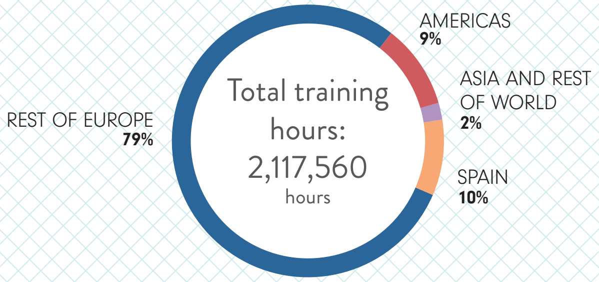
To optimise this model, Inditex identifies and maintains a network of internal trainers to clarify the Group culture and operations, and ensure the success of new recruits. At the same time, the training and development teams at the subsidiaries adapt corporate and brand projects to the needs of each market.

In the 2017 financial year, Inditex delivered more than 2.1 million hours of training, of which, more than 120,000 corresponded to training programmes about skills, languages and IT. The number of attendees at the different training sessions exceeded 93,000 across 40 countries, and the training average has been 12,6 hours per employee.

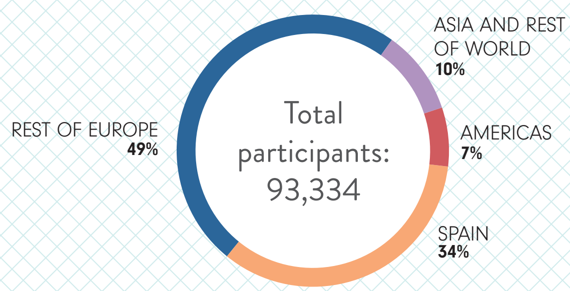
TRAINING FOR OUR EMPLOYEES, IN 2017

	HEADQUARTERS	STORE TEAMS		MANUFACTURING	LOGISTICS
		MANAGERS	STORE WORKERS		
Onboarding training	Onboarding training	Potentials plan	Mentorship programme	Onboarding training	Onboarding plan
Classroom-based onboarding training		Initial store opening and customer welcoming trainig taught in our Talent Centres			Onboarding training
Technical/ specialisation training	Product: e.g. Visual merchandising Processes: e.g. RFID People: e.g. labour legislation		Customer care	AccuMark CAD Fabrics	Forklift and aviation safety training
Skills	Communication, organisation, personal efficiency, development centres, etc.				Communication Teamwork
Languages	Chinese, Spanish, French and English	Mobile app: busuu	Mobile app: busuu	English	English
IT	Office suite, specific programmes: e.g. Pattern design				Office suite
Health and Safety	Health and Safety			Health and Safety	Health and Safety
Sustainability	Sustainability				Environment

TRAINING HOURS BY GEOGRAPHIC AREA IN 2017 As a percentage (%)*



TRAINING PARTICIPANTS BY GEOGRAPHIC AREA IN 2017 As a percentage (%)**



(*) Data on onsite training hours for 43 countries, which represent 97.4% of Inditex employees. 55% of total training corresponds to in-store onboarding training. Different criteria, established for each country and brand, and for different jobs, are applied to generate estimates for this training.

(**) Participant data for 40 countries, which represent 96.7%. Employees in Spain and Germany are considered to have been trained.

Inditex office employee, Moscow (Russia)

MAIN TRAINING PROGRAMMES IN 2017

INITIATIVES	DESCRIPTION	SCOPE	GOALS
On Academy	Online training platform (eLearning).	- Launched in 2017 for store employees from all brands. - Operating in seven countries (Spain, Germany, USA, France, Ireland, Italy and the United Kingdom). - Reaching more than 66,000 employees.	The platform includes different learning units on products and fashion in general. Employees can follow the sessions voluntarily and at their own pace, from any mobile device.
eFashion	Online training (220 hours) on Fashion Business Management, designed in collaboration with the IED (Istituto Europeo di Design, Madrid).	- Launched in 2012 for store teams. - In 2017, the fourth edition took place in Spain, with 115 participants, and the third edition in Italy, with 31 participants. - Since its creation, a total of 848 store employees have been trained in Spain, Italy and France.	The course is structured into three learning units: product, business and image and communication. It aims to improve the professional skills and competencies of participants.
busuu	Mobile application for language learning.	- Launched in 2017 for employees in 19 countries. - More than 50,000 people registered with the last convocation. - More than 3,000 people have – attained an official certificate testifying their learnings. - 13,000 employees completed the in-store English course.	The app allows users to learn up to 12 languages (English, Spanish, French, German, Italian, Portuguese, Polish, Turkish, Russian, Arabic, Chinese and Japanese) from basic to upper-intermediate levels (levels A1 to B2 of the Common European Framework of Reference for Languages). It offers the option to obtain official certificates in languages (at the moment, available in six languages) and for English for in-store customer care.
Versus	Gamification initiative to provide training on the world of fashion and textile products.	- Game between employees from different countries and brands, developed in 2017. - Available for store employees at Pull&Bear, Bershka and Stradivarius, in Spain, Ireland, Portugal and the United Kingdom. - More than 3,200 people from 70% of stores belonging to the brands and markets involved have participated at the same time.	Participants compete in individual and team-based rankings (one for each store) to test their knowledge on product and fashion.
Advanced Management Programme	Advanced training Programme designed in collaboration with the Instituto de Empresa.	- Introduced in 2017, the first edition enjoyed the participation of 60 Inditex employees with diverse profiles.	The programme, which involves 180 reading hours and which lasts 13 months, combines videoconferences and on site sessions, to complete the management and retail training of future management. The program focuses on strategy, management and leadership skills. It also addresses new trends in the sector by presenting innovation-project tasks, experts' talks, and a personal development plan.

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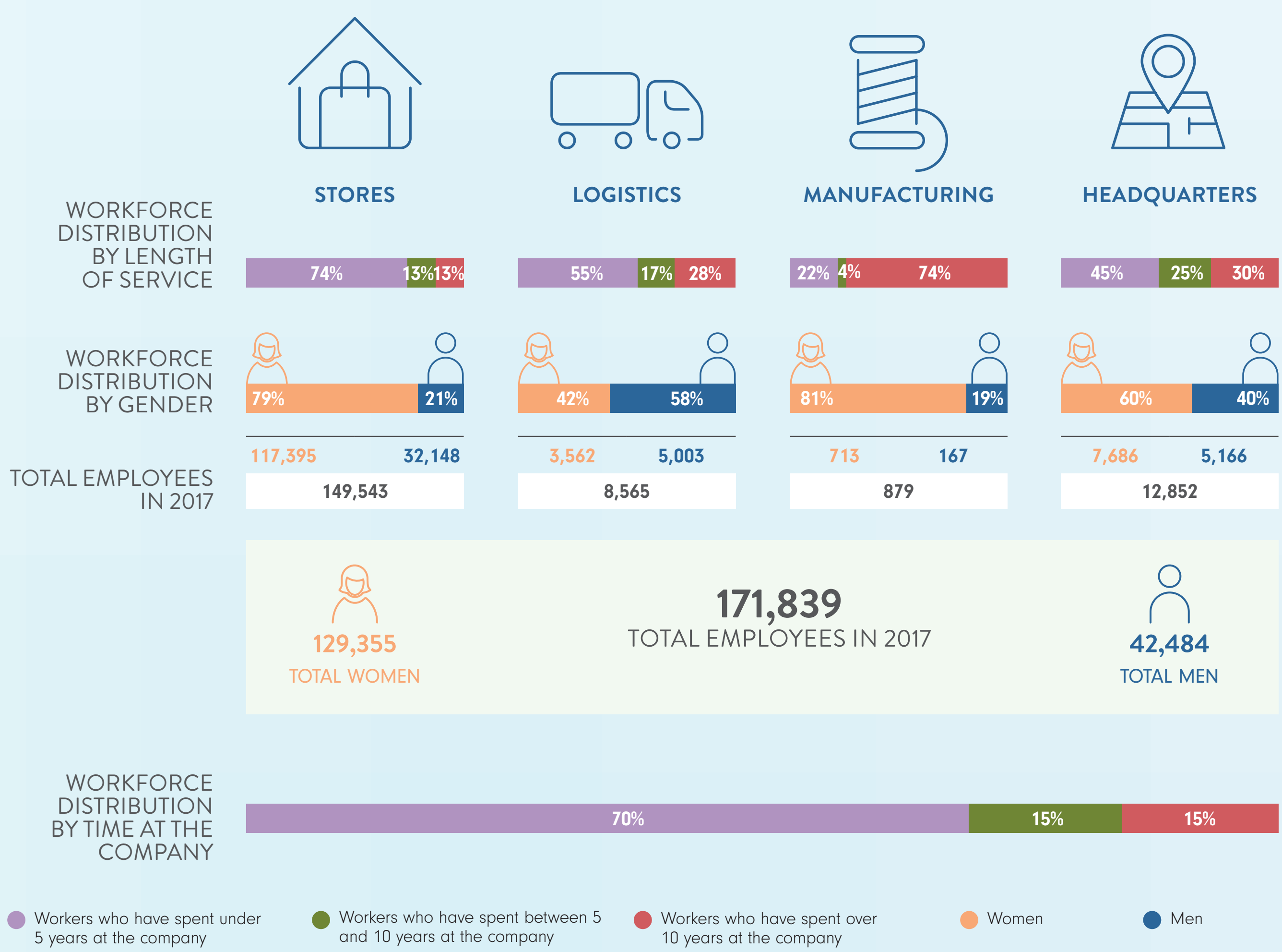
INDITEX EMPLOYMENT, IN FIGURES

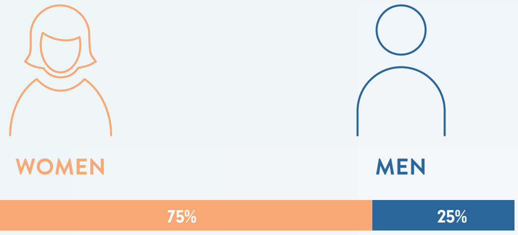
Continuous improvement in employment quality is a priority target for Inditex. Our Group operates in 96 markets, all with different realities. This demands local and global responses for our people. Reinforcing projects that have already commenced and launching new ones has been our focus over the year. This is aimed at obtaining stable, homogeneous and high quality working environments, in every market where we operate.

A key performance indicator for employment quality is the number of **full-time-equivalent (FTE)** employments. This refers to the number of employees there would be in the workforce if all our employees work full-time. At Inditex, this figure represents 84.2% of our employees, which reflects the Group's desire to provide a stable and high quality employment.

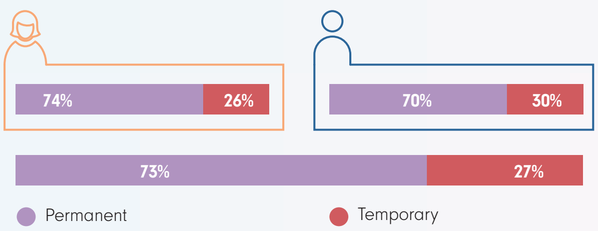
WORKFORCE DISTRIBUTION BY AREA OF ACTIVITY



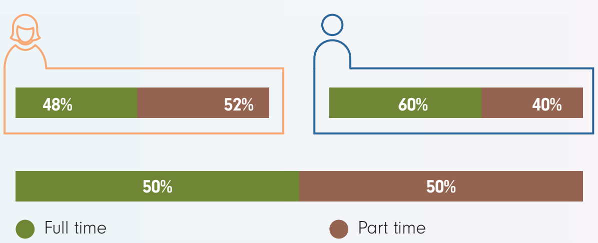
WORKFORCE DISTRIBUTION BY GENDER



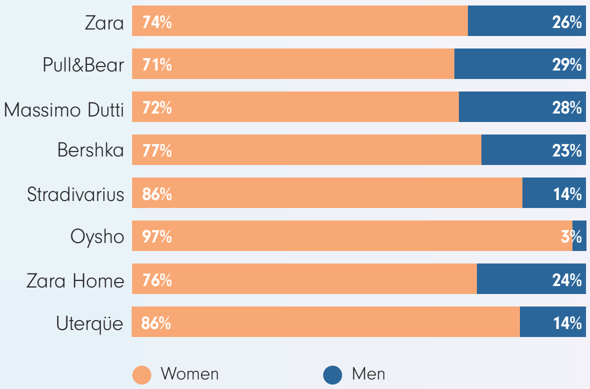
WORKFORCE DISTRIBUTION BY CONTRACT TYPE AND GENDER (*)



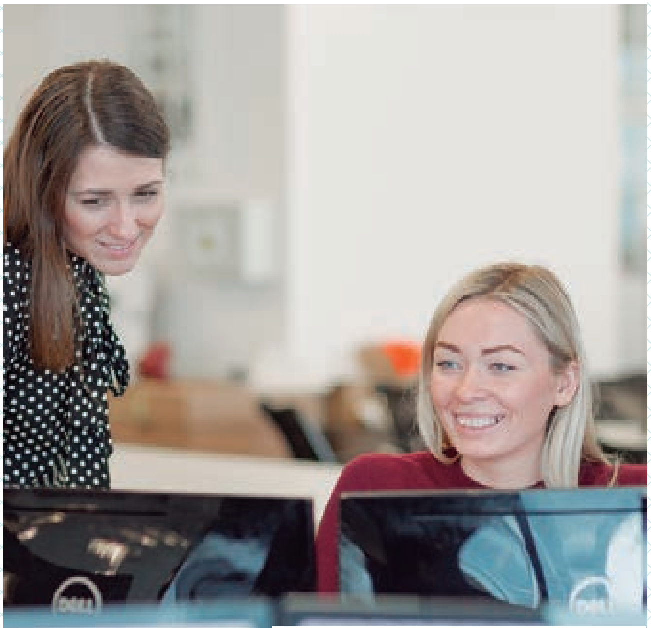
WORKFORCE DISTRIBUTION BY TYPE OF WORKING DAY AND GENDER (*)



WORKFORCE DISTRIBUTION BY GENDER IN OUR RETAIL FORMATS



(*) This data represents 82% of the Group employees



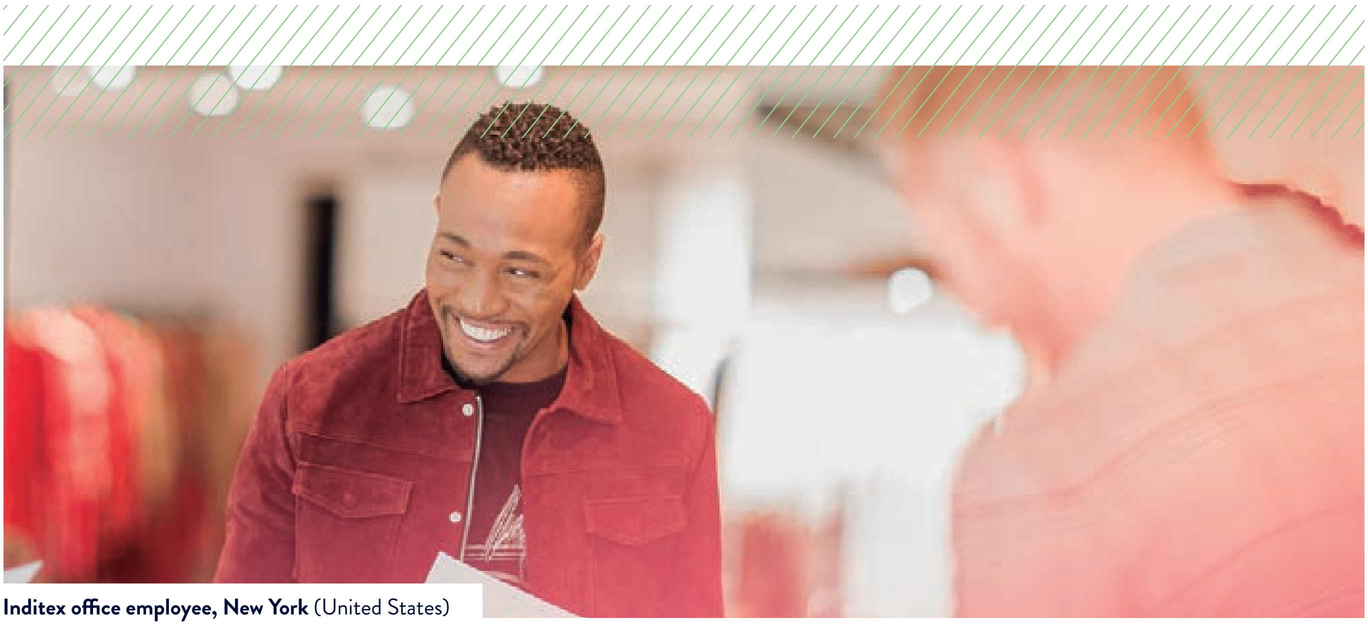
Our office employees, Moscow (Russia)

THE INDITEX EMPLOYER BRAND IN 2017

According to the researches carried out by Merco Talento and Universum, we maintain and improve our position in the market as employers, year after year.

For the seventh year in a row , Merco Talento recognised us as the best company to work for in Spain. The results are obtained following a survey to 19,240 workers, more than 9,000 University students, 777 alumni from various Business schools, 1,200 citizens, 130 human resources managers and 42 experts and head-hunters, who evaluate companies based on three key values: employment quality, employer brand and internal reputation.

Universum, which surveys University students and selects the 100 best companies to work for in various industries , placed us third in the Business and Commerce category, for the third consecutive year. For the first time, we were placed in third position in the Legal category, sixth in the Humanities and Liberal Arts category, and tenth in the Natural Sciences and Health category.



Inditex office employee, New York (United States)

4. EMPLOYMENT QUALITY

4.1. REMUNERATION POLICY

Inditex's remuneration policy combines common criteria for all areas of activity and specific ones for each of the markets and employment environments in which we operate. In 2017, personnel costs at Inditex exceeded 3.9 billion euros, between fixed and variable and Social Security payments, the latter exceeding 686 million Euros.

This includes, within the financial year, a total of 520 million Euros for bonuses and variable remuneration, which is the ultimate recognition of the efforts that the Group has made to achieve these results. This variable amount is distributed each month (when linked to commissions for store sales), or as supplements and incentives (in the case of other activity areas), but it is always related to achieving specific goals.

In addition to variable remuneration, in 2017 Inditex distributed a total of 42 million euros, as part of its second Extraordinary Profit-sharing Plan. The plan distributed 21 million Euros, 10% of the increase in net profits which the Group increased by a further 21 million Euros.

This is the second profit-distribution plan, which the company operates every two years, meaning that payments are made in 2018 and 2019. The total sum of 42 million Euros was distributed between the 88,000 employees who, on 31 March, had been working for the Group for, at least, two years.

With full-time-equivalent (FTE) employment as a base -84% of our total workforce, equivalent to 144,722 employments- in 2017 the average gross salary per FTE employee was 22,627 Euros, while the average personnel cost per FTE employee was 27,371 Euros over the fiscal year.

PERSONNEL COSTS IN 2017

(in thousands of euros)	2017	2016	2015
Wages	3,274,697	3,013,137	2,772,774
Inditex Social Security Contributions	686,540	629,593	562,472
TOTAL	**3,961,237**	**3,642,730**	**3,335,246**

AVERAGE SALARY PER FTE EMPLOYEE
22,627 euros/year

Beyond these measures, under the labour legislation framework, Inditex has formulas adapted to the interests of its employees for each of its subsidiaries. For example, flexible remuneration, for which employees can choose products and services, like medical insurance, the restaurant card or the nursery cheque, which lead to tax savings. In 2017, flexible remuneration was available to practically all Group employees in Spain.

Regarding profits, Inditex adopts a service called *MásxMenos*, off-price web for employees, currently available in Spain, Portugal, Italy and Mexico. Since 2017, employees also have access to discounts for other countries, which broadens the range of offers and discounts available consiberably.

Inditex distributed a total of 42 million euros between more than 88,000 employees as part of the Extraordinay Profit-Sharing Plan

INET, THE INTRANET FOR GROUP EMPLOYEES

95% of employees can currently access INet, the company intranet, available in website and app formats. With more than one million page visits per week, INet forms part of the Group strategy to digitalize its services, to offer a faster response and easier access, besides providing alternatives to paper that are environmentally responsible.

INet is a live platform that incorporates new services each year, like the employee identification QR code to access store discounts, e-learning content, information about Group policies and commitments, internal promotion tools and requests for employment-related procedures.

What is more, in 2017, the internal magazine *IN* was also redesigned and digitalized. It is now exclusively accessible from INet. Operational for more than 17 years and produced by Inditex employees, *IN* is the main channel for promoting the diversity and abilities of our teams, publicising Group projects, and commending the contributions to the company made by the more than 170,000 employees and potential readers of this publication.

In the context of extensive geographic dispersion and very different work profiles, INet plays a key role in channelling the learning and development programmes that the Group has made available to its teams and bringing strategic information to readers in stores, offices, logistics and factories across the five continents.

2017 figures for INet

- INet is available in 22 languages and reaches 95% of the workforce.
- **Readership data (*)**
  Page views: 42.4 million
  Monthly average page views: 4.1 million (more than one million per week)
  New sessions: 11.2 million
  Monthly average for new sessions: 1.1 million
- Mobile application: More than 115,000 users in 37 countries.

(*) Source: Google Analytics

4.2. LABOUR RELATIONS

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

An important part of this commitment is the Global Agreement executed in 2009 with global union federation UNI Global Union, which encompasses commerce and logistics unions, and represents more than 20 million workers worldwide.

The Global Agreement between UNI Global Union and Inditex establishes provisions to regulate issues in accordance with the principles of the International Labour Organisation (ILO). One important aspect is the guarantee of freedom of association and the right to collective bargaining. The rights to join any trade union and to not be subject to discrimination as a result of this association, in addition to equal opportunities and treatment and non-discrimination regarding payment for work of equal value are also acknowledged.

Further to promoting and defending fundamental rights, the Global Agreement establishes Inditex's undertaking to respect legislation and collective agreements in matters like the working day, ensuring a safe, healthy and sustainable working environment, best practices in occupational health and safety, and appropriate training.

Furthermore, the Inditex Code of Conduct and Responsible Practices, applicable to all Group employees, expressly acknowledges the right of employees to "associate or organise themselves or to bargain collectively", and adopts "as part of its internal regulations, the contents of any national and international agreements and conventions to which it has adhered, and undertakes to promote and enforce".

Effective application of these rules is demonstrated through the open, constructive dialogue that Inditex maintains on an ongoing basis with unions, and which translates into a significant number of queries and negotiations over the year.

4.3. OCCUPATIONAL HEALTH AND SAFETY

The commitment to seek the most demanding standards in Occupational Health and Safety has led Inditex, year after year, to opt to implement OHSAS 18001 certification in all Group companies. This demanding, internationally recognised standard defines the requirements to set up, implement and operate an effective Occupational Health and Safety system.

During the 2017 financial year, the OHSAS 18001 certificate was extended to the companies in Turkey, Mexico and Greece. Since its implementation began in 2011, in different Group areas, all retail companies, logistics and factories in Spain, Ireland, Italy, Portugal and the United Kingdom have obtained this standard. Japan and Croatia will soon be certified, before progressing to adapt to the requirements of the new ISO 45001 standard, starting in 2019.

INDITEX HEALTH AND SAFETY POLICY

In 2017, we approved the new Inditex Health and Safety Policy, disseminated among the Group's logistic centres, factories, brands and headquarters.

The document, developed in accordance with the OHSAS 18001 standard, acknowledges our commitment to promoting occupational health and safety, which it describes as a common goal "that affects all levels of the Company". In this regard, it discards performing any work: "that gives preference to any consideration other than maintaining the health and safety conditions of its employees and suppliers," and underlines that "productivity is the result of safety".

It further states: "training, raising awareness and involving employees in health and safety management are the keys to achieving the objectives defined in the prevention plan".

4.4. FOSTERING HEALTHY HABITS

Inditex promotes a range of actions recognised through the Healthy Company certificate, a distinction renewed in Spain in 2017, and that it soon hopes to obtain in Ireland and the United Kingdom.

During the financial year, we also organised training sessions on Road Safety, aimed at improving safety and raising awareness about the risks involved in the daily journey to work centres of thousands of Inditex employees. To this end, training sessions took place at Massimo Dutti, Bershka, Oysho and Inditex Logistics, with ex-racing-car driver David Bosch, with a total of 724 participants.

Besides this, work has started on updating the design and contents of INhealth, the website dedicated to promoting health and healthy habits for Group employees, which is already available at 16 subsidiaries following the inclusion, in 2017, of Belgium, Greece, Portugal and Russia, and which has 40,000 active users and more than 170,000 visits.

Regarding health, other activities that took place and that are worthy of special mention include: flu vaccination campaigns through the medical services; the Inditex For the Heart campaign, in collaboration with Fundación Pro CNIC, to assess the risk of a heart attack by performing different tests; and specific activities for preventing and curing musculoskeletal disorders, at all logistic centres. Finally, an initiative was started for workers aged over 55 at Zara Logistics, which aims to reduce the physical load on these workers and create a comprehensive active-ageing plan, overseen by the medical services and with specific tests.

INCIDENT INDEX AND FREQUENCY OF OCCUPATIONAL ACCIDENTS IN SPAIN, BY ACTIVITY TYPE AND GENDER, IN 2017

	Incident index [1]		Frequency index [2]	
	Men	**Women**	**Men**	**Women**
Store (*)	19.83	22.13	11.01	12.29
Logistics (**)	140.29	127.63	77.94	70.90
Manufacturing (***)	87.12	46.49	48.40	25.83
Headquarters (****)	3.00	6.40	1.67	3.55

1 Incident index with leave = (No. accidents with leave * 1,000) / Worker average
2 Frequency index = (No. accidents with leave * 1 million) / (Hours worked during selected period * Worker average)

(*) Data regarding 87% of workers at own stores.
(**) Data regarding 72% of logistic-centre workers.
(***) Data regarding workers in our own factories.
(****) Data regarding 97% of workers at headquarters.

103-2, 403-2, AF31

10th anniversary of the Salta Project

5. COMMUNITY INVOLVEMENT

Inditex's commitment to the community is also reflected in two ways through its human resources policy. On one hand, it provides employment support for groups with special needs or that are in a vulnerable situation, and on the other, it launches social projects driven by employees.

These two fronts, which combine the experience of the business with the individual contribution of hundreds of volunteers from their job, materialise through sound projects and initiatives, which have shown to be very useful for society and participants alike. The 10th anniversary of the Salta Project, the two new stores within the integration program for&from, and the Teaming and The Big Idea Project initiatives are most worthy of special mention in this regard, in 2017.

5.1. SALTA PROJECT

Our Salta Project, which aims to improve the employability of young people in vulnerable situations, has reached its 10th birthday and is now operating in 11 countries: Spain, France, Italy, Greece, Germany, the United Kingdom, Poland, Portugal, Mexico, Brazil and the United States.

To celebrate this anniversary, Pablo Isla, chaiman of Inditex, me all the members of the latest cohort and representatives from the last 20 cohorts, in Paris. During the event, Isla told representatives: "Everyone who belongs to the Inditex Group is feeling particularly proud of your example." He also reminded them of the opportunities to "grow internally" at Inditex.

As a result of this project, 239 people were hired at Inditex, with 52% of the candidates selected still working for the Group. Furthermore, 557 employees participated in the project in 2017, as trainers, tutors and mentors, to ensure proper inclusion and adaptation to the job and Company.

Further to this, the Salta Project enjoyed the collaboration of celebrities, like former manager of the French football team Raymond Domenech, ex-cyclist Bernard Hinault, mountaineer Edurne Pasaban, painter Lita Cabellut and dancer Nadia Adame, who shared their stories to give different examples of overcoming obstacles.

In 2017, Inditex launched two new for&from stores, in collaboration with Fundación Prodis and non-profit cooperative Moltacte

5.2. FOR&FROM

for&from is an Inditex social-innovation programme to integrate people with disabilities. The project takes form by creating a network of stores under the image of Inditex brands. These stores are managed by social enterprises and staffed by people with disabilities.

The model is based on supplying clothes and accessories from the preceding season, which are sold at competitive prices by the social enterprises. Following an initial donation by Inditex, to build the store, the model becomes self-sustainable for the social enterprises, through product sales. All profits generated by *for&from* stores are reinvested in the community organisations that manage the stores, with the aim of providing resources for social projects related to helping disabled people.

In 2017, Inditex launched two new *for&from* stores in collaboration with Fundación Prodis and non-profit cooperative Moltacte: Tempe *for&from* Sambil Outlet, Leganés, Madrid; and Oysho *for&from*, Llagostera, Girona.

The programme has 13 stores, which generate 151 jobs. In 2017, turnover from the programme reached 9.6 million euros and generated a profit of more than one million euros, which was entirely reinvested by the community entities that manage the *for&from* stores: Fundación Molí d'en Puigvert; the Confederación Galega de Persoas con Discapacidade (COGAMI); non-profit cooperative Moltacte; the Asociación Pro-discapacitados Psíquicos de Alicante (APSA); and Fundación Prodis.

FOR&FROM IN 2017

	2017	2016	Difference
Sales (in euros)	9,573,761	7,091,581	35%
Net profits (in euros)	1,090,568	732,280	49%
Number of jobs	151	126	20%
Number of stores	13	11	18%

5.3. TEAMING

Through Teaming, an initiative that was started in 2017, Group employees from nine countries (Spain, Portugal, France, Italy, Germany, Poland, the United Kingdom, Ireland and Mexico) could donate a set amount of their wages each month to a social project. Each employee chooses which of the three chosen projects they wish to donate to, and Inditex, for its part, doubles the amount each employee contributes.

More than 30,000 people have joined this project in its first year, through which more than one million euros have been raised. 62% of donations went to projects to fight against child malnutrition run by Médecins Sans Frontières (MSF). This led to 2,703 children being immunised against measles, a further 2,006 children being treated for severe malnutrition, and assistance for 601 women in giving birth and for their newborn children, in Guinea-Bissau. 29% of the funds raised went to the Oxfam project to build wells and drinking-water pipes in Bangui, capital of the Central African Republic, a country that has been ravaged by war for decades. Finally, 9% of contributions went to the Red Cross project to fight against malaria in the Democratic Republic of the Congo, as a result of which training has been given to 91 people on how to prevent this disease and 12 volunteers, in addition to contracting four nurses to train and energize the healthcare staff at the country's health centres.

5.4. THE BIG IDEA PROJECT

The Big Idea Project is a call for social projects that invites our employees to propose social and environmental initiatives run by non-profit organisations, to get financial support and employees participation to put them into practice. Since it began, in 2012, 43 projects of this type have been launched, with more than 4,100 hours dedicated by employees during work time, and an investment of more than one million euros.

For&from store employees, Leganés (Madrid)

Inditex office employee, Shanghai (China)

OUR PRIORITIES

INNOVATION IN SUPPLY CHAIN MANAGEMENT

RELATED SUSTAINABLE DEVELOPMENT GOALS		INDITEX'S CONTRIBUTION
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Goal 12:** Ensure sustainable consumption and production patterns.	All Inditex's sustainability standards and requirements, including social, environmental, and product health and safety standards, apply to all suppliers and manufacturers. That is why innovative and integrated supply chain management is essential for guaranteeing their application and, therefore, contributing to the sustainability of the production model. Therefore, the traceability of the supply chain and Inditex's commitment to transparency with its stakeholders, such as trade unions, international organisations and customers, is key to ensuring a responsible model of both production and consumption.

The integration of sustainability at all stages of the value chain is reinforced by our commitment to innovation and responsible supply chain management that prioritises traceability and transparency as a starting point for developing all our social, environmental, and product health and safety policies.

1. INNOVATION IN THE SUPPLY CHAIN

Inditex has a permanent commitment to innovation in all areas. This forms the basis for all the Group's processes and is present at all stages of the value chain. This commitment has facilitated the integration of sustainability into all areas of the company, and its extension and integration in all phases of the product life cycle, including all stages of the supply chain.

In this respect, our integrated supply chain management is implemented through our production traceability processes at all levels and for all processes, our commitment to transparency and dialogue with the various stakeholders, and constant technological innovation through the different company tools.

Identifying and getting to know all the participants involved in the production of a garment released by Inditex is the first step towards the effective development of policies and activities related to the sustainable management of the supply chain from a social, environmental, and product health and safety perspective.

At Inditex, this commitment to traceability is expressed through three key concepts: information management using a common IT tool; monitoring through our audits, and continuous improvement and sustainability through training.

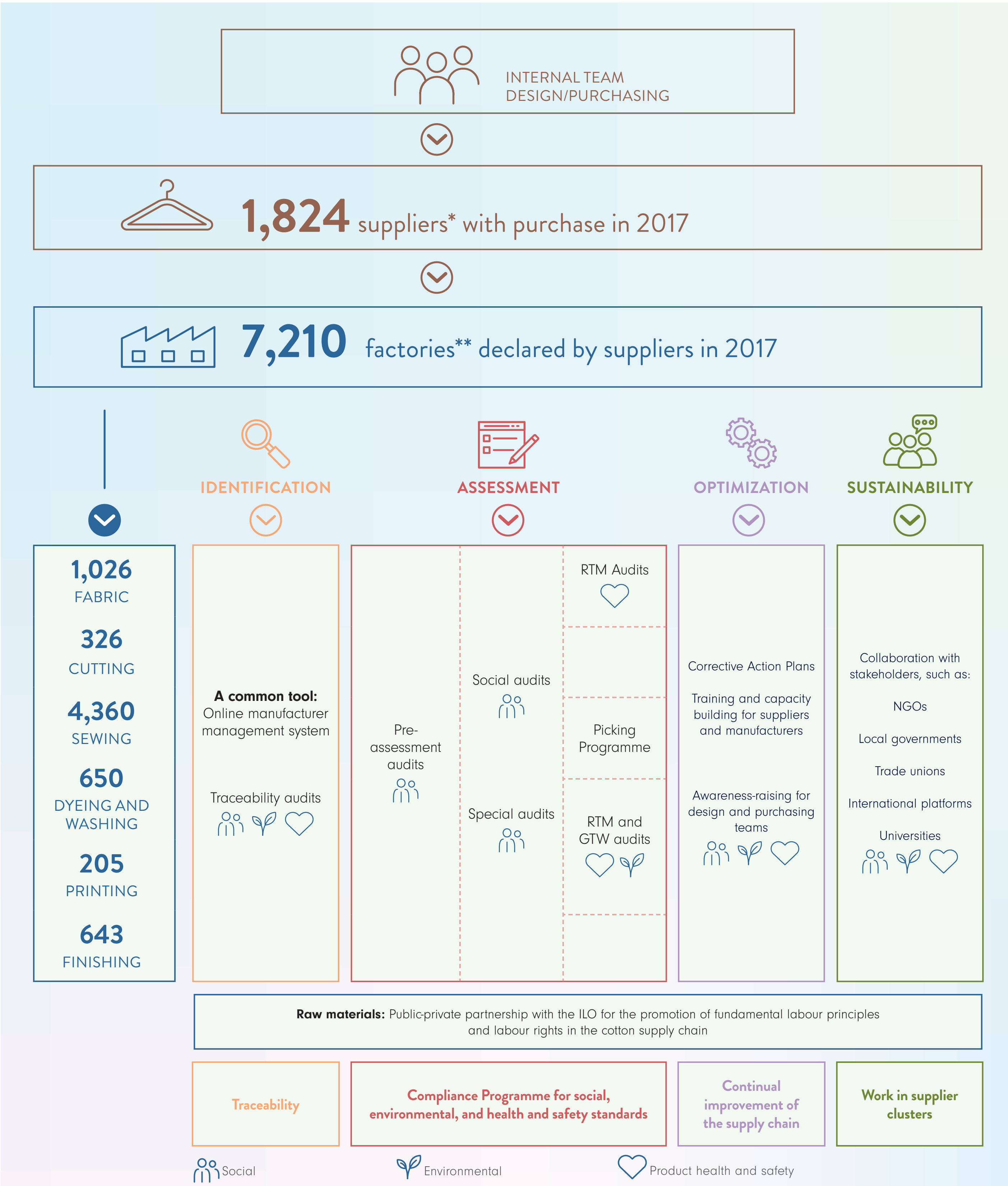
- **Management of information:** We have a common IT tool, internally designed ad hoc by our teams, that allows us to share information on the supply chain in real time. The suppliers must declare each and every one of their factories used for our production in this system. Information regarding sustainability is also shared, which guarantees that only factories approved by Inditex can be assigned orders.
- **Monitoring:** The various types of audits enable us to continuously monitor our supply chain, and to optimise it. It is worth highlighting the specific traceability audits that we perform. These are aimed at verifying and monitoring the supply chain to ensure that all production units have been declared and approved.

+ Further information can be found on page 108 onwards.

- **Continuous improvement and sustainability:** Our Sustainability Department works directly and continually with purchasing teams and with suppliers who receive training on best practices, in order to align purchasing with sustainability criteria and to raise the suppliers' awareness so that they become accountable for their supply chain.

The transparency of this model is ensured through continuous dialogue with various independent organisations and institutions that work for the defense of workers' rights and the environment, with whom we share all information relating to our supply chain.

2. SUSTAINABLE MANAGEMENT OF THE SUPPLY CHAIN



(*) Suppliers with purchase in 2017 of fashion items, mainly clothing, footwear and accessories with production for Inditex of more than 20,000 units/year.

(**) Textile, footwear and accessories factories declared by suppliers in the manufacturer management system for orders in 2017. For those factories involved in more than one process, figures refer to the main process performed.

Facilities at one of our suppliers in Portugal

INNOVATION IN SUPPLY CHAIN MANAGEMENT

MANAGEMENT OF INFORMATION

PURCHASING TEAMS
- Purchasing management
- Decisions subject to sustainability criteria

SUPPLIERS
- Transparency responsibility
- Manufacturer and process management

SUSTAINABILITY TEAMS
- Implementation of policies and standards
- Analysis, evaluation and monitoring

MONITORING

AUDITS
- PRE-ASSESSMENT
- SOCIAL
- SPECIAL
- RTM (Ready to Manufacture)
- GTW (Green to Wear)

More information on these audits can be found on page 108 onwards on this Annual Report.

TRACEABILITY AUDITS

CONTINUOUS IMPROVEMENT AND SUSTAINABILITY

PURCHASING TEAMS

TRAINING

SUPPLIERS

TRACEABILITY OF ALL PROCESSES TO THE FINISHED PRODUCT

VISIBILITY OF ALL PRODUCTION LEVELS

3. TRACEABILITY OF THE SUPPLY CHAIN

Our aim is to gain a more comprehensive and in-depth understanding of how our supply chain works. We can make progress in this area due to the close relationship we have with all the levels in the chain and the work of the professionals in our Sustainability teams, working with those from the purchasing departments.

MONITORING

Throughout 2017, we continued to improve our production traceability system and advocated new practices for the development of an effective global methodology. As a result, thanks to the tools we have at our disposal, we are able to identify suppliers and manufacturers involved in the production of our garments.

VERIFICATION

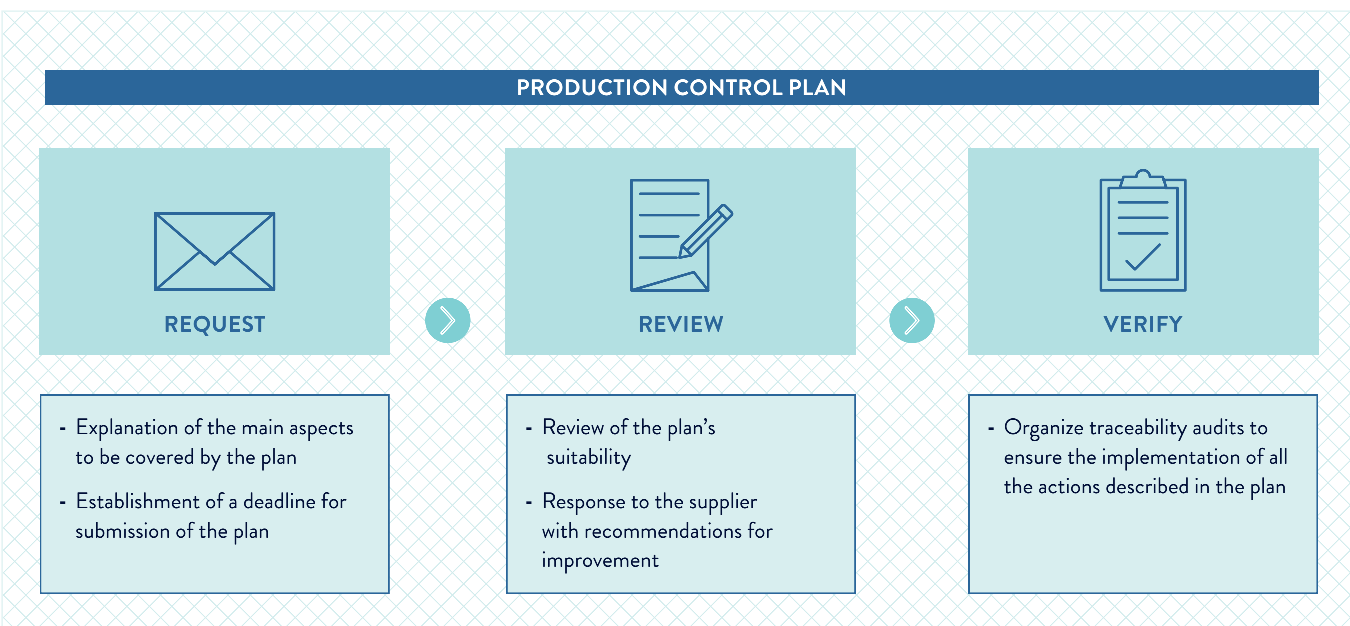
Based on the analysis of the information entered into Inditex's manufacturer management system by suppliers, traceability audits enable us to evaluate capacities, processes and time frames, and therefore ensure that all production units are declared and approved and that there are no undeclared second or third production levels. In other words, this method aims that all workers involved in Inditex's production are covered by the programmes set out in the Code of Conduct, designed to protect their rights. In 2017, we carried out a total of 2,621 traceability audits in which internal and external Inditex teams worked on-site to verify that our garments were being produced in the factories named by our suppliers and authorised by Inditex.

REMEDIATION

If any type of non-compliance is detected, our sustainability teams work closely with the purchasing teams to, firstly, rectify the situation and, secondly, work with suppliers to improve their management systems so that the non-compliance does not happen again.

In 2017, 263 non-compliances were detected, the majority related to a lack of information. In this regard, it is vital that our suppliers internalise the need for traceability of their own supply chain, not simply as an Inditex requirement but rather as a tool for internal control and improvement. Among other measures, we ask suppliers - with the support of the purchasing department - for a Production Control Plan to resolve any weak points in the supply chain that are of mutual interest to the supplier and Inditex. A supplier is only blocked in the event of repeated non-compliances. Since we started to apply Production Control Plans in June 2017, a total of 81 plans have been requested and nine suppliers have been blocked for this reason.

We have also intensified supplier traceability training. The aim is to familiarise suppliers with Inditex's traceability and transparency requirements, to train them in the order management IT tool, and to advise them so that they can improve their internal control systems in order to avoid any possible non-compliances.



TRACEABILITY OF THE SUPPLY CHAIN

1. MONITORING
Exhaustive analysis of the supply chain.

2. VERIFICATION
On-site verification of production and management systems.

3. REMEDIATION
Implementation of remediation plans and approach to the reality of the supply chain.

All suppliers must declare each and every one of the factories involved in the production of our products.

For this purpose, we provide them with a system that gives them access to all their orders and in which they have to register the factories used for the production.

TRACEABILITY AUDITS
Verifications are performed on-site based on the information provided.

SUSTAINABILITY TEAM
Analyses the information and helps suppliers improve their quality.

TRIPLE OBJECTIVE

- Continuous improvement of the suppliers' production management systems.
- Verification that production is taking place in factories approved by Inditex.
- Correction of any potential non-compliances.

Cooperation and continuous work with suppliers in collaboration with the purchasing department.

Cotton crop

RAW MATERIAL TRACEABILITY

Raw materials have a very significant specific weight in the traceability programmes we have developed. In this respect, it is worth emphasising the initiatives regarding cotton, one of the world's main textile fibres.

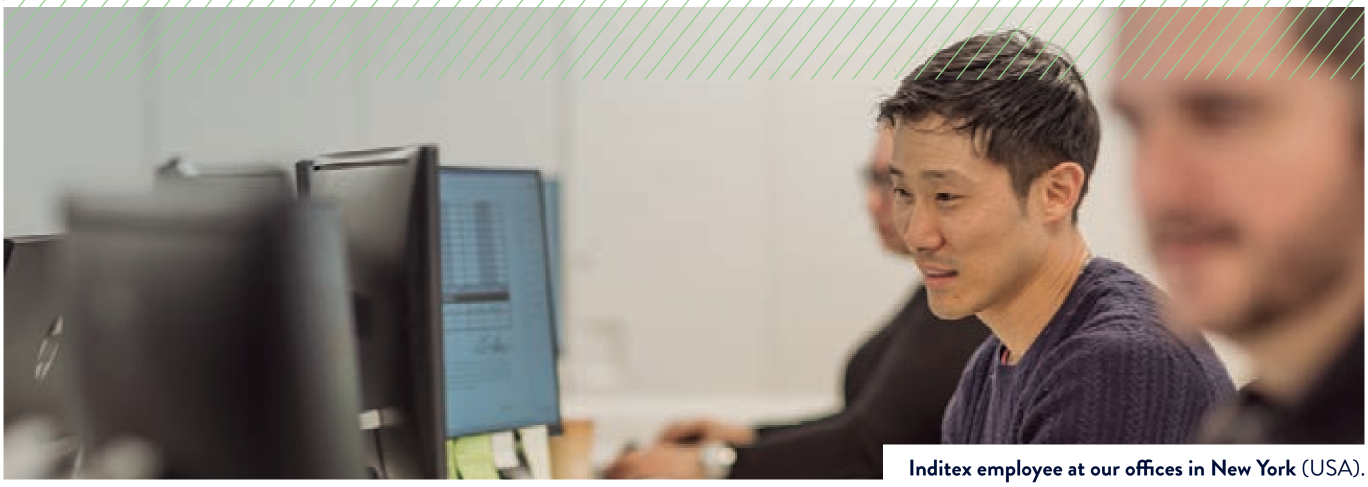
In recent years we have implemented initiatives to promote cotton traceability, to gain visibility and more knowledge about the production processes, from cultivation all the way to the manufacture of fabrics.

In 2017 we signed a public-private agreement with the International Labour Organisation (ILO) to strengthen labour rights and principles in cotton production and to contribute to the sustainability of the supply chain down to the last link.

Through this collaboration, Inditex has improved its knowledge of the supervision and control processes of the raw materials we need to produce our garments, from both the perspective traceability and improvement of working conditions.

In addition, we cooperate with other initiatives to promote cotton sustainability, for example the Better Cotton Initiative, Textile Exchange and Organic Cotton Accelerator.

+ More information can be found on pages 83 and 134 of this Annual Report.



Inditex employee at our offices in New York (USA).

4. TECHNOLOGICAL INNOVATION IN THE SUPPLY CHAIN

Technological innovation is a fundamental pillar at Inditex. For this reason, we have developed cross-departmental projects with the most advanced tools, aimed at making all our processes and activities as efficient as possible.

In 2018, we will continue to devote resources to improving our systems in order to consolidate the technological integration of all aspects of sustainability with the other Inditex areas.

PURCHASING

Inclusion of more information on sustainability in the supplier management system to facilitate the decision-making process for the purchasing team.

MONITORING

New integration of audits (on product health and safety) into the system. Improvement of the existing audits in the system, developing new versions that facilitate the information processing.

MANAGEMENT

Renewal of the supplier registration process for better integration of information related to sustainability and communication of social, environmental, and product health and safety policies and standards.

WORKER TECH

New projects that bring technology closer to supply chain workers in areas such as due diligence, payment methods and claims management.

TRANSPARENCY

Real-time information on air and water emissions from Inditex suppliers in China, through the publication in an application available to any citizen, on the geographical location of the factory, its relationship with Inditex and its environmental compliance in real time.

OPTIMISATION

Development of Minilab, a portable, hand-luggage sized laboratory that enables us to establish compliance with our Clear to Wear standard quickly and precisely and to collaborate with chemical and mathematical researchers from the University of Santiago de Compostela to develop tools to predict compliance based on the production technology used.

5. SUPPLY CHAIN TRANSPARENCY

At Inditex we share all the information about our supply chain with our stakeholders.

STAKEHOLDERS	ACTION	OBJECTIVE
IndustriALL Global Union	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. See page 85 of this Annual Report.	Commitment to transparency and respect for freedom of association and collective bargaining, expressly established in the Global Framework Agreement between Inditex and IndustriALL.
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. See page 83 of this Annual Report.	Collaboration to provide advice and improve the conditions of the factories in these countries.
Greenpeace and the Chinese Institute of Public & Environmental Affairs	We publish the list of direct and indirect wet process factories - dyeing, tanning, washing and printing - declared by our suppliers and we have signed up to the IPE's Green Supply Chain. www.wateractionplan.com http://wwwen.ipe.org.cn/MapBrand/Brand.aspx?q=6	Alignment with the *Right to Know* Principle to provide the public with access to environmental information.
Customers	We inform our customers where their garments were made on request. In this regard, in 2017 we answered 63 customer queries regarding the source of our products. In this area, we also have specific projects in some countries, such as *Fabricado no Brasil* (Made in Brazil), which we plan to expand in the future.	Commitment to transparency and customer information.
Investors, stock market indices, NGOS...	We provide social, economic and environmental information both on demand and on a regular basis to various organisations that represent stakeholders. This commitment has been positively acknowledged by various organisations, such as the *Dow Jones Sustainability Index*, *FTSE4Good*, *Know the Chain* and the *Baptist World Aid Australia*, among others, See page 190 of this Annual Report.	Accountability and transparency towards all stakeholders.
Other companies in the sector	We collaborate with other brands and companies in the sector by sharing information on supply chain management and establishing joint remediation and action paths. Examples of this are the Bangladesh *Accord* and the ACT living wage initiative. See page 87 of this Annual Report.	Improvement of conditions in supply chain factories.

Employee in Inditex's New York offices (United States)

OUR PRIORITIES

SOCIALLY RESPONSIBLE SUPPLY CHAIN

RELATED SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
Goal 3: Ensure healthy lives and promote well-being for all at all ages.	At Inditex we are committed to guaranteeing safe and healthy working environments for all the workers of our supply chain. This commitment is reflected in our Code of Conduct for Manufacturers and Suppliers, which we assess through various audits. Health and safety is one of the priority areas within our programmes, in line with our *Workers at the Centre* strategy.
Goal 5: Achieve gender equality and empower all women and girls.	Women accounts the majority of jobs in the textile supply chain worldwide. We are well aware of this situation, and that is why we have developed the *Women Empowerment Strategy in the Supply Chain*, which is structured around three pillars: health, protection and empowerment.
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	Our Code of Conduct establishes binding standards that cover all aspects of decent work, which we developed in programmes whose fundamental premise is to put "workers at the centre". Moreover, we collaborate on initiatives such as the ILO's Alliance 8.7 and the UN Global Compact Action Platform on Decent Work in Global Supply Chains, whose objective is to make progress with collective action to guarantee decent work and, in particular, eradicate forced labour, modern slavery and child labour.
Goal 17: Stregthen the means of implementation and revitalize the global partnership for sustainable development.	At Inditex we believe that sustainable development is only possible if all relevant stakeholders collaborate and advance together towards this goal. Hence, we cooperate and maintain strategic alliances in our supply chain not only with suppliers and manufacturers but also with other stakeholders such as trade unions, companies in the sector, governments, NGOs, civil society organisations and international platform such as the ILO, the UN Global Compact and the *Ethical Trading Initiative*.

Our "Workers at the centre" strategy and our Strategic Plan for a Stable and Sustainable Supply Chain work together to ensure compliance with the Inditex Code of Conduct and carry forward our programmes promoting sustainable production environments.

1. SOCIAL SUSTAINABILITY OF THE SUPPLY CHAIN

In 2017, our supply chain comprised more than 1,800 suppliers and 7,000 non-exclusive factories employing more than 2 million people. That is why at Inditex we think it is essential that our supply chain is socially responsible and characterised by respect for Human Rights and fundamental labour rights.

Our efforts in this area are supported by two primary tools. One of these is our "Workers at the Centre" strategy, which develops projects and programmes focusing on workers and their well-being.

+ See page 81 onwards in this Annual Report

The other is our Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018, which monitors the impact of these programmes and encompasses various activities developed within four lines of action: identification, assessment, optimisation and sustainability. This plan also helps us to ensure compliance with our Code of Conduct for Manufacturers and Suppliers.

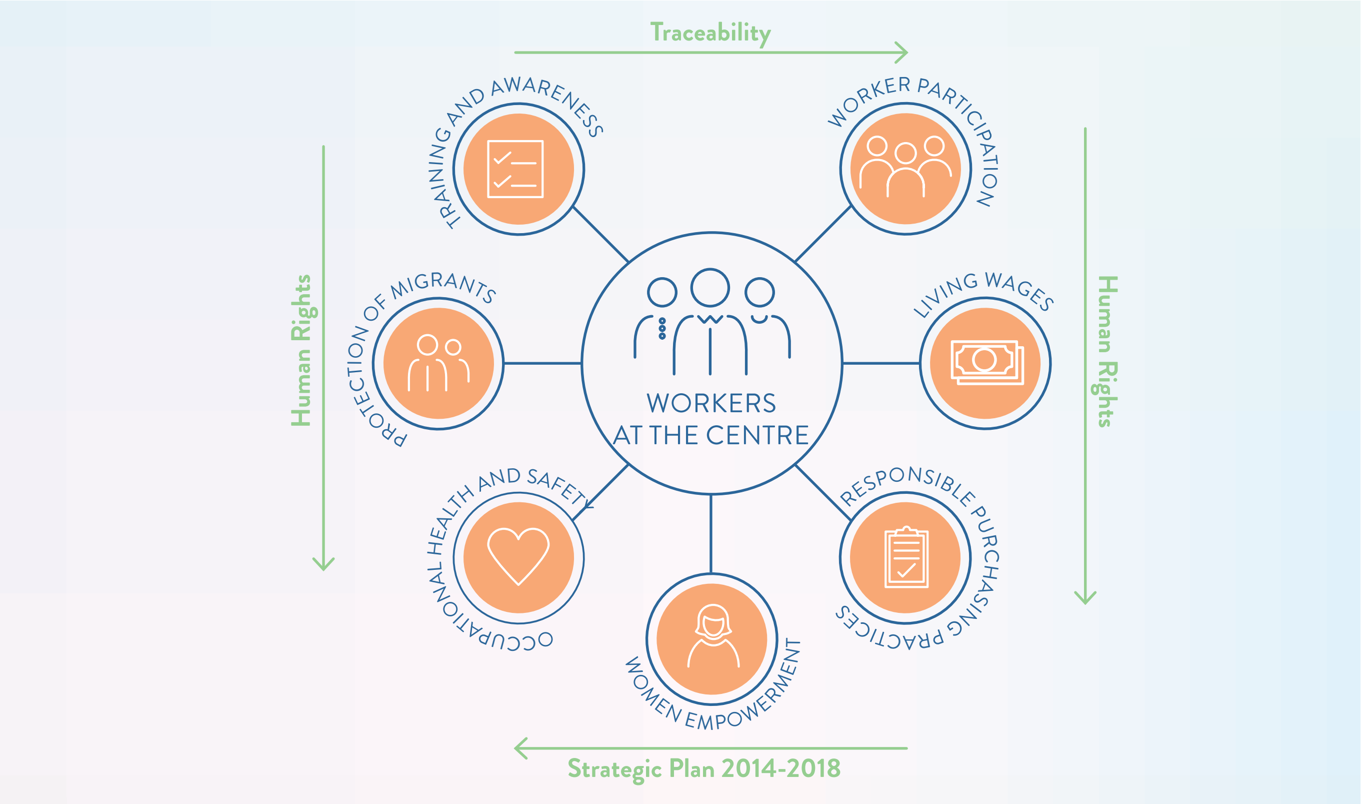
+ See page 106 onwards in this Annual Report.

These objectives are shared by other actors in the textile sector, including suppliers, manufacturers, companies and brands, and various stakeholders such as NGOs, trade unions, and local, national and international organisations. Indeed, we are well aware that acting alone in a supply chain that does not produce goods exclusively for Inditex would result in a limited contribution to these objectives. To achieve them, we need to work together. Consequently we collaborate closely, not only with trade unions – under the auspices of our Global Framework Agreement with IndustriALL – but also with various organisations and initiatives working to ensure that the textile sector has a positive impact on communities where it is present. In this respect, we can highlight our collaboration with the International Labour Organisation (ILO) (through initiatives such as *Better Work*), the *Ethical Trading Initiative* and the United Nations Global Compact.

In order to collaborate with these organisations and support and assist our suppliers, it is essential to be on the ground to understand the real situation of the countries in our supply chain. To achieve this we organise our work in clusters of suppliers. These clusters offer spaces for cooperation and dialogue with the aim of promoting a sustainable production environment in a strategic geographical area and within the framework of compliance with Human Rights and fundamental labour rights. Each cluster brings together local professionals with a vast experience in the sphere of sustainability and a range of skills and abilities which form multidisciplinary teams for a fluid cooperation with suppliers and the different organisations in their area of influence.

Inditex currently has 12 supplier clusters that account for 95% of our production, located in Spain, Portugal, Morocco, Turkey, India, Pakistan, Bangladesh, Vietnam, Cambodia, China, Brazil and Argentina.

Cluster	Spain	Portugal	Morocco	Turkey	India	Pakistan	Bangladesh	Vietnam	Cambodia	China	Brazil	Argentina	TOTAL
Internal team	14	3	4	10	6	1	10	2	1	11	1	2	65
External team	12	21	11	19	73	12	22	14	19	218	27	5	453



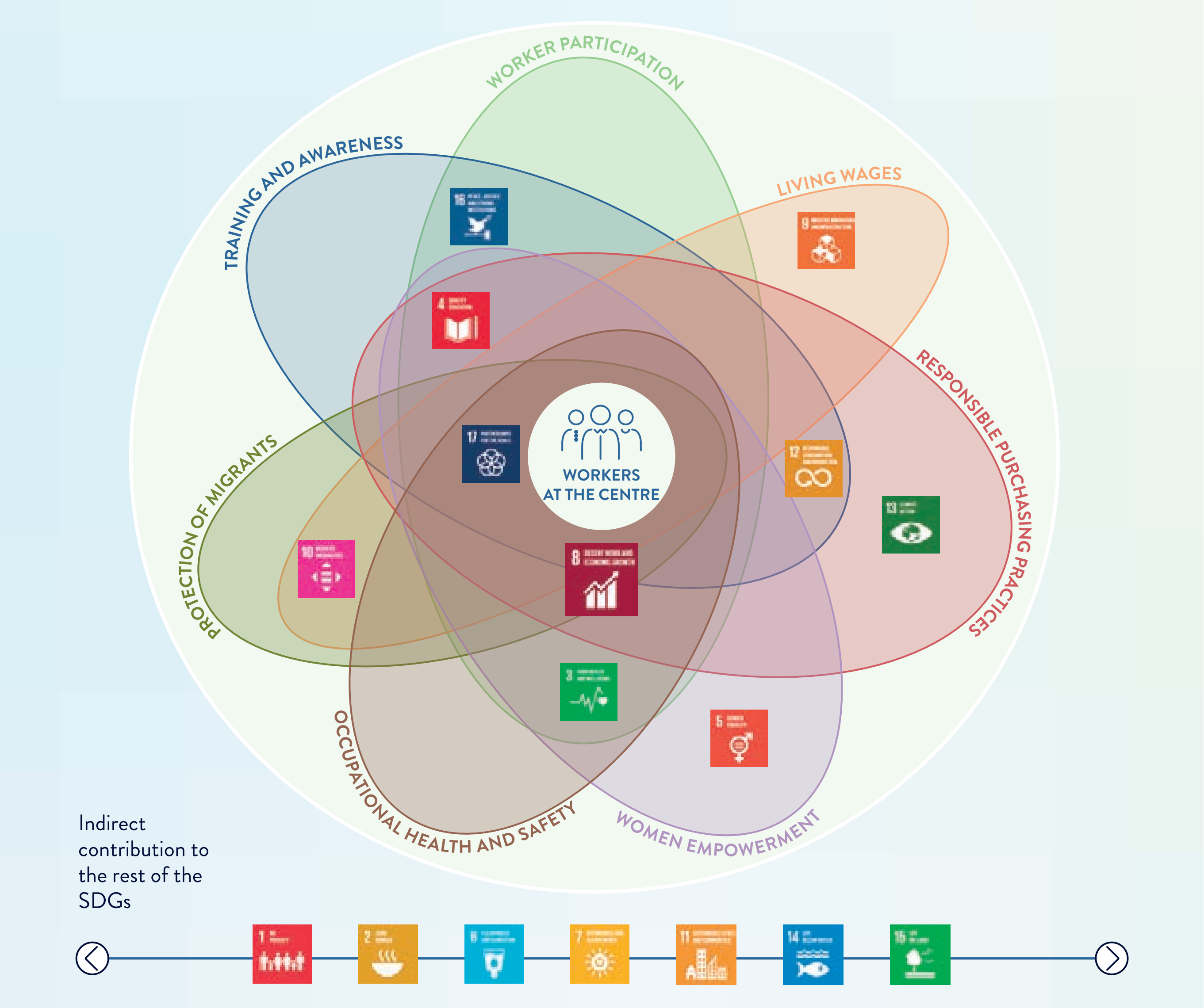
2. PROGRAMMES IN THE SUPPLY CHAIN: WORKERS AT THE CENTRE

More than 2 million people worked in one of the 1,824 suppliers and 7,210 non-exclusive factories in our supply chain in 2017. We have a responsibility to all these people of different nationalities with different needs and situations. In order to guarantee respect for these workers' Human Rights and promote good labour practices that lead to sustainable development, 65 people in our Sustainability teams in 12 countries were dedicated exclusively to this task in 2017, collaborating with 453 external experts and cooperating on local and global initiatives and platforms.

Since 2001 we have worked to implement and guarantee Inditex's Code of Conduct for Manufacturers and Suppliers, which sets out the main labour standards that Inditex's suppliers commit to comply with. More than a decade ago, Inditex created a specific programme dedicated to ensuring compliance. This programme is constantly evolving to adopt best practices and broaden our knowledge of the needs of each of the countries where our production takes place. The foundation of this programme lies in the Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018, which incorporates four lines of action (identification, assessment, optimisation and sustainability).

Thanks to this experience and learning process, we have defined priority areas for the creation of programmes. All stem based on: to position **workers at the centre**. The "Workers at the Centre" strategy allows us to add value to priority areas and foster sustainable production environments, the foundations on which our supplier clusters are established, while simultaneously monitoring compliance. With this premise in mind, our focus aims to:

- Strengthen our **business model** and its value chain.
- Analyse the **characteristics** of the global supply chain.
- Facilitate the overall **traceability** of the supply chain.
- Identify the potential **impacts** of the supply chain on Human Rights.
- Align with the main international **standards** and best practices.
- Put into practice the **Guiding Principles** on Business and Human Rights and contribute to the **Sustainable Development Goals.**
- Identify and engage in dialogue with our **stakeholders** and, in particular, workers.



WORKERS AT THE CENTRE AND THE CONTRIBUTION TO THE SDGS

With our *Workers at the Centre* programmes we contribute to the United Nations' Agenda for Sustainable Development, above all to the SDGs most closely related to the seven pillars of this strategy, and in particular to those in which our supply chain has the greatest impact. Each programme directly contributes to certain SDGs, which we have identified with the aim of aligning our actions with those goals. In this way, the overall impact of our programmes extends to each of the 17 SDGs.

The promotion of decent work and economic growth (SDG 8) is the goal that our 'workers at the centre' strategy has the most impact on, which is why it is present in all of our lines of work. All of the programmes that we develop contribute in one way or another to this goal, whether by encouraging worker participation through Inditex's Framework Agreement with IndustriALL or through the promotion of living wages.

Another goal that forms part of all of our programmes and, in fact, is a key pillar of Inditex's sustainable strategy is SDG 17, partnerships for the goals. At Inditex, we are aware that it is fundamental that we join forces with all actors in order to maximize the positive impact of our activity and promote the sustainability of a supply chain that does not work exclusively for Inditex. For this reason, we collaborate with local and international organisations and platforms when developing all of our programmes.

We have made great progress on goals such as good health and well-being (SDG 3) through occupational health and safety programmes, and we have approved a specific strategy applicable to the whole of our supply chain to support programmes to achieve gender equality and empower all women and girls (SDG 5).

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COLLABORATION WITH AND COMMITMENT TO THE ILO

Inditex and the International Labour Organisation (ILO) have worked together on various joint projects for more than a decade. In 2017, this relationship was strengthened with the signing of two public-private partnerships: one related to improvements on working conditions in the textiles sector in São Paulo, Brazil; and another global agreement focusing on promoting respect for the fundamental principles and rights at work in the cotton sector.

In the words of Guy Ryder, Director-General of the ILO, “the entity’s collaboration with Inditex is an example of a significant public-private partnership between a United Nations organism and a major multinational. According to Ryder, it represents a new milestone in the promotion of best labour practices in the global apparel industry”.

Both entities will continue to collaborate to strengthen joint work on various areas in Inditex’s supply chain, including gender equality, labour relations, training and, in general, improve the conditions of the workers in our supply chain.

Inditex Chairman, Pablo Isla, with the ILO Director-General Guy Ryder

ILO PROGRAMME	OBJECTIVE	COUNTRIES INVOLVED	COLLABORATION INITIATED	PROGRESS IN 2017
Better Work	To improve working conditions in the textiles industry, making the sector more competitive	Vietnam, Cambodia, Indonesia, and pilot project in Egypt	October 2007	- 54 factories in Cambodia - Three factories in Indonesia - 22 factories in Vietnam - Two factories in Egypt
SCORE	To support SMEs to improve their productivity and the working conditions of their employees	China, Turkey	September 2014	- Two factories in Turkey - Two factories in China
PPP ABVTEX-ABIT-Zara Brazil	Promote better working conditions and management of sewing workshops in São Paulo	Brazil	February 2017	Signing of a public-private partnership on the strengthening and strategic alignment of policies to promote assistance and protection for migrant workers.
PPP ILO-Inditex	To promote respect for the fundamental principles and rights at work in the cotton sector	China, India, Pakistan and Mali	May 2017	Signing of a public-private partnership and identification of areas where the programme could be implemented in each of the countries by local and international teams from the ILO and Inditex.

2.1. WORKER PARTICIPATION

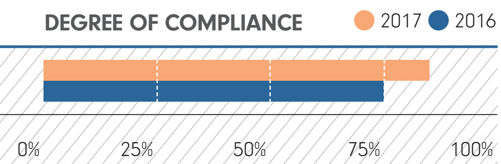
Promotion of mature labour relations through the effective participation of workers and their legitimate representatives.

SDG

STRATEGIC OBJECTIVE 2014-2018

DEGREE OF COMPLIANCE

Workers freely chosen as representatives throughout the supply chain



KEY PERFORMANCE INDICATORS 2017

TRAINING AND AWARENESS	Portugal and Turkey: 135 suppliers, 51,644 workers
PARTICIPATION	Vietnam, Morocco and Tunisia: 60 factories, 53,557 workers
IMPROVEMENT ON MANAGEMENT SYSTEMS	Programmes in 22 factories with 10,510 workers in Bulgaria, Morocco, Tunisia, Turkey and Bangladesh.

MAIN COLLABORATIONS

Morocco · Portugal · Tunisia · Turkey · Bulgaria · Vietnam · Bangladesh · industriall

WORKER PARTICIPATION

SUPPLY CHAIN TRANSPARENCY
Sharing information on suppliers and manufacturers

COLLABORATION ON THE GROUND
Access by trade unions to work centres

PROMOTION OF WORKER PARTICIPATION
Trade union training

PROMOTION OF GLOBAL INITIATIVES
Participation in the Accord in Bangladesh and ACT Initiative

Inditex believes that it is essential that workers have at their disposal sufficient mechanisms to get to know, control and strengthen their labour rights. Freedom of association and the right to collective bargaining are key to ensuring the sustainability of the supply chain. Inditex also recognizes the important role played by national and international trade union organisations in monitoring compliance of the brand's suppliers and manufacturers with the Code of Conduct.

Even though the more than 1,800 suppliers and 7,000 factories that we work with do not work exclusively for Inditex, they not only apply the standards of the Code of Conduct to all of their production; they also participate in joint programmes developed under the auspices of the Global Framework Agreement signed with the trade union federation IndustriALL.

During 2017, work has continued on existing initiatives while some new channels for action have also been explored. All of this work ultimately aims to empower workers and guarantee that their labour rights are protected.

103-2, 407-1, 413-1

Workers in one of our suppliers in Portugal

TENTH ANNIVERSARY OF THE GLOBAL FRAMEWORK AGREEMENT WITH INDUSTRIALL

The Global Framework Agreement (GFA) signed between Inditex and the trade union federation IndustriALL Global Union was a landmark in the industry since it was the first of its kind to tackle a global supply chain and create a space for the exchange of ideas and actions on worker rights and, in particular, the right to freedom of association and collective bargaining.

The year 2017 saw the 10th anniversary of the signing of the GFA, which was celebrated with a symbolic act that took place at the Economic and Social Council of Madrid. The event allowed both organisations to evaluate of the last 10 years of their work together, as well as renew their firm commitment to the ongoing development of the Global Framework Agreement within Inditex's supply chain.

During the event, General Secretary of IndustriALL, Valter Sanches, highlighted that *"Inditex recognizes its role as one of the world's biggest retailers and was the first apparel brand to see the value of good industrial relations, not just in their own factories but throughout their entire supply chain."* Inditex's Chairman, Pablo Isla, pointed out that the Framework Agreement is *"one of the most effective tools for enforcing and encouraging labour rights in the garment industry's global supply chain, underpinned by freedom of association and collective bargaining"*.

Over the last 10 years, the GFA has afforded a shared approach to the reality of each country, promoting the right to union access in the workplace. Programmes have been carried out in over 100 factories in our main production markets, tackling a wide variety of aspects, from the right to organise to decent working conditions; from a healthy workplace to women' empowerment issues.

The results of these 10 years will allow us to be even more ambitious when it comes to our continued contribution to the progress on decent work, as set out in United Nations SDG 8.

Seminar in Turkey, September 2017. A supplier shares best practices in social dialogue in factories.

SUPPLY CHAIN TRANSPARENCY

Inditex shares complete and up-to-date information on its supply chain with IndustriALL on a regular basis. This information includes the results of its assessments from social and labour perspectives.

The information provides IndustriALL and its national-level members with the context and knowledge they need on Inditex's supply chain in each of the countries where the Group operates, facilitating coordination and collaboration between the two organisations.

COLLABORATION ON THE GROUND

One of the foundations of the Global Framework Agreement is joint collaboration on the ground with IndustriALL and its national members. In a dynamic environment that is constantly generating new challenges and opportunities, the right to trade union access to work centres represents a solid and effective tool for improving working conditions. In 2017 alone, we have carried out joint programmes in 22 factories in Bangladesh (5), Bulgaria (2), Morocco (4), Turkey (9), and Tunisia (2). The conclusions resulting from these programmes can be applied to the whole supply chain.

One example of these multilevel initiatives is the joint approach that we have taken with IndustriALL and members of Spanish trade union in the textile industry during 2017 in Bangladesh. The initiative aimed to ensure that workers' representatives in Inditex's supply chain were capable of monitoring working conditions in the supply chain while verifying on site the implementation of the Accord programmes on health and safety.

PROMOTION OF WORKER PARTICIPATION

One of the aims of the Global Framework Agreement is to contribute to worker participation, and trade union training is fundamental to this aim. Raising awareness on the importance of freedom of association and collective bargaining and the value of social dialogue (the main vehicle for achieving mature labour relations) constituted the mainstays of the training activities carried out in 2017.

- **Vietnam:** Worker representatives from 25 factories in Vietnam attended a seminar on labour relations held in October and organised by IndustriALL in Hanoi in order to provide follow-up to the creation of the Inditex suppliers union network in 2016.
- **Turkey:** Apart from the seven suppliers involved in a training project that has been running for the last four years, in May a joint seminar was organised by the International Labour Organisation and IndustriALL to promote dialogue and collaboration in the workplace. The seminar was attended by 90 representatives of 58 Inditex suppliers in the area, as well as local trade unions, and representatives of the Turkish government and other entities. The event was followed by another seminar organised by the same actors in September, which was attended by 31 suppliers who shared best practices.
- **Portugal:** Training and awareness for 46 suppliers in Portugal on occupational health and safety.
- **Morocco:** Training on labour relations for representatives of 30 factories and local trade unions.
- **Tunisia:** Seminar on Framework Agreements and dialogue with representatives of five factories.

PROMOTION OF GLOBAL INITIATIVES IN THE TEXTILE INDUSTRY

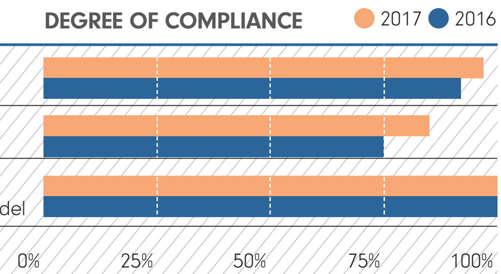
Inditex and IndustriALL have been at the forefront of global projects and initiatives in the textile industry, such as the Accord on Fire and Building Safety in Bangladesh (the Accord) -Inditex and IndustriALL are members of the Accord Steering Committee- and the ACT (Action, Collaboration, Transformation) initiative, whose participants – including IndustriALL, Inditex and a range of other fashion brands – work to promote collective bargaining between employers and trade unions in countries in the brands' supply chains with the aim of achieving decent working conditions and wages.

2.2. LIVING WAGES

Achieving living wages in the industry through worker empowerment and participation

SDG: 8, 9, 10, 17

STRATEGIC OBJECTIVE 2014-2018	DEGREE OF COMPLIANCE (2017 / 2016)
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	



KEY PERFORMANCE INDICATORS 2017

TRAINING AND AWARENESS	Participation in self-assessment exercise on purchasing practices 242 buyers trained on purchasing practices
PARTICIPATION	Development of GFA with IndustriALL Cambodia, Myanmar, Turkey and Vietnam: development of ACT initiative
IMPROVEMENT OF MANAGEMENT SYSTEMS	China: nine factories in *Lean* project China and Turkey: four factories in SCORE project Programmes in 22 factories with 10,510 workers in Bulgaria, Morocco, Tunisia, Turkey and Bangladesh.

MAIN COLLABORATIONS

Cambodia	India	China	Turkey	Myanmar	Vietnam	Global
Ethical Trading Initiative; ACT	Ethical Trading Initiative	Internal programme; ILO	ILO; ACT	ACT	ACT	IndustriALL

LIVING WAGES

PROMOTING COLLECTIVE BARGAINING
Promoting effective and fair collective bargaining

RESPONSIBLE PURCHASING PRACTICES
Training and awareness raising for internal purchasing teams

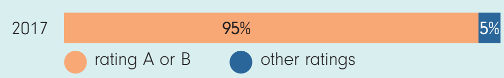
IMPROVED WORKING METHODS AND SYSTEMS
SCORE programme with the ILO
Lean project

COLLABORATION WITH STAKEHOLDERS
Participation in the ACT initiative

SUPPORT CAMPAIGNS
Political commitment to achieving living wages in the industry

Achieving living wages is one of the most important challenges in the industry, therefore it forms part of one of the programmes included in the *Workers at the Centre* strategy. Inditex's strategy on living wages is based on the following five lines of action:

INDITEX LIVING WAGES STRATEGY

LINES OF ACTION	SPHERE OF APPLICATION	ACTIVITIES IN 2017	FUTURE ACTIONS
Promoting collective bargaining	At Inditex we understand that the best tool for achieving living wages in the industry is collective bargaining between trade unions and employers. To achieve this, we work to guarantee freedom of association and collective bargaining both through our Code of Conduct Compliance Programme and the Global Framework Agreement with IndustriALL.	Activities in the main clusters with the aim of guaranteeing collective bargaining as an instrument to achieve living wages: • Bangladesh: Roundtable on living wages. • Programmes in 22 factories in Bangladesh, Bulgaria, Morocco, Turkey and Tunisia. • Training activities in Morocco, Portugal, Tunisia, Turkey and Vietnam. • Adjustment of the Code of Conduct Compliance Programme to include analysis of the payment of living wages. • Coordination meeting with IndustriALL and other brands with framework agreements to explore collaboration on future activities.	Develop activities in clusters through the consolidation of the coordination and trade union experts approved by Inditex and IndustriALL Global Union in 2016. Implement projects to promote social dialogue between stakeholders and strengthen working conditions in the supply chain in collaboration with leading organisations in this sphere such as the ILO. Promote collaboration with other brands with framework agreements, as well as those with an important role in production clusters.
Responsible purchasing practices	When it comes to everything from correct purchase planning to the creation of transparent pricing systems and the priority assignment of orders to suppliers who guarantee compliance with collective agreements, purchasing teams are a key element of the strategies that brands have to implement to facilitate the payment of living wages to workers.	• Participation of buyers in training sessions and self-assessment activities to analyse their purchasing practices and compare them within the industry. • 242 buyers trained on purchasing practices using practical exercises that facilitate interaction between different areas. • Adaptation of purchasing systems to facilitate purchasing decisions based on sustainability criteria. **DISTRIBUTION OF PURCHASING IN 2017**  	Go further in identifying, developing and strengthening purchasing practices to ensure a greater impact on the payment of living wages by suppliers and manufacturers. Inditex's social sustainability team and similar teams in other leading brands in the industry will support this work and collaborate with trade unions and employers' representatives.
Improved working methods and systems	The working methods and production systems employed by factories have a direct impact on their employees' working conditions. Such conditions include everything from wages to working hours and ergonomics, as well as satisfaction and motivation. That is why we develop various programmes in collaboration with factories to help them optimise their methods and working systems with the aim of improving conditions for their workers.	• Lean project (China) One of the most important activities in 2017 was the development of a follow-up system to measure the sustainability of the results after the implementation of the project in the six factories already part of the programme in 2016. Three new factories were also incorporated into the project. The results obtained were positive, with improvements on management systems that have had a positive impact on the working conditions of employees. • SCORE programme This ILO programme, which was already running in two Chinese factories, has now been implemented in two factories in Turkey. The SCORE programme is divided into five modules which are designed to improve management systems to, in turn, improve working conditions, promoting the fundamental principles and rights at work. Implementation of the first module has already been completed in the two Chinese factories, covering a total of some 950 workers. Meanwhile, in Turkey the second module has also been completed, benefiting 154 workers.	The knowledge and experience acquired during the three years of the Lean project have meant that at the end of 2017 it was possible to begin expanding the project to other countries in our supply chain. We have begun by training our internal teams on the Lean philosophy and on Inditex's own methods in relation to this project. This means that in 2018 the Lean project will not only be implemented in more factories in China but also in the form of pilot experiences in India, Cambodia and Portugal. We will also continue with the implementation of the SCORE programme.

LINES OF ACTION	SPHERE OF APPLICATION	ACTIVITIES IN 2017	FUTURE ACTIONS
Collaboration with other stakeholders	Inditex forms part of the ACT (Action, Collaboration, Transformation) initiative along with other companies and IndustriALL with the aim of achieving living wages in the industry through collective bargaining. This group organises activities that seek to involve worker representatives, employers and government in establishing collective bargaining.	• Agreement between the brands to take specific measures on purchasing practices and facilitate the payment of living wages in the industry. • Cambodia: a letter was written to the Prime Minister of the country in September 2017 to discuss the ACT approach to improving wages and working conditions based on collective bargaining within the industry. • Turkey: Meetings and preliminary work in November 2017 involving ACT, the brands and the exporters' association to introduce the work of ACT into the country. • Myanmar: a letter was sent to the State Counsellor in November 2017 to propose some ideas for joint progress on social and industrial development in the sector • Vietnam: Individual meetings with stakeholders to promote collective bargaining.	Boost the programme in countries where there has been some preliminary work, and approach other countries that are a priority in terms of their social and working conditions. Develop the measures to be adopted by brands and by IndustriALL to facilitate collective bargaining in pilot countries.
Support campaigns	In 2017, Inditex supported joint actions in the industry to guarantee improved wage conditions, as well as defend the mechanisms used to implement these improved conditions.	• Cambodia: Letter from the Ethical Trading Initiative (ETI) to the country's Prime Minister in September 2017 to express concern over the draft laws on minimum wages and dispute resolution. • India: Letter from the ETI to the Labour Commissioner of Tamil Nadu in November 2017 to follow up legal cases involving minimum wages.	Promote active participation in platforms featuring representatives of civil society in order to expand social dialogue in supplier countries.

Zara store employees, Miami (United States)

2.3. RESPONSIBLE PURCHASING PRACTICES

Purchasing decisions with sustainability criteria to promote a positive impact on the supply chain

SDG

STRATEGIC OBJECTIVE 2014-2018	DEGREE OF COMPLIANCE (2017, 2016)
Alignment and inclusion of the sustainability strategy in the Group's business model	

KEY PERFORMANCE INDICATORS 2017

TRAINING AND AWARENESS	Online training for 66,000 employees in offices and stores 242 buyers trained on social sustainability 906 buyers and product managers trained on the *Join Life* programme
IMPROVEMENT OF MANAGEMENT SYSTEMS	Participation in the ACT working group Involvement of buyers in self-assessment questionnaires on purchasing

MAIN COLLABORATIONS

Spain	China	Argentina	Turkey	Bangladesh	Global
Internal programme	Internal programme	Internal programme	Internal programme	Internal programme	Ethical Trading Initiative ACT Action Collaboration Transformation

All of our purchasing decisions are subject to sustainability criteria. Some 95% of purchasing in 2017 involved suppliers with A or B rating

Inditex believes that responsible purchasing practices mean approaching the purchasing process with a holistic focus on sustainability. This involves more than just seeking to ensure respect for Human Rights by promoting collective bargaining, living wages and the optimisation of our social and environmental impact. It also involves boosting the resilience of our business model by supervising the way in which our purchasing teams develop practices that have a positive impact on the working conditions of the people employed in our supply chain.

Meanwhile, suppliers also have a very important role in promoting best practices in factories, as well as in developing their commitment to Inditex through the training they are given. Active supplier involvement is key to ensuring the promotion of a sustainable culture in line with the Group's principles and values.

Apart from providing our teams with the tools they need to ensure responsible purchasing and the visibility of certain information at the systems, in 2017 we have also focused on three key areas: a culture of sustainability, participation of purchasing teams and collaboration with the industry.

Inditex office employee, Shanghai (China)

RESPONSIBLE PURCHASING PRACTICES

	CULTURE OF SUSTAINABILITY	PARTICIPATION OF PURCHASING TEAMS	COLLABORATION WITH THE INDUSTRY
OBJECTIVE	Incorporate responsible purchasing practices into the culture of Inditex and its partners.	Encourage a culture of responsible practices through training, awareness raising and alignment of functions.	Promote best practices in the industry that foster the payment of living wages.
2017	- Sustainable recruitment - Sustainability *e-learning* - Zara *Welcome* school - *Hello* pack for new employees Introduction of sustainability training to store training programmes.	**Interactive training on responsible purchasing practices** Training for purchasing teams on the sustainability of the supply chain. ***Join Life* training** Training on the environmental and social impacts of the purchasing process.	***ACT on Living Wages*** Active and ongoing participation in working groups involving other brands and IndustriALL to help inform and guide our responsible purchasing strategy and promote the payment of living wages.

CULTURE OF SUSTAINABILITY

STORES

Sustainability *e-learning*

Sustainability contents in weekly training

Bilateral store/ customer dialogue

PURCHASING TEAMS

Training on sustainability practices for all purchasing teams

Sustainability training for new employees

Code of Conduct and Responsible Practices

Fair and respectful treatment of suppliers

SUPPLIERS

Human Rights training for suppliers

Joint projects with suppliers

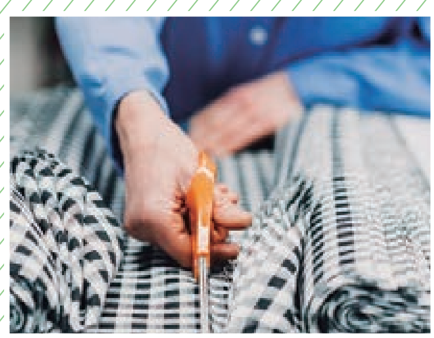
Fair and respectful treatment of workers

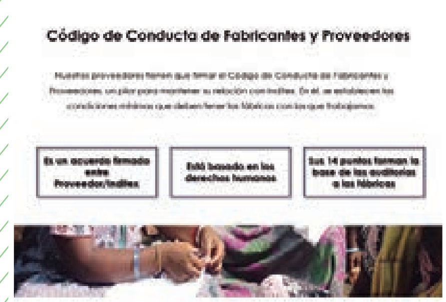
WORKERS

Workers at the centre

Mature industrial relations

Empowerment





2.3.1. CULTURE OF SUSTAINABILITY

A culture of sustainability in all of the Group's areas forms the essential basis for the success of our responsible purchasing policy. In this respect, the company engages in the so-called *Sustainable Recruitment Process* with employees in head offices, subsidiaries and stores. This means that all of our new employees receive a training plan that includes sessions on Social and Environmental Sustainability, Product Health and Safety, and Social Investment. In the case of recruits to head offices, new employees receive our *Hello* pack, which gives sustainability a central role.

Our stores are at the heart of the of our business, and our customers have a say in all the decisions we take. For this reason another of our main focuses in 2017 was on generating a culture of sustainability in our stores, such as through our clothes collection programme, *Closing The Loop*.

+ See page 140 onwards in this Annual Report.

Meanwhile, some 66,000 employees in stores and local offices have access to a new online training programme where they can learn about issues concerning Inditex's sustainability policy.

103-2, 413-1

Collaborating with the industry is fundamental to promoting best purchasing practices

2.3.2. PARTICIPATION OF INDITEX'S PURCHASING TEAMS

Continuing with the awareness-raising strategy initiated in 2016, in 2017 Inditex has focused on increasing sustainability training among new and existing purchasing teams. Our key purchasing teams have become a benchmark in the sector thanks to their participation in ACT workshops and meetings.

Thanks to the programmes we have developed, a total of 1,010 members of purchasing and product teams have been trained on responsible purchasing practices and sustainability over the last two years.

Meanwhile, local sustainability teams have carried out 39 training activities in 2017 dealing with social sustainability and Human Rights for 138 buyers in local offices in China, Bangladesh, Turkey and Argentina.

2.3.3. COLLABORATION WITH THE INDUSTRY

One of the main objectives of the ACT (Action, Collaboration, Transformation) initiative is to achieve living wages in the textile industry. During 2017, Inditex worked closely with the brands that form part of ACT and with IndustriALL to develop a shared tool for evaluating purchasing practices and establishing best practices.

This initiative saw participation from more than 800 members of purchasing teams in companies within the industry. The resulting analysis made it possible to identify and study purchasing processes to minimize their potential negative impacts on the payment of living wages. The following activities took place within the framework of the initiative:

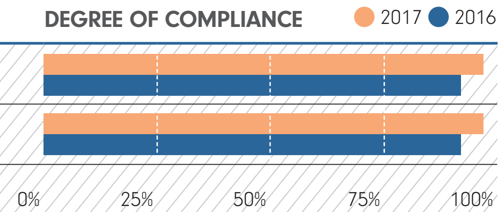
- Active participation of key members of purchasing teams on developing and testing a self-assessment tool.
- Contribution of buyers on the anonymous and confidential implementation of a self-assessment programme to analyse purchasing.
- Active and ongoing participation in ACT working groups to help inform and guide our responsible purchasing strategy, and have a positive influence on the direction taken by the sector in the sphere of responsible purchasing.

2.4. WOMEN EMPOWERMENT

Guaranteeing equality for women and empowering them within the supply chain

SDG

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



KEY PERFORMANCE INDICATORS 2017

TRAINING AND AWARENESS	India: *Sowbhagyam* project 1,019 schoolchildren trained on their rights Awareness raised among 79 agents to prevent abusive practices Awareness raised among 112 parents on labour rights Turkey: training of 277 workers
PARTICIPATION	India: Creation of 23 groups of teenagers involving 235 young people to defend their rights at work
IMPROVEMENT OF MANAGEMENT SYSTEMS	India: - *Sakhi Health,* programme: three factories and 2,700 workers - *Sakhi Gender Equity* programme: 18 factories employing 11,653 workers - *Sowbhagyam* project: creation of 16 grievance channels Morocco: Access to health services in 13 factories with 1,129 workers

MAIN COLLABORATIONS

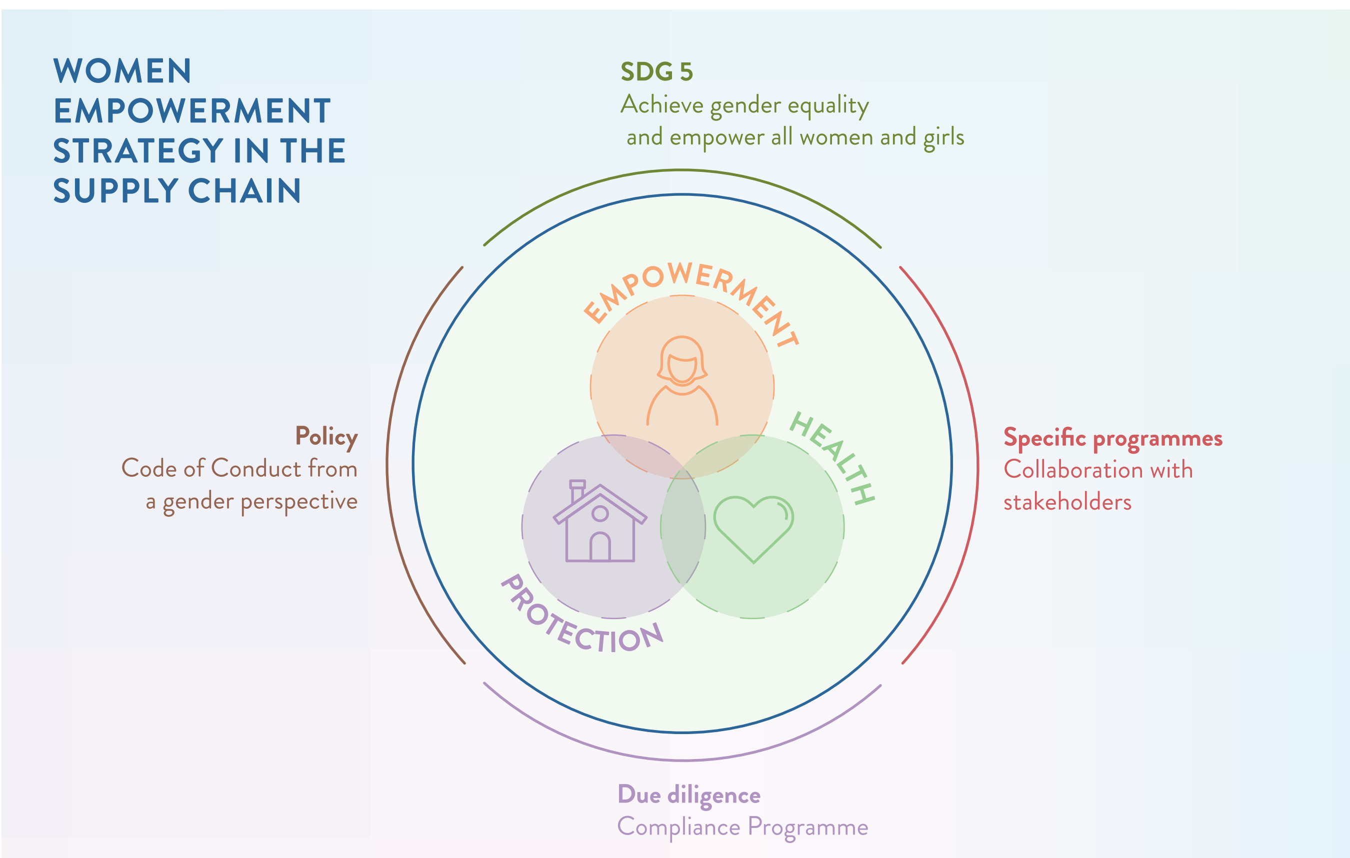
Morocco	Turkey	India
medicusmundi	Internal programme	Swasti; SAVE

We work to ensure that all of the women in our supply chain can enjoy the best conditions and the same opportunities as men

We are fully aware of the importance of women in our supply chain, thus we want to take further steps towards gender equality and women empowerment. The textile industry is a pillar of the economy in many of the countries where we operate, and women occupy the majority of jobs at all stages of production.

Based on SDG 5, which is dedicated to gender equality and the empowerment of women and girls, and building on the work already developed within the framework of the Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018, in 2017 we approved a *Women Empowerment Strategy in the Supply Chain* which has three main pillars: health, protection and empowerment.

Facilities at one of our suppliers in Portugal



The women empowerment strategy is developed using continual improvement tools complemented by a gender perspective that makes it possible to impact sensitive issues affecting women and develop specific actions and practices related to gender. To this end we develop programmes to eradicate gender inequity and strengthen the empowerment of women, creating partnerships around the three pillars that make up this strategy. In order to make sure that this strategy is viable, the programmes must take into account the social and cultural context women live and work in, and for this reason we develop specific actions for the different countries where we operate.

HEALTH

Guaranteeing access to health services and promoting women's health, in particular reproductive health and feminine hygiene.

PROGRAMME WITH MEDICUS MUNDI

In 2014 we initiated a project in Morocco in collaboration with the NGO Medicus Mundi Andalucía which aims to improve the social and health situation of workers of our suppliers in Morocco. The programme covers 13 factories and had a total of 1,129 direct beneficiaries in 2017.

During the last year, new developments have been made that aim to improve training and awareness on social and labour rights. These modifications have been made based on the opinions of workers themselves, gathered by means of surveys. This will contribute to workers in the textile industry in Morocco improving their quality of life with a focus on human development.

In 2017, we collaborated with the local association Unión de la Acción Feminista, providing training in five of the factories within the project on rights related to women's occupational health. The Provincial Directorate of National Education also participated in the organisation of literacy sessions. Meanwhile, the experience of Fundación ETEA, with whom Inditex was already collaborating, has made it possible to identify new lines of action and improvements to increase the sustainability and effectiveness of the intervention that has been developed in recent years. One of the future developments of the project will be to create a protocol for action in cases of sexual and workplace harassment.

SAKHI - HEALTH PROJECT

The project entitled Sakhi (which means "friend" in Hindi) is structured into two parts that encompasses two fundamental aspects of the situation of women in India. One of these is health, and that is the focus of Sakhi Health. Activities have already been carried out in this sphere in the three factories forming part of the project in collaboration with St. John's Medical College, benefiting a total of 2,700 workers. The next step was to train workers themselves so that they could engage in peer education.

In the future, training will continue in factories so that they incorporate women's health into their training systems as a matter of course. Sessions will also be carried out to follow up the training completed in 2017 to increase factories' educational capacity.

PROTECTION

Preventing discrimination and contributing to the eradication of discrimination, harassment and abuse in the workplace.

SOWBHAGYAM PROJECT

The aim of this project developed in India's Tamil Nadu state is to raise awareness and educate communities, job agencies and other stakeholders on labour rights, avoiding the use of abusive employment practices against women.

The project, which was initiated in 2013, includes training sessions given by the local NGO SAVE to all members of the community. During the fourth year of its implementation, these community awareness-raising activities continued, along with further awareness raising in schools for teachers, children and parents. In 2017, work was carried out with a total of 79 employment agencies to train them on best practices, developing guidelines for action and encouraging them to associate and share learning, and facilitate the identification of spinning mills that do not engage in any kind of abusive employment practice. Additionally, the following activities took place:

- Creation of 16 grievance channels at the community level with 296 members
- Awareness-raising sessions in 11 schools, reaching a total of 1,019 students
- Establishment of 23 new groups of adolescents *(Adolescent Parliaments)* with 235 members with the aim of empowering young people, informing them of their rights and giving them the tools they need to defend them
- Meetings with 112 parents to raise awareness of women labour rights

All of this means that in 2017 more than 11,000 people benefited directly or indirectly from this project.

EMPOWERMENT

Providing tools to women so that they can actively participate in the working environment, improving the quality of life of women, men, children, families, communities and society in general and contributing to the construction of solid and fair economies.

SAKHI - GENDER EQUITY PROJECT

The second pillar of the Sakhi project tackles the prevention of situations of abuse or harassment in factories through the Sakhi Gender Equity programme, which is developed in collaboration with the organisation SWASTI. In 2017, we analysed workplace practices in 18 factories employing a total of 11,653 employees to understand the issues faced by women at work.

Next year, based on the conclusions of the analysis, work will begin with of five of those factories to implement effective grievance mechanisms for all types of situations involving abuse, harassment or discrimination. Management will be trained so that they understand and can get involved with initiatives related to the well-being of their female workers. Meanwhile, the development of appropriate facilities to promote work-family conciliation such as nurseries will be incentivised. The focus will be on creating models that can be replicated so that the factories themselves can sustain the project over the long term.

WOMEN EMPOWERMENT PROJECT IN TURKEY

In 2016 we initiated a pilot project in a factory in Turkey. The first phase consisted in analysing and understanding the possible causes of gender discrimination in the factories. Based on the results obtained, the second phase of the project was launched in 2017. This second phase involved holding eight training sessions in the factory to raise awareness among its 277 workers, of which 85% are women.

The training was divided into two modules. The first had the objective of raising awareness of gender equality among workers. The second module focused on preventing harassment and discrimination at work. In this way, the overall training aims to improve the quality of life and work of the women, and raise awareness among factory management of the rights of their female workers.

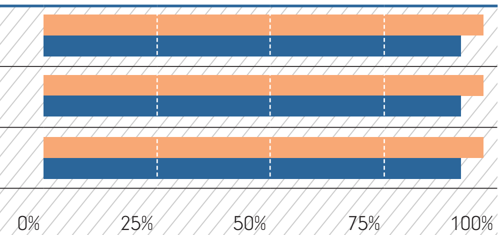
In 2018, the programme will advance with the follow-up phase in which the impact of the first phase of training will be evaluated.

Thanks to the Sakhi programme, in 2017 we analysed workplace practices in 18 factories employing a total of 11,653 employees to understand the issues faced by women at work

2.5. OCCUPATIONAL HEALTH AND SAFETY

Commitment to safe and healthy working environments throughout the supply chain

SDG	STRATEGIC OBJECTIVE 2014-2018	DEGREE OF COMPLIANCE (2017, 2016)
3, 8, 17	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	



KEY PERFORMANCE INDICATORS 2017

TRAINING AND AWARENESS	Morocco, Tunisia, Portugal, India: 145 suppliers and factories with 41,113 workers
PARTICIPATION	Bangladesh: 22 suppliers and factories with 63,881 workers
IMPROVEMENT OF MANAGEMENT SYSTEMS	Morocco, Tunisia, India, Bangladesh and China: 378 suppliers and factories with 379,076 workers 1,124 special audits on health and safety

MAIN COLLABORATIONS

Morocco	Tunisia	China	Portugal	India	Bangladesh
Internal programme	Internal programme	Lingnan (University) College	IndustriAll; Universidade do Minho; Autoridade para as Condiçoes do Trabalho	Internal programme	ACCORD on Fire and Building Safety in Bangladesh; Internal programme

At Inditex we believe that it is fundamental that all workers in the supply chain have a safe and healthy working environment. That is why occupational health and safety is a key pillar of our strategy to ensure the sustainability of our supply chain.

In 2017 we carried out 1,124 special audits in which our internal and external teams verified the workers' conditions in aspects such as occupational health and safety, risk prevention and the structural safety of facilities.

Our programmes and initiatives seek to promote an awareness culture, participation, risk assessment and improvements to occupational health and safety management. Some of these programmes and initiatives are developed in collaboration with different stakeholders to generate mutual benefit that allows to share knowledge and build capacity at a high level to support suppliers and our sustainability teams'.

The strategy of the occupational health and safety programme is based on the development of methodology and standarisation; competence development programmes; and collaboration with stakeholders.

Facilities at one of our suppliers in Portugal

METHODOLOGY AND STANDARISATION	COMPETENCE DEVELOPMENT PROGRAMMES	COLLABORATION PROGRAMMES
Working group specialising in occupational health and safety made up of engineers from Inditex's sustainability teams in various countries - Standarised methodology - Best practices - Indicators and information systems - Technical solutions	- Health and safety assessments, continual improvement and training (Morocco and Tunisia) - Assessment of structural, fire and electrical safety of new suppliers and manufacturers (Bangladesh) - Risk assessment training. Joint development and implementation of corrective measures (India) - Development of health and safety management systems (India) - Electrical safety (India)	- Training and strengthening of participation and occupational health and safety (Portugal) - Machinery, fire and electrical safety (China) - Monitoring of compliance with Accord corrective action plans (Bangladesh) - Detailed evaluation of the structural state of factories (Bangladesh) - Support and direct involvement in Accord complaint and reporting mechanisms (Bangladesh)

2.5.1. METHODOLOGY AND STANDARISATION

The backbone of this work is the standardization, harmonization and global development efforts made by Inditex's sustainability teams, which shape a global working group specialised in health and safety.

Some of the current lines of action include creating a standardized methodology for risk assessment in workplaces, the design of indicators and information systems to improve health and safety management, and the development of practical training modules focusing on different environments.

Meanwhile, one of the short term objectives of this working group is to compile best practices that can be disseminated as technical solutions where the legislation and regulations in force do not set out specific requirements.

2.5.2. COMPETENCE DEVELOPMENT PROGRAMMES

The interpretation of the results obtained from the Code of Conduct Compliance Programme makes it possible to identify areas that should be strengthened and designed specially adapted programmes. In this respect, 1,124 specific audits on health and safety were performed in 2017.

Below is a summary of some of the most noteworthy competence development programmes and their main features.

REINFORCEMENT PROGRAMMES 2017

PROGRAMME	COUNTRY	DESCRIPTION	RESULTS 2017
Health and safety assessments, continual improvement and training	Morocco	The project focus on: - Working conditions of employees - Conditions of buildings housing factories - Electrical installations and safety of machinery and boilers - Chemical and physical agents - Fire extinguishing equipment and emergency exits - Management systems The aim is to assess and identify aspects for improvement and define action plans to be implemented and monitored with suppliers.	This project began as a pilot programme in 2015. Following its development and extension in 2016, by the end of 2017 it involved 37 suppliers with 128 factories and 39,870 workers. The current implementation level of corrective action plans stands at 89%.
Health and safety assessments, continual improvement and training	Tunisia	During 2017, the project initiated in Morocco was extended to Inditex's supply chain in Tunisia. The new project has the same structure and thematic areas and employs the same tools and evaluation method. This allows us to compare results with ease and identify even more specific areas to work on in these countries.	At the end of 2017, some 27 factories linked to 11 suppliers embarked on the second phase of the project, defining the corrective action plans to be applied.
Assessment of structural, fire and electrical safety of new suppliers and manufacturers	Bangladesh	Our team carries out technical assessments that focus on structural, fire and electrical safety during the process of incorporating new suppliers and manufacturers. These assessments seek to guarantee the safety of facilities where production is carried out.	In 2017 some 43 technical assessments were carried out, while the facilities and working environments of more than 27,000 workers were also verified.
Risk assessment training Joint development and implementation of corrective measures	India	The project is comprised of three modules: - Definition of management responsibilities and introduction of tools. - Joint risk assessment carried out by health and safety officers in factories, workers, and members of the sustainability team to identify corrective actions. - Identification of corrective actions in factories to be carried out by health and safety officers and validated by the sustainability team.	Currently developed in 17 factories and benefiting more than 3,500 workers. Future steps being considered include incident record-keeping systems and KPIs systems for the improvement of occupational risk management.
Development of health and safety management systems	India	Improve health and safety management systems through visits that make it possible to identify best practices, develop maintenance programmes and involve the different areas of the company in occupational health and safety issues.	A total of 12 suppliers and four factories with 18,399 workers formed part of this project. The facilities received 96 visits in 2017.
Electrical safety	India	Pilot initiative to strengthen electrical safety in the country's supply chain. The initiative was implemented in the facilities of four suppliers, where work was carried out in conjunction with electrical and maintenance teams to improve working procedures and documentation in these areas.	This project made it possible to verify the electrical conditions in the working environments of more than 1,700 workers.

2.5.3. COLLABORATION PROGRAMMES

The identification of areas to be strengthened occasionally requires collaboration between Inditex and expert stakeholders. This allows us to guarantee a response at the highest level while developing the skills and knowledge of our teams. These are the main collaboration programmes implemented throughout 2017:

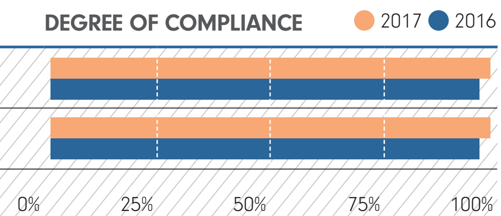
COLLABORATION PROGRAMMES 2017

PROGRAMME	COUNTRY	DESCRIPTION	RESULTS 2017
Training and strengthening of participation and occupational health and safety	Portugal	Halfway through 2017, we initiated a pioneering collaboration programme involving national trade unions (FESETE, SINDEQ), international trade unions (IndustriALL), Portuguese government bodies (Autoridade para as Condições do Trabalho (ACT), the University of Minho and Inditex to improve health and safety conditions in the Portuguese supply chain. Based on the analysis of the most common breaches of the Compliance Programme, the following areas requiring strengthening were identified: - Training and participation of the workforce - Fire safety - General aspects of health and safety	The first phase of this programme ended with a training session for 46 suppliers. The session also saw participation from ATP and ANIVEC, associations of textile employers in Portugal. In 2018, members of the sustainability department and health and safety managers in the suppliers themselves will assess supplier facilities to identify corrective actions.
Machinery, fire and electrical safety	China	The collaboration programme involving the EHSA Centre of the University of Ling'nan and Inditex initiated in 2016 continued to make progress in 2017. A total of 62 suppliers trained in 2016 assessed fire, electrical and machinery safety in their factories in 2017, generating corrective action plans validated by Inditex.	A total of 327 factories in the suppliers were involved, developing corrective action plans of which 62 have been verified to date.
Monitoring of compliance with Accord corrective action plans	Bangladesh	As a signatory member of the Accord on Fire and Building Safety in Bangladesh since its origins in 2013, Inditex is committed to improving health and safety in the textile factories in that country. This agreement, which is legally binding for international brands, national and international trade unions and various NGOs, has at its disposal engineers who carry out inspections of factories and generate corrective action plans. The plans are monitored by Inditex's internal team of engineers in collaboration with external engineers specialising in structural, fire and electrical safety.	During 2017, some 728 inspections were performed on factories in Inditex's supply chain in the country, which made it possible to verify the working conditions of some 269,000 workers in 38 manufacturers and 84 suppliers.
Support and direct involvement in Accord complaint and reporting mechanisms	Bangladesh	Index is firmly and actively committed to the Accord worker participation programme. This programme provides all factory workers with a channel for communicating their concerns on occupational health and safety risks in a confidential and secure way.	In 2017, Accord received 31 communications originating from Inditex's supply chain, of which 28 found a positive resolution and three more are still in progress.
Detailed evaluation of the structural state of factories	Bangladesh	The reinforcement and corrective initiatives implemented by our team in Bangladesh encompassed work with an international engineering consultancy to carry out a detailed assessment of building structures in order to obtain consistent data that would result in a highly reliable structural evaluation.	Assessment of three companies in Inditex's supply chain in Bangladesh, benefiting 5,600 workers.

2.6. PROTECTION OF MIGRANTS

Protection of the rights of migrant workers in the supply chain

SDG	STRATEGIC OBJECTIVE 2014-2018	DEGREE OF COMPLIANCE
8, 10, 17	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	



KEY PERFORMANCE INDICATORS 2017

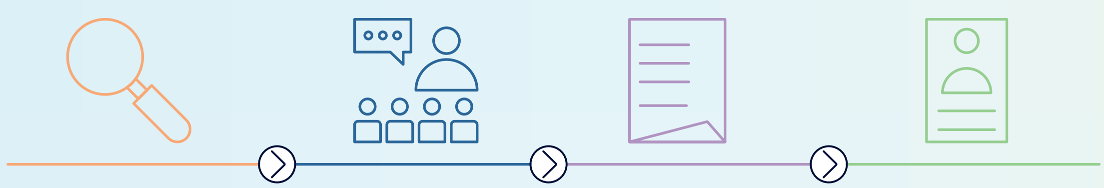
TRAINING AND AWARENESS	Turkey: 90 suppliers trained
IMPROVEMENT OF MANAGEMENT SYSTEMS	Turkey: 155 individual remediation cases China: Social security coverage project in collaboration with the *Ethical Trading Initiative*

MAIN COLLABORATIONS

Turkey	China
MUDEM RSC, Ethical Trading Initiative, İTKİB	Ethical Trading Initiative

In recent years, national and international conflicts have forced millions of people to migrate. Apart from the actions of governments, international organisations and NGOs, companies like Inditex have also adopted a proactive approach to tackling the personal and employment difficulties faced by people in this situation.

Through our Code of Conduct for Suppliers and Manufacturers we promote regular work characterised by compliance with local legislation on labour and social security, as well as with the main international standards.



PREVENTION
Evaluation of all factories with a special focus on **migrant workers**

AWARENESS RAISING
Training for **90 suppliers** in Turkey

TRAINING
"Promising Future" project on social security in China

REMEDIATION
155 individual cases with the **Refugee Support Centre** in Turkey

Workers at one of our suppliers in Portugal

Migration can lead to some workers experiencing a situation of vulnerability in which their social and labour rights are affected by their migrant status. Inditex will not allow any of the workers in its supply chain to be exploited, and the company pays special attention to the working conditions of migrants. The application of this policy begins with the training of the internal sustainability team to detect potential irregularities, the implementation of programmes to support migrants and refugees, and the application of solutions that guarantee decent working conditions for migrant workers.

Turkey is one of the main recipient countries for migrants and refugees in recent years, as well as being one of our most important production areas. For this reason, in 2017 we continued with the migrant and refugee remediation programmes initiated in 2016 in collaboration with the NGO *Refugee Support Center/MUDEM*. With the support of that organisation, we carry out an individual study of the working situation of each migrant detected in the supply chain in order to attend to their needs and support them and their families to guarantee their well-being. In 2017, some 155 advice and remediation cases were initiated.

Meanwhile, a seminar was organised for suppliers with the title *Integration of the Syrian Refugees under Temporary Protection into the Turkish Labour Market* in collaboration with the *Ethical Trading Initiative*, local NGOs under the auspices of the UN Refugee Agency (UNHCR) and the *ITKIB-Exporters' Association*.

The aim of this seminar was to train and raise awareness among suppliers regarding refugee issues, regular employment, the regulations in force on work permits, and the initiatives and programmes of the UNHCR. The main focus of the seminar, which was attended by 90 Inditex suppliers, was the importance of integrating migrants and refugees into the workplace.

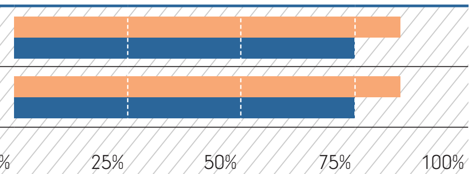
Another country where we have created specific programmes on migration is China, based on the country's high levels of internal migration. In 2017, and in collaboration with the *Ethical Trading Initiative*, Inditex developed the *Promising Future* project, which involved the creation of a video explaining social security coverage to workers in China with a view to raising awareness among suppliers and workers in this area.

2.7. TRAINING AND AWARENESS

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

SDG

STRATEGIC OBJECTIVE 2014-2018	DEGREE OF COMPLIANCE (2017, 2016)
Regular and systematic training for all auditors using the "train the trainer" system	
Regular training programme for 100% of suppliers and manufacturers	



KEY PERFORMANCE INDICATORS 2017

TRAINING AND AWARENESS	28 members of the sustainability team trained 121 auditors trained 242 buyers trained on responsible purchasing 1,122 suppliers trained and 754 individual sessions

MAIN COLLABORATIONS

Global	ACT Action Collaboration Transformation Internal programme

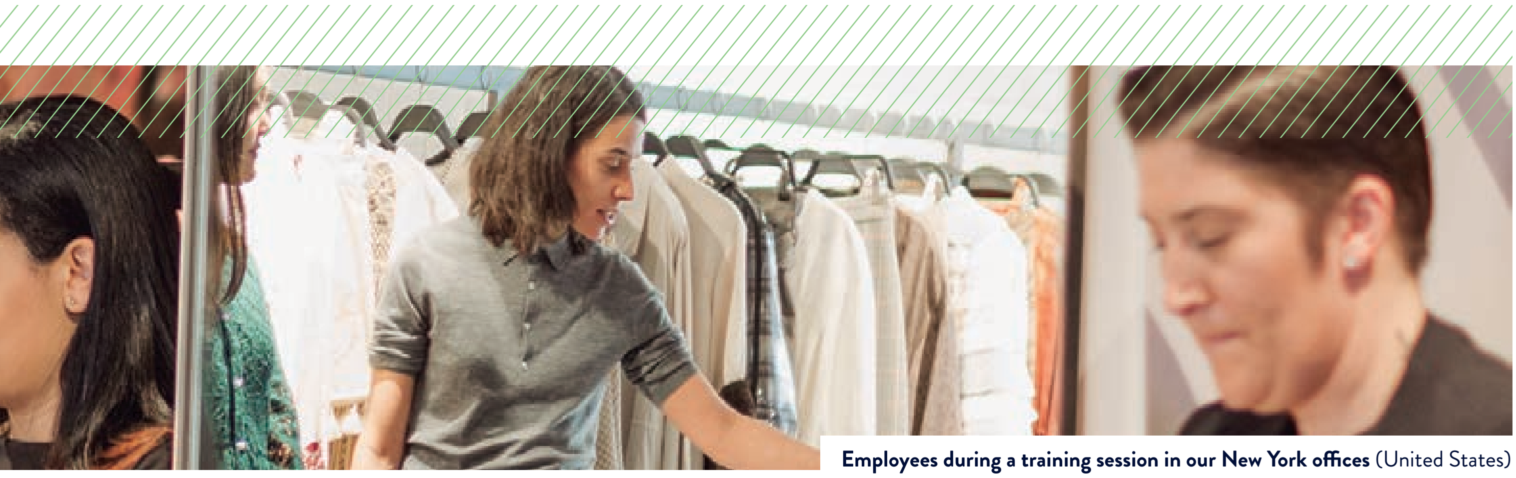
One of the key elements of Inditex's strategy in the supply chain is the exchange of knowledge. This exchange of knowledge takes place within our purchasing teams, with our different sustainability teams, with external auditors and suppliers, to whom we provide training and awareness raising. All of these activities help us to replicate best practices and share our learnings.

We also give special importance to the integrity of our own teams and our external auditors and suppliers. That is why we have developed protocols to prevent, identify and mitigate any breaches. Those protocols are coordinated with external auditors and transmitting them to suppliers as a fundamental value.

2.7.1. SUSTAINABILITY TEAMS

Our teams include qualified social auditors, Human Rights experts and other technical specialists. A total of 28 members of our sustainability teams were trained in 2017 on matters such as traceability, SA8000 standard and data protection.

All of the sustainability teams located in our 12 supplier clusters are in constant contact so that they can implement policies and programmes in a more coordinated way. They also work together at annual conferences to share best practices and design future strategies and lines of action. These global meetings form the basis of subsequent



Employees during a training session in our New York offices (United States)

Training and awareness raising for all actors involved in the supply chain is fundamental to guaranteeing its sustainability

collaboration between countries, helping to expand on the knowledge gained in local supply chains. For example, our teams in India, Portugal and Cambodia received training in 2017 from the Chinese team on the *LEAN* project, which was launched in China three years ago. As a result, the project will be extended to these three countries in 2018.

These annual meetings also saw participation from representatives of the ILO, who helped to give a broader understanding of collaboration with that organisation, as well as experts in Human Rights from SHIFT.

In turn, local teams train external auditors who help us to assess factories.

2.7.2. EXTERNAL AUDITORS

The experts that carry out audits for Inditex belong to prestigious, specialist companies with a vast experience in the field of social auditing. Some 121 external auditors received training last year. Moreover, in 2017 we updated our methodology of social auditing, incorporating best practices and taking another step towards the integration of this kind of assessment into corporate purchasing systems.

2.7.3. SUPPLIERS

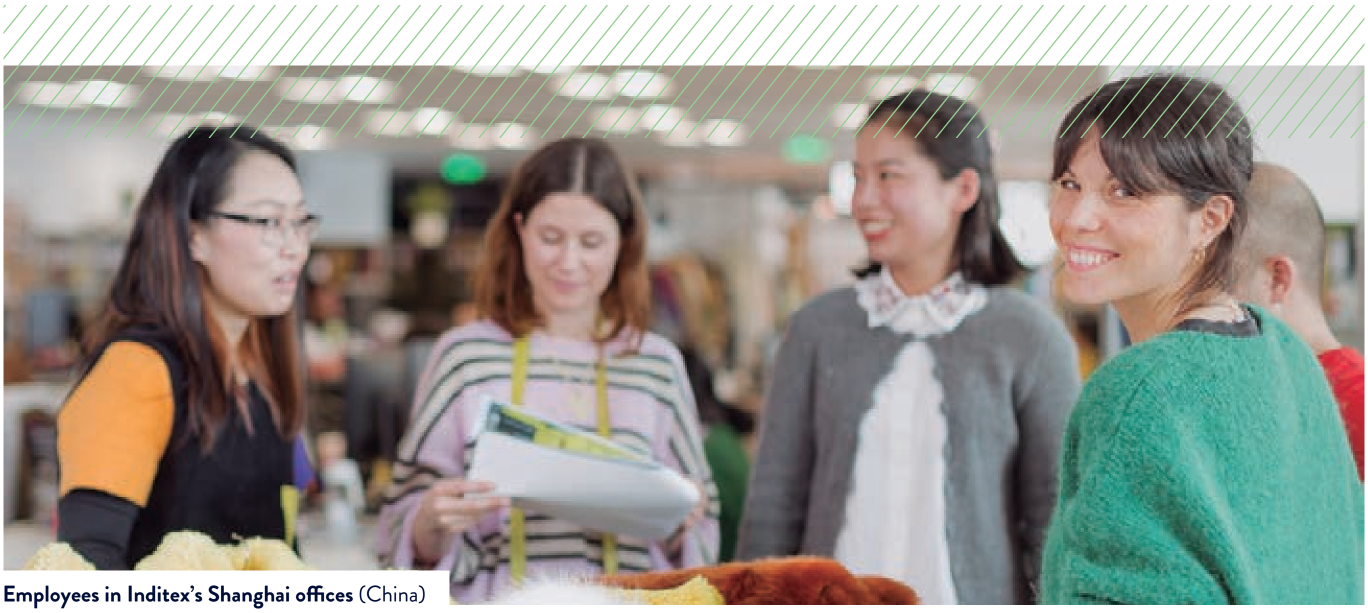
Another key part of our supplier relations is training and awareness raising, to ensure that our suppliers participate in the values and procedures linked to a sustainable management of the supply chain so that they can also pass these values and procedures on in their own environments. We engage in two kinds of training activities with our suppliers: group and individual sessions. Both contribute added value to our relationships with suppliers, bringing us closer to them and encouraging clear communications. These training sessions are focused on topics such as the Code of Conduct for Manufacturers and Suppliers and our sustainability policies and procedures. Training sessions may also deal with more specific topics, tackling particular programmes within the *Workers at the Centre* strategy. In 2017, some 1,122 suppliers were trained and some 754 individual sessions carried out.

2.7.4. PURCHASING TEAMS AND OTHER AREAS

Our purchasing teams are involved in ongoing awareness-raising activities to integrate sustainability into our business model. Thanks to the programmes developed, some 104 buyers at head offices have been trained on responsible purchasing practices. Moreover, all new employees receive a training plan that includes sessions on Social and Environmental Sustainability, Product Health and Safety, and Social Investment. In the case of recruits to head offices, new employees receive our *Hello* pack, which gives sustainability a central role.

Meanwhile, local sustainability teams have carried out 39 training activities about social sustainability and Human Rights for 138 buyers in local offices in China, Bangladesh, Turkey and Argentina.

Since 2017, some 66,000 employees in stores and local offices have access to a new online training programme where they can learn about issues concerning Inditex's sustainability policy.



Employees in Inditex's Shanghai offices (China)

3. STRATEGIC PLAN FOR THE SUPPLY CHAIN 2014-2018: OVERVIEW 2017

We approved our Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018 in the year 2013. With our strategic plan we reiterate our commitment to the United Nations Guiding Principles on Business and Human Rights. The plan has four lines of action (identification, assessment, optimisation and sustainability) and provides a roadmap with objectives and activities that have guided our activity to guarantee the social sustainability of our supply chain.

The activities developed within each of the lines of action and along with the *Workers at the Centre* programmes have contributed to the achievement of, with one year still to go, practically all of the specific objectives contained in the plan.

STRATEGIC PLAN FOR A STABLE AND SUSTAINABLE SUPPLY CHAIN 2014-2018

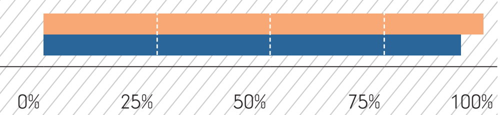
	LINES OF ACTION			
GOALS	IDENTIFICATION	ASSESSMENT	OPTIMISATION	SUSTAINABILITY
Monitoring	Traceability	Compliance Programme	Effective auditing	Mature relationships with suppliers and a holistic approach
Training	Training for auditors	Worker participation	Training for suppliers	
Continual improvement	Audit quality	Corrective Action Plans	Consolidation of the supply chain	
Commitment to stakeholders	Effective and efficient reference partners with whom Inditex can share best practices and create shared strategies			

3.1. IDENTIFICATION OF THE SUPPLY CHAIN

STRATEGIC OBJECTIVE 2014-2018

DEGREE OF COMPLIANCE

Verification of the traceability of production



INDITEX SUPPLY CHAIN IN 2017 (*)

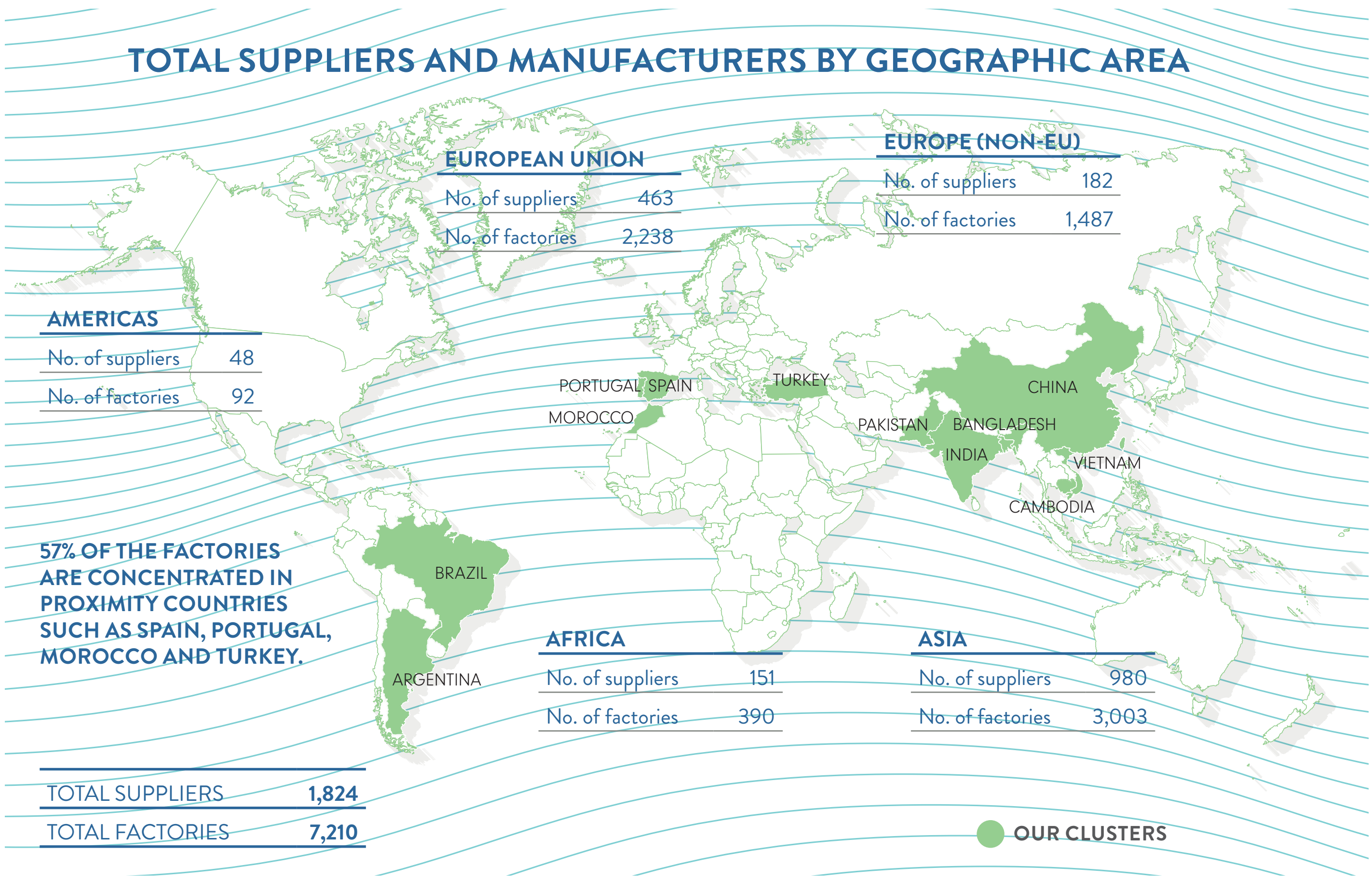
Geographic area	Suppliers with purchase in 2016	Suppliers not used in 2017	New suppliers in 2017	Suppliers with purchase in 2017
Africa	141	15	25	151
Americas	65	24	7	48
Asia	938	191	233	980
Europe (non-EU)	179	43	46	182
European Union	482	85	66	463
TOTAL	**1,805**	**358**	**377**	**1,824**

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

TRACEABILITY AUDITS 2017

Geographic area	Nº of audits
Africa	485
Americas	664
Asia	513
Europe (non-EU)	927
European Union	32
Total	**2,621**

+ See page 70 of this Annual Report.

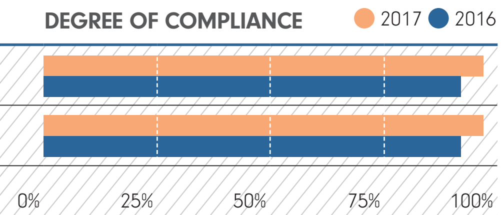


3.2. ASSESSMENT OF THE SUPPLY CHAIN

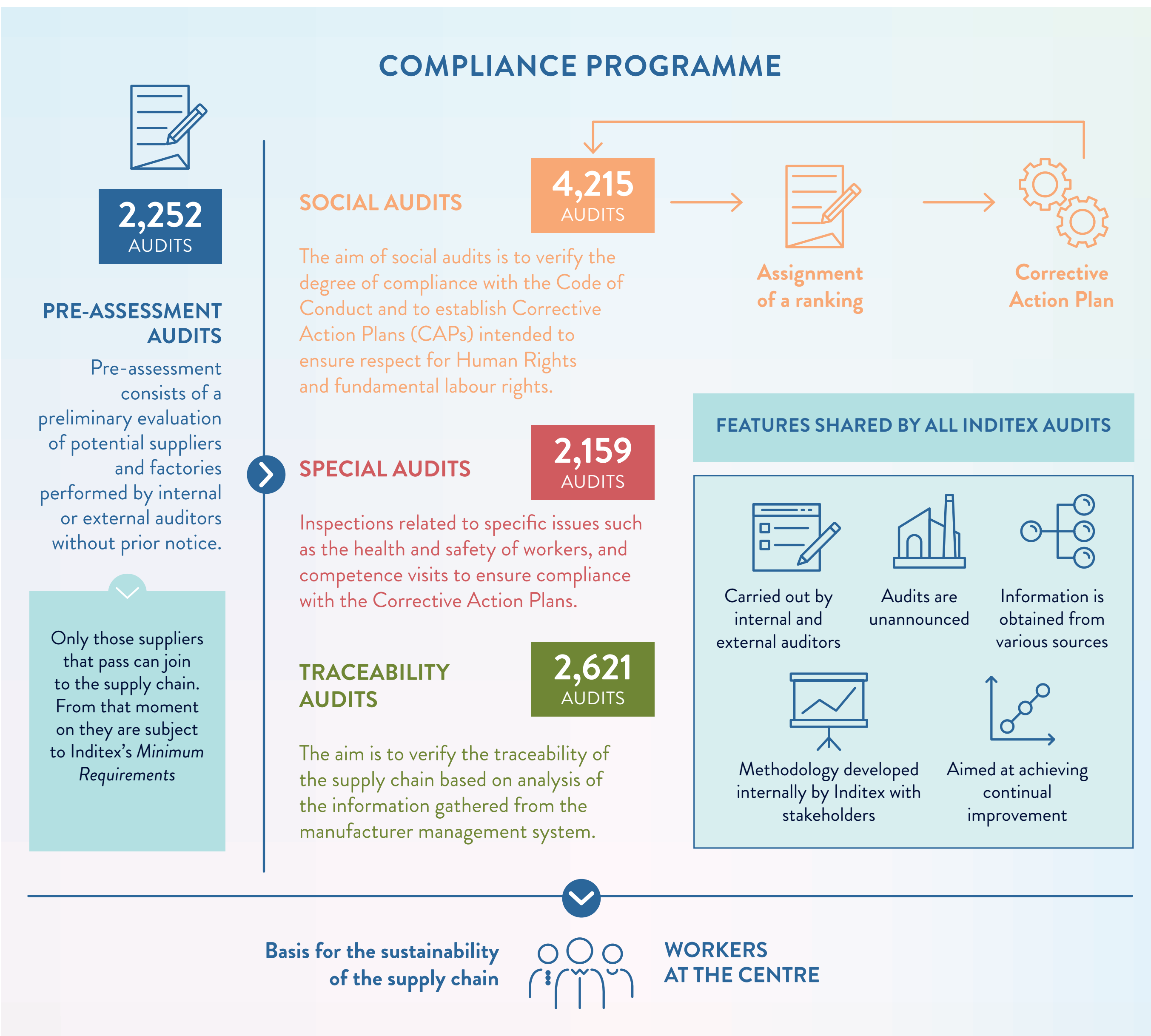
STRATEGIC OBJECTIVE 2014-2018

Auditing system designed to evaluate and improve management methods

Ensure sustainable compliance with the Code of Conduct for Manufacturers and Suppliers



Inditex's Code of Conduct for Manufacturers and Suppliers Compliance Programme is a key tool for ensuring that all the companies in Inditex's supply chain comply with the Code of Conduct. This programme encompasses the different actions designed to assess and optimise all factories and suppliers with a permanent focus on improving the social and working conditions of employees. Thus, the Compliance Programme is the basis for all of the initiatives we develop to protect and promote Human Rights and labour rights for workers, which go far beyond mere monitoring and assessment of these rights.



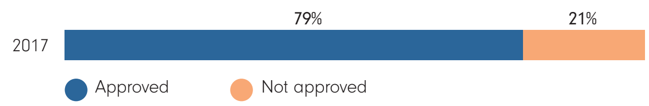
AF6, AF16

Even before they belong to Inditex's supply chain, all suppliers and manufacturer are subject of a *pre-assessment audit* to verify compliance with Inditex's Code of Conduct for Manufacturers and Suppliers and make sure that only those complying can join our supply chain.

PRE-ASSESSMENT AUDITS IN 2017

Geographic area	Nº of audits	% Approved
Africa	97	77%
Americas	19	68%
Asia	1,551	75%
Europe (non-EU)	275	84%
European Union	310	95%
Total	**2,252**	**79%**

RESULTS OF *PRE-ASSESSMENT* AUDITS



In 2017 some 2,252 *pre-assessment* audits were carried out, of which some 79% had an approved result, meaning that the company involved can receive orders from Inditex's purchasing teams and, from that moment, is subject of the standards set out in the document *Inditex Minimum Requirements*, which includes requirements related to social issues, traceability, and product health and safety.

Following the *pre-assessment* audit, regular social audits are carried out to assign a rating to suppliers depending on their level of compliance with the Code of Conduct. These audits form the basis for the creation of Corrective Action Plans (CAP) (where breaches of the Code are detected) and they are a vital source of information for developing other improvement activities such as the programmes of the *Workers at the Centre* strategy.

SOCIAL AUDITS IN 2017

Geographic area	Nº of audits
Africa	265
Americas	91
Asia	2,012
Europe (non-EU)	787
European Union	1,060
Total	**4,215**

Social audits are mainly carried out by external auditors, and their regularity varies depending on the rating obtained, with a maximum of two years between each audit. The method used for this type of audit is always the same, regardless of the rating obtained by the supplier or factory, because at Inditex we have our own social audit methodology. This was developed jointly by Inditex, IndustriALL Global Union, the *Cambridge Centre for Business and Public Sector Ethics* and the University of Northumbria (United Kingdom).

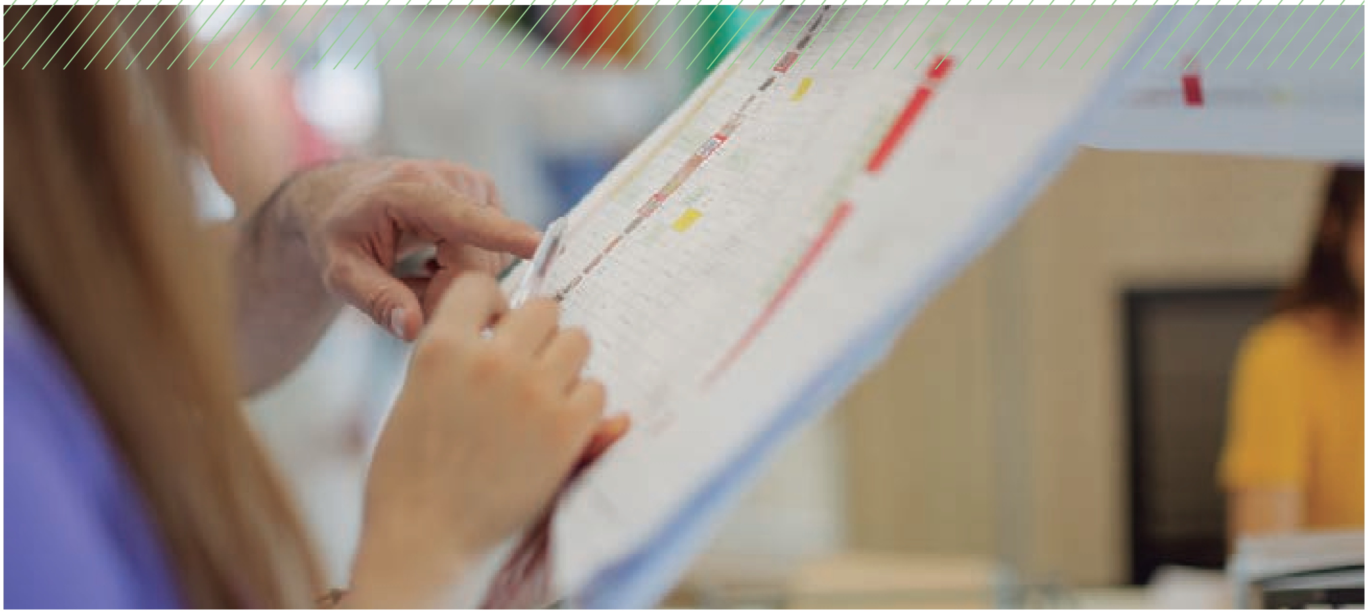
One essential element of the social audit are interviews with workers and their trade union representatives. These interviews allow the auditor not only to compare the information obtained from other sources but also to gain a clear vision of the real picture of the factory. The other phases of the process involve documentation review, inspection of the facilities and interviews with management. Overall, these elements make it possible to carry out a detailed assessment, verifying the factory's level of compliance with the Code of Conduct.

In 2017, 95% of production was carried out by suppliers with an A or B rating – those suppliers with the higher ratings within Inditex's own methodology. This demonstrates that we have maintained our high standards of compliance within the supply chain.

CLASSIFICATION OF SUPPLIERS WITH PURCHASE IN 2017

	2017		
Classification (*)	Suppliers	% Suppliers	% Production
A	661	36%	37%
B	962	53%	58%
C	101	5%	2%
CAP	71	4%	2%
PR	29	2%	1%
Overall total	**1,824**	**100%**	**100%**

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



UPDATE OF THE SOCIAL AUDITS METHODOLOGY

In 2017 we updated our auditing questionnaire, which is a key component of our social audits since it allows the auditor to assess compliance of all aspects of the Code of Conduct for Manufacturers and Suppliers. Modifications also include the updating of the rating system. The new questionnaire assigns ratings automatically based on the responses given by the auditor. The rating assesses compliance with each section of the code, increasing the objectivity of the result. The evaluation of breaches has also been reviewed to increase strictness when it comes to giving a rating in order to advance on the continual improvement of our supply chain.

UPDATING OF THE SOCIAL AUDIT QUESTIONNAIRE

What did we base it on?

- Best practices, lessons learned and proposals from all of the local sustainability teams.
- Experience accumulated since the previous review.
- Experience with the implementation of the Global Framework Agreement with IndustriALL Global Union.

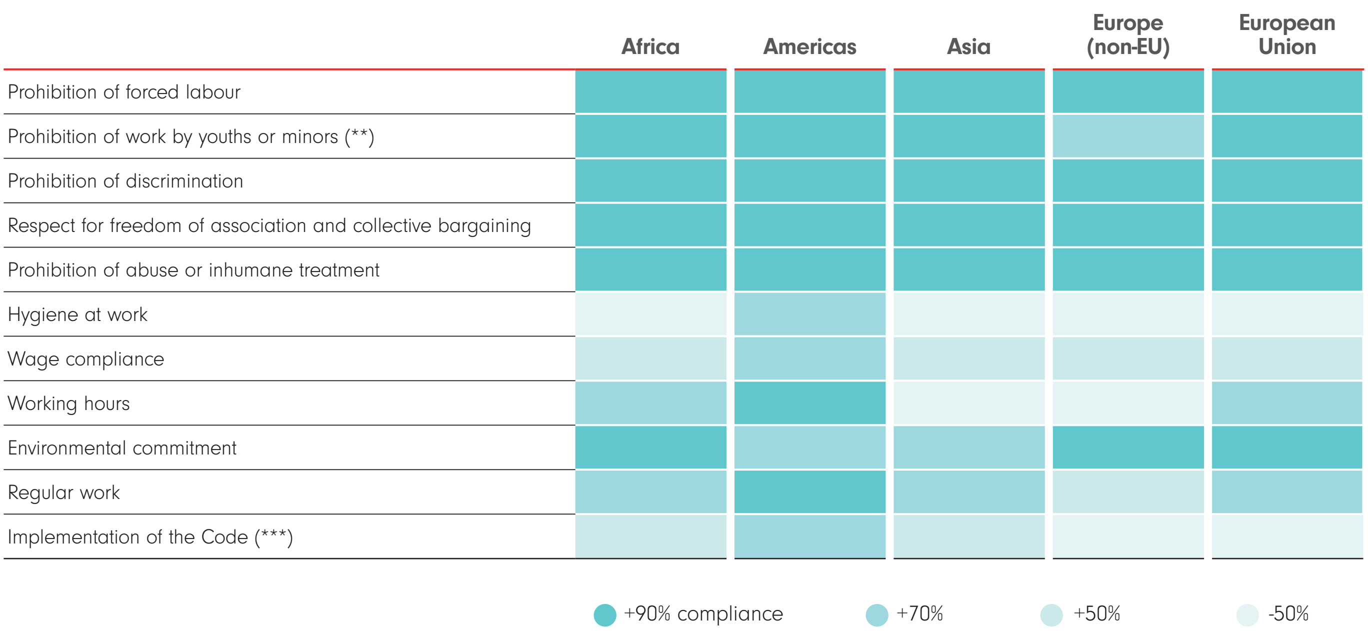
IMPROVEMENTS INTRODUCED INTO THE QUESTIONNAIRE

Completeness	The questionnaire guides the auditors through the auditing process, and does not allow them to omit any aspect of that process.
Ratings system	The objectivity of ratings has increased.
Final report	The final report is generated automatically based on the information gathered in the questionnaire. The auditor fills in the information on corrective measures.
Audit duration	Its easy-to-use format reduces the time spent on paperwork.
Format	Greater ease of information processing and analysis.
Information storage	The most complete information related to each section of the Code of Conduct is stored in databases along with compliance ratings.

THE AIM OF THE AUDIT REMAINS THE SAME:
Establish the level of compliance with the Code of Conduct in Inditex's supply chain

The Workers at the Centre programmes focus on those areas and countries where analysis of the results of social audits has revealed need for special attention

PERCENTAGE COMPLIANCE WITH THE CODE OF CONDUCT IN THE ACTIVE FACTORIES (*) USED BY SUPPLIERS WITH PURCHASE IN 2017



(*) Since the questionnaire and rating system used in our social audits have been updated, the results of audits in 2017 are not comparable with previous years. For this reason only percentage compliance for active factories in 2017 is shown. Does not include the factories rejected in 2017.

(**) Includes the lack of suitable systems for checking the age of workers.

(***) Includes the lack of suitable systems for registering and informing workers.

Updating the social audit questionnaire has made it possible to achieve a more rigorous and exhaustive auditing process which has also been reflected in the percentage of compliance with the Code of Conduct by factories. This increased strictness is accompanied by advances in the development of our *Workers at the Centre* programmes, with an emphasis on those areas and countries where analysis of the results of social audits has revealed their need for special attention.

Special audits are another of Inditex's assessment tools within its Compliance Programme. These audits focus on a specific area for improvement and are carried out as a complement to social audits. Some examples of the themes that form the focus of special audits are structural assessments of factories, specific worker health and safety evaluations, the review of wet process factories to ensure that they are not using techniques that are damaging to worker health and prohibited by Inditex (such as sandblasting) or competence visits to evaluate the implementation of Corrective Action Plans.

SPECIAL AUDITS IN 2017

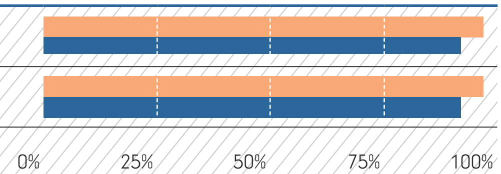
Geographic area	Nº of audits
Africa	142
Americas	82
Asia	1,700
Europe (non-EU)	163
European Union	72
Total	**2,159**

3.3. OPTIMISATION

STRATEGIC OBJECTIVE 2014-2018 | **DEGREE OF COMPLIANCE** 2017 2016

Corrective Action Plans targeted at improving management systems, with self-assessment and worker participation

Establish and maintain stable relationships of trust with suppliers



By assessing our supply chain to know and analyse its strengths and weaknesses in order to make improvements, increase its sustainability and optimise the working conditions of the more than 2 million workers involved. Thus, the quest for improvement is an ongoing task with suppliers and factories. In this sense, and throughout our commercial relations with the supplier, we provide them with support and advice, working with them to optimise their own supply chain, benefiting the workers within that chain.

While supplier and manufacturer assessment via audits is the first step in the Compliance Programme the most natural subsequent step is the correction and remediation of all aspects deemed in need of improvement. Therefore, immediately following a social audit that detects any kind of breach, we implement a Corrective Action Plan that establishes all the measures the factory will need to take to correct that situation, as well as the time available for that task, which will be more or less restrictive depending on the seriousness of the breach and whether it can be easily resolved. Only by working in a collaborative way with suppliers and factories we can achieve the greatest possible benefit for workers, given that if we directly severed relations with a company when faced with any kind of breach, their workers would be left without any kind of protection, and no remediation would be provided to them where due.

CORRECTIVE ACTION PLAN

WHY IS IT CARRIED OUT?

Breaches are detected during a social audit

WHAT IS THE OBJECTIVE?

Support and guide the factory so that they can resolve all breaches

WHO LEADS THE PROCESS?

Inditex Sustainability teams

WHO ELSE PARTICIPATES?

Factory

Supplier

Purchasing teams

Other entities (NGOs, trade unions, and so on)

WHAT ACTIVITIES ARE INCLUDED IN THE PLAN?

Direct monitoring and ongoing contact

Collaboration with relevant entities

Regular meetings

Competence visits

WHEN AND HOW DOES IT END?

Follow-up social audit to verify whether breaches have been corrected

Allocation of new ranking

Supplier rejection

During the Corrective Action Plan, sustainability teams collaborate with the supplier to offer them advice and support, as well as monitor whether the measures detailed in the plan are going to be completed on time. In this sense, it is very important that purchasing teams participate in the process. Apart from these internal teams, other stakeholders may participate in plans, including NGOs, trade unions or other civil society organisations. In 2017, external collaboration on the development of plans involved entities including IndustriALL and its local members, the Association for Supporting Contemporary Life (Çağdaş Yaşamı Destekleme Derneği - ÇYDD) in Turkey and the NGO Pratham in India.

Inditex uses its own internal Corrective Action Plan procedure which, while it gives a certain margin for adaptation to the situation of each factory, contains certain standard actions applicable in all cases. The most important of these is the performance of a competence visit in which Inditex's internal teams can assess the level of compliance with the Plan before it comes to an end. This means that where the improvement has not been sufficient there is still a margin for correction. In 2017, some 512 competence visits were carried out.

In cases where there are breaches of the most sensitive aspects of the Code of Conduct the duration of the Corrective Action Plan is restricted to 6 months, while monitoring from our internal teams is much more exhaustive. Once this period is over, a new social audit is carried out to verify whether the corrections required have been implemented. If during this audit it is found that the Plan has not been fulfilled, the factory or supplier will be rejected and will no longer be allowed to produce for Inditex. In 2017, a total of 514 factories with breaches of sensitive aspects of the Code of Conduct initiated a Corrective Action Plan, while 121 of those have already demonstrated improvement.

The philosophy for improvement contained in the Corrective Action Plans is applicable to all of our actions involving suppliers. In this respect, we give opportunities to improve and offer our support to achieve that improvement. However, we also have an attitude of zero tolerance to those who do not take advantage of opportunities to improve and fail to comply with the Code of Conduct or the fundamental requirements of our Group. In fact, of the 64 suppliers blocked in 2017, a total of 33 were rejected for failing to comply with some aspect of the Code of Conduct, which demonstrates how sustainability is at the centre of our business, including purchasing decisions. Blocking a supplier is a last resort, since our objective is to ensure that relations with our suppliers are constant and long-lasting, characterised by the mutual trust that upholds a stable and sustainable supply chain.

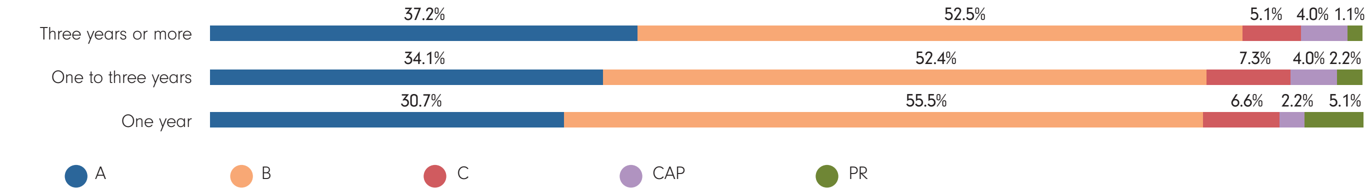
SUPPLIERS REJECTED IN 2017

Geographic area	Suppliers with purchase (*)	Rejected due to breach of the Code of conduct	Rejected for commercial reasons	Active suppliers at 31/01/2018
Africa	151	2	1	148
Americas	48	2	4	42
Asia	980	10	21	949
Europe (non-EU)	182	14	3	165
European Union	463	5	2	456
Total	**1,824**	**33**	**31**	**1,760**

(*) 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.

At Inditex we make great efforts to strengthen relations with our suppliers, communicating with them every day to give them advice, resolve their queries and offer our support where necessary. This communication and collaboration work begins when a supplier enters our supply chain. Indeed, we regularly organise training sessions for new suppliers so that they can familiarise themselves with our policies, standards and requirements. Proof that this daily work from the start of our relations with suppliers is beneficial not only to them but also to the well-being of their workers is that supplier ratings improve the longer a supplier works with Inditex. Those that have been part of our supply chain for more than three years tend to achieve the highest level of compliance with our Code of Conduct.

SUPPLIER CLASSIFICATION ACCORDING TO YEARS OF COMMERCIAL RELATIONSHIP WITH INDITEX (%)(*)



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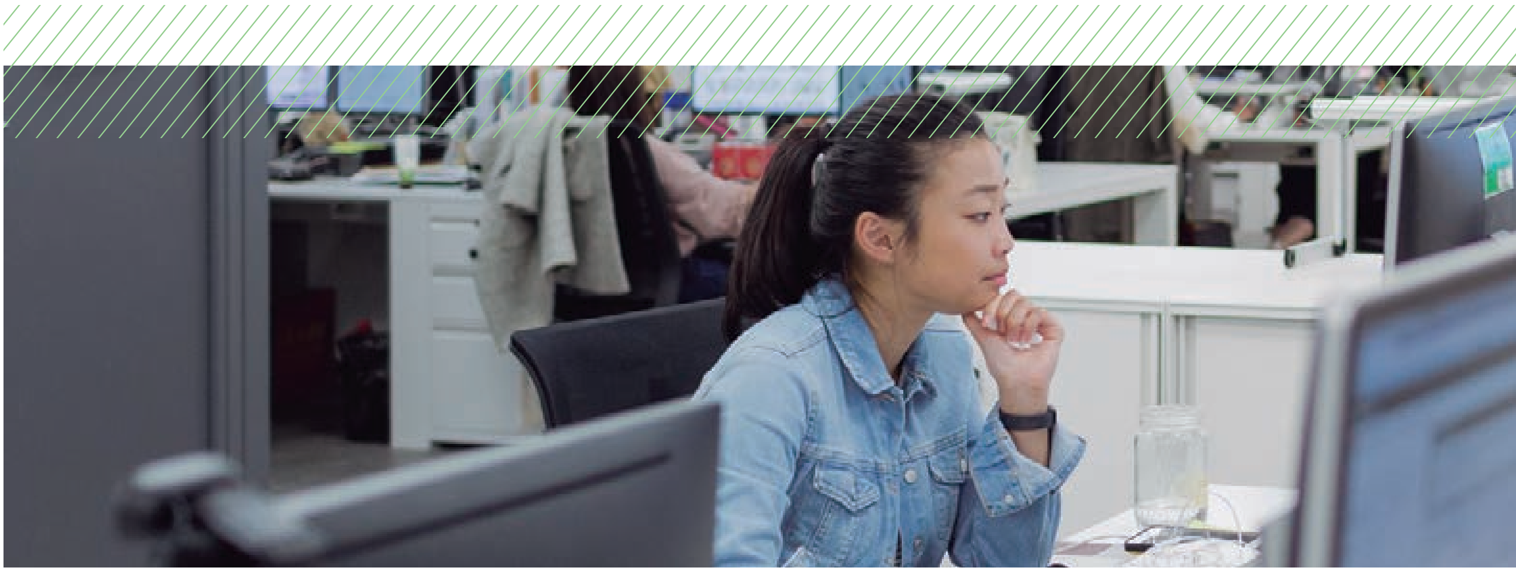
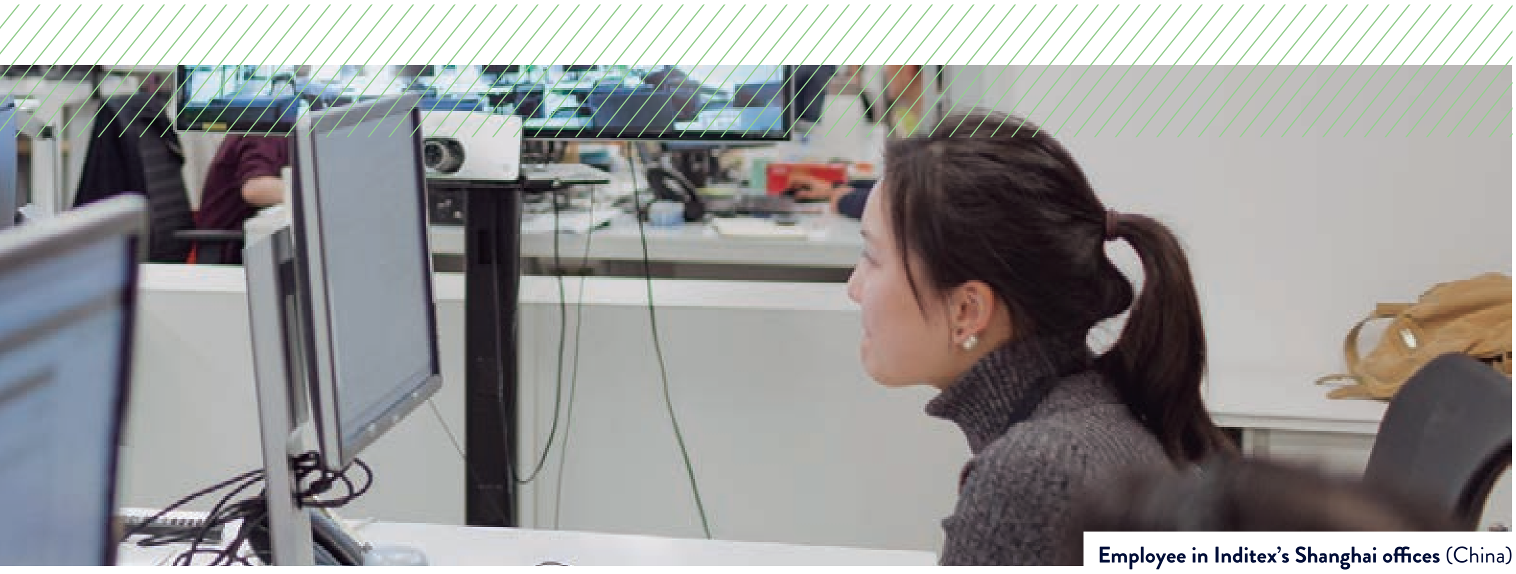


3.4. SUSTAINABILITY

ACTIVITIES IN CLUSTERS IN 2017

	Spain	Portugal	Morocco	Turkey	India
IDENTIFICATION					
Traceability audits	Coordination/Strategy	32	485	927	57
Suppliers with purchase during the year	198	161	130	177	131
Active factories during the year	447	1,344	310	1,459	382
Workers in active factories	10,553	49,694	77,946	213,711	217,608
ASSESSMENT					
Audits					
Pre-assessment	39	158	71	265	167
Social	75	856	215	752	404
Special	0	72	142	163	417
Supplier ranking					
A suppliers	102	77	53	59	51
B suppliers	71	76	54	83	54
C suppliers	8	1	8	15	23
Suppliers with CAP	3	5	13	15	3
OPTIMIZATION					
Corrective Action Plans	-	64	59	185	41
Suppliers trained	34 suppliers trained in individual sessions	8 suppliers trained in individual sessions	80 suppliers trained in individual sessions	201 suppliers trained and 90 individual sessions	211 suppliers trained and 96 individual sessions
SUPPLIERS					
Workers at the centre programmes	- Coordination of the global strategy and support for all programmes	- Worker participation - Occupational health and safety - Training and awareness	- Worker participation - Women empowerment - Occupational health and safety - Training and awareness	- Worker participation - Living wages - Responsible purchasing practices - Women empowerment - Protection of migrants - Training and awareness	- Living wages - Women empowerment - Occupational health and safety - Training and awareness
Collaboration with and participation of stakeholders	- UN Global Compact - *Ethical Trading Initiative* (ETI) - IndustriALL - *Action Collaboration Transformation* (ACT) - International Labour Organisation (ILO)	- Universidade Católica do Porto - Universidade do Minho - Autoridade para as Condiçoes do Trabalho - IndustriALL	- IndustriALL Global Union - Médicos Mundi Andalucía - Unión de la Acción Feminista - Provincial national education directorate in Tangier - Fundación ETEA	- Association for Supporting Contemporary Life (ÇYDD) - Refugee Support Center (MUDEM) - IndustriALL Global Union - International Labour Organisation (ILO) - *Action Collaboration Transformation* (ACT) - ITKIB -Exporters' Association - *Ethical Trading Initiative* (ETI)	- SAVE - St. John's Medical College - SWASTI - Pratham, Council for Vulnerable Children



Employee in Inditex's Shanghai offices (China)

Pakistan	Bangladesh	Vietnam	Cambodia	China	Brazil	Argentina
-	83	119	48	206	90	574
45	114	5	2	425	12	37
107	296	145	127	1,866	44	67
161,950	541,029	151,395	126,529	406,733	11,328	4,355
54	74	62	46	1,078	11	7
92	202	120	76	1,052	34	50
71	882	15	44	271	68	14
15	46	4	1	64	12	32
26	58	1	1	319	-	5
1	5	-	-	29	-	-
7	5	-	-	12	-	-
25	18	10	2	106	-	4
-	231 suppliers trained and 183 individual sessions	3 suppliers trained in individual sessions	-	479 suppliers trained and 181 individual sessions	-	-
	- Worker participation - Responsible purchasing practices - Occupational health and safety - Training and awareness	- Worker participation - Living wages - Training and awareness	- Living wages	- Living wages - Responsible purchasing practices - Occupational health and safety - Protection of migrants - Training and awareness		- Responsible purchasing practices - Training and awareness
- Buyers Forum Pakistan	- BGMEA - BKMEA - *Ethical Trading Initiative* (ETI) - *Accord on Fire and Building Safety in Bangladesh* (Accord)	- *Action Collaboration Transformation* (ACT) - IndustriALL Global Union	- *Action Collaboration Transformation* (ACT)	- International Labour Organisation (ILO) - *Ethical Trading Initiative* (ETI) - EHSA Center of Ling'nan University	- International Labour Organisation (ILO)	- National Institute of Industrial Technology (Instituto Nacional de Tecnología Industrial, INTI)

Store assistant in Stradivarius Moscow (Russia)

EXCELLENCE OF OUR PRODUCTS

RELATED SUSTAINABLE DEVELOPMENT GOALS		INDITEX'S CONTRIBUTION
3 GOOD HEALTH AND WELL-BEING	**Goal 3:** Ensure healthy lives and promote well-being for all at all ages.	Our commitment to the excellence of our products is guided by the most demanding health and safety standards, in addition to our Join Life standard and our environmental commitment in our supply chain, Green to Wear. During 2017, we also continued to work on our The List by Inditex programme, with the aim of including new chemical products classified according to a higher number of restricted substances.
6 CLEAN WATER AND SANITATION	**Goal 6**: Ensure availability and sustainable management of water and sanitation for all.	Water is a key resource for the production of our raw materials and their industrial processing. At Inditex, we are working to reach Zero Discharge of Hazardous Chemicals in 2020. We monitor the compliance with this commitment by our suppliers and their production chains is carried out continuously through environmental audits and Ready to Manufacture.
9 INDUSTRY, INNOVATION AND INFRASTRUCTURE	**Goal 9.** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	The application of the Ready to Manufacture and Green to Wear programmes ensures compliance with our environmental and product health and safety standards during production, with less consumption of energy, water and chemical products. Moreover, the programme The List by Inditex includes a commitment to the chemical industry aimed at promoting progressive improvement in its production and the consequent reduction in restricted substances in them.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Goal 12:** Ensure sustainable consumption and production patterns.	Through the Green to Wear programme and the Join Life labelling standard, we favour environmentally sustainable behaviour in our supply chain, encouraging best production practices, favouring the efficiency of resources and minimising and improve waste management.
15 LIFE ON LAND	**Goal 15:** Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.	The Global Biodiversity Strategy and the Forest Product Policy recognise our commitment to the conservation of nature and forest ecosystems. In 2017, we continued to increase our use of more sustainable raw materials, as well as the promotion of more efficient production techniques, seen in the production of clothing that is more sustainable and environmentally friendly, grouped under our Join Life label.

Every day, we work to offer our customers products with the highest standards of quality, health and safety. The introduction of sustainable raw materials from the design phase and the promotion of best practices through the Join Life label at Zara, Massimo Dutti and Oysho are in conjunction with constant production control and monitoring work.

1. SUSTAINABLE PRODUCTS

To respond to the exigent demands of our customers and offer them the products they want, we work every day to ensure the products we commercialise meet the highest standards of health, safety and sustainability.

We focus on incorporating more sustainable fibres and raw materials in our collections, right from the design phase. During 2017, we released almost 58.7 million organic cotton garments, 60% more than the previous year.

In addition to organic cotton, we continued to promote the use of more sustainable raw materials, such as TENCEL™ Lyocell and recycled polyester, polyamide, cotton and wool. This year, we have also incorporated new materials like sustainable European grown linen and new sustainable viscose fibres.

In the same way, we have also been making progress in the programmes and standards that help us ensure that our products are safe, healthy and environmentally sustainable. Thus, we have created new health standards, we have made progress in the production improvement programmes and increased the number of substances we regulate through The List programme, increasing the number of environmental assessments on our suppliers and the number of manufacturers that follow the best practices recognised in the Ready to Manufacture code.

At the same time, we have been increasing the number of garments labelled as Join Life, which identify the collections characterised by being made from more sustainable raw materials and using the best production technologies. In 2017, we put 73.6 million Join Life garments released, 65.9% more than the previous year.

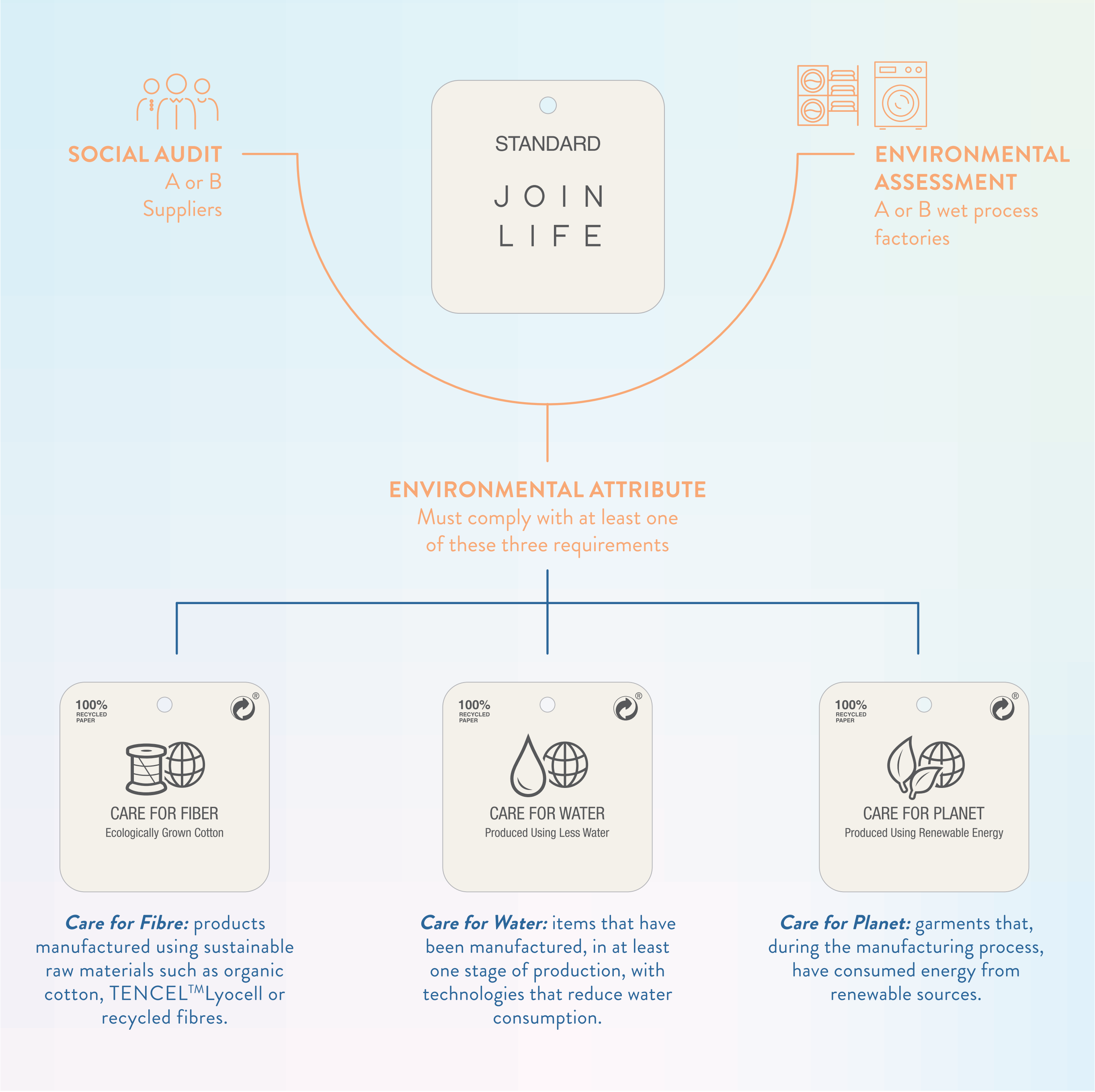
During 2017, Massimo Dutti joined to Zara in the commercialisation of these garments, made in factories with A or B ratings both in social audits and in environmental assessments, and that incorporate particularly sustainable raw materials. These are garments manufactured using technologies that reduce water consumption or that are made in facilities that have a lower impact on the environment.

2. JOIN LIFE

The Join Life label is used on the garments that are produced using the best processes and more sustainable raw materials, so that our customers can identify them easily. In 2017, we put over 73.6 million more sustainable garments on sale, labelled as Join Life - at Oysho, Weare the Change.

The products labelled under this label must comply with the following requirements:

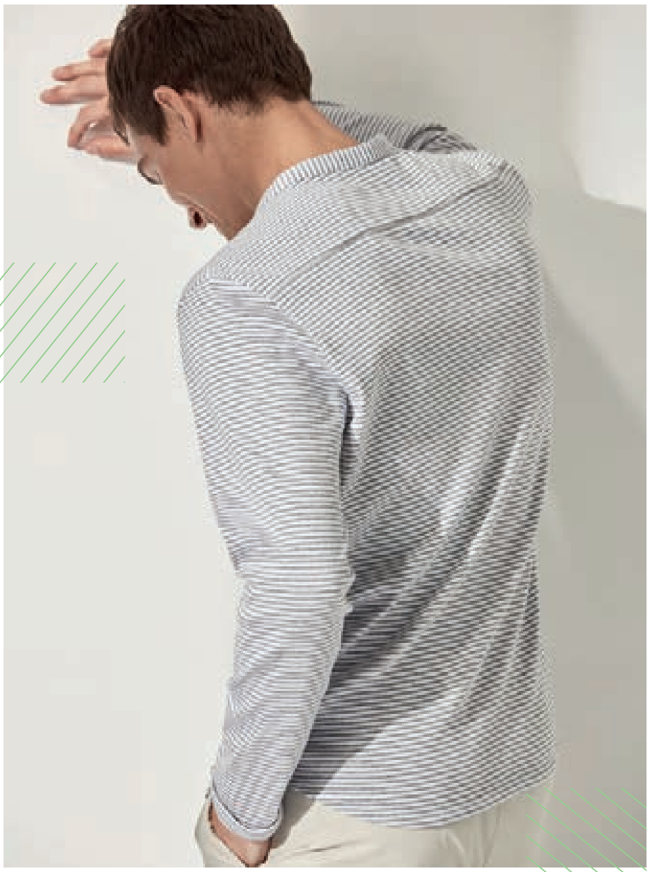
- Garments produced by suppliers that have achieved A or B qualification in the social audit.
- All wet process factories involve in the manufacturing process (laundries, tanneries or printing or dyeing facilities) must have passed our environmental assessments and received A or B classification.
- Environmental attributes: these products are manufactured using raw materials or production techniques of environmental excellence.



73.6 million garments under the Join Life label in 2017

ZARA: **67.9** MILLION GARMENTS

MASSIMO DUTTI: **68,953** GARMENTS



OYSHO: **4.9** MILLION GARMENTS

The more sustainable garments sold by Oysho are identified as Weare The Change. At the moment, Oysho is making the transition to the Join Life label.

OUR COLLECTIONS

During this financial year, we continued to promote the Join Life collections, which are produced according to the best processes and using more sustainable raw materials. So, in 2017, Massimo Dutti joined Zara and Oysho in using a label identifying its more sustainable garments.

In addition, the Zara Join Life commercial offer increased 60,5% this year, from 42.3m garments in 2016 to 67.9m garments this year accounting for 8% of garments sold by the brand. We have also been working to continue to expand this initiative to the rest of our brands.

In 2017, Bershka, Pull&Bear, Zara Home and Uterqüe also joined this initiative and have begun working with their supply chains in order to be able to sell Join Life garments in 2018.

103-3

OUR COMMITMENT TO MORE SUSTAINABLE RAW MATERIALS IN 2017 ALLOWED US TO ACHIEVE THE FOLLOWING RESULTS:

58.7 MILLION GARMENTS MADE USING **ORGANIC COTTON** 60% MORE THAN 2016	**9.2 MILLION** ITEMS WITH **TENCEL ™ LYOCELL** 45% MORE THAN 2016

3. 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 commercial teams and our suppliers, with the objective of advancing the use of sustainable fibres such as organically cultivated cotton 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 cotton** allows us to reduce environmental impacts as it is cultivated with more sustainable practices that use only seeds that are not genetically modified. In 2017, we commercialised a total of 58.7 million garments made from organic cotton, 60% more than the previous year.

During 2017, the Group also increased its consumption of **Tencel ™ Lyocell**. This is a fibre created from wood originating from **sustainable forests**, where the trees are cultivated in a controlled manner and there are programmes that guarantee reforestation. The production process for this fibre is carried out in a closed loop that allows the reuse of 100% of water and over 99% of the chemicals used. Inditex is the world leader in the consumption of this material, having sold 9.2 million garments of Tencel™ garments in 2017.

Moreover, we also incorporated **sustainably grown European linen** into our collections during the year. Thanks to the location of the crops, along the coast of Western Europe, the abundant rainfall means it is grown without the need for artificial irrigation. Its cultivation also reduces the use of fertilisers, thus preserving the soil and rivers.

In 2017, we also incorporated a more sustainable viscose called **Lenzing EcoVero™**. This fibre is obtained from wood from certified and controlled sources. The productive process that uses less chemicals than conventional viscose in a completely transparent way. In addition, the fibre has EU Ecolabel certification of environmental excellence.

NEW PROJECTS FOR PROMOTING ORGANIC COTTON

492	1,062	3,936
Farmers involved	Hectares cultivated	Beneficiary families

As a founding member and part of the *Investment Committee of the Organic Cotton Accelerator* (OCA), a multi-sector initiative created to foster organic cotton and benefit all, from the farmer to the consumer, in 2017, we participated in a pilot programme in India to encourage the growth of organic cotton.

We worked directly with the 492 farmers in this project, who cultivated more than a thousand hectares of organic cotton. This programme also makes it possible to improve sector traceability and transparency, at the same time as we assure demand for this type of fibre.

3.6 MILLION
GARMENTS MADE USING
RECYCLED MATERIALS

481,101
TENCEL™ LYOCELL GARMENTS MADE USING REFIBRA™ TECHNOLOGY

3.1. 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. Furthermore, the production process requires lower consumption of the chemical products associated with the treatment of virgin raw materials. For this, at Inditex, we have been working for years with companies specialised in the conventional recycling of cotton and polyester.

In 2017, we put a total of 3.6 million garments made from recycled materials on the market, which means we tripled our consumption of these fibres compared to 2016.

During the year, we also put our first collections made using the **Refibra™** technology on sale. This fibre is made from cotton waste from our garment cutting processes and wood from sustainable forests and controlled sources. This material is obtained through the **Tencel™** production process. To this end, it combines the advantages of both and reduces the need to extract virgin raw materials.

Cotton and wool can also be reused to create new fabrics using conventional or mechanical recycling processes. In this process, textile waste from natural fibres is classified by type and colour, and later shredded into small fibres, which are then used to create new threads in the same colour.

We also focused on **recycling polyester**. This process is beneficial for the environment, not only because it avoids the need to extract oil to manufacture it, but also because it reduces the quantity of waste ending up in landfills and the recycling permits a significant reduction in the consumption of water and energy.

LEADERSHIP IN SUSTAINABLE FIBRES

As a result of this strong focus on the use of more sustainable raw materials, the independent organisation Textile Exchange positioned us in 2017 as:

- World leaders in the sector in the consumption of sustainable Lyocell fibre.
- Second largest consumers of other cellulosic fibres from sustainable sources.
- Ranked fifth in the world in terms of organic cotton consumption by volume.
- Ranks fifth in terms of growth in consumption of recycled polyester.
- Sixth largest consumers of recycled cotton.

(Source: Organic Cotton Market Report 2017, Preferred Fibre Market Report 2017 and Textile Exchange).

Inditex protects primary and endangered forests

3.2. FOREST PRODUCTS POLICY

Since 2014, Inditex has had a Forest Products Policy that is applicable to all areas of our business in order to ensure that all of our activities are developed, protecting primary and endangered forests. Also, we work to ensure that all the 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.

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

PROMOTION OF MORE SUSTAINABLE FOREST FIBRES

As founders of the *CanopyStyle* initiative, promoted by the Canopy Planet organisation, Inditex and other brands in the textile sector promote the adoption of positions aligned with our philosophy of environmental respect among the main global suppliers of these fibres. In 2017, eight of the main global suppliers undertook not to use fibres from protected forests. Two of these suppliers have already guaranteed the traceability of their forest-based products through external verification, while another three have begun the process of independent verification to ensure their compliance.

We also work with the Changing Markets Foundation to ensure sustainable production of viscose along the entire supply chain. Thus, at Inditex, we support the *Roadmap towards responsible viscose & modal fibre manufacturing,* which is promoted by the foundation.

TEN YEARS WORKING TOWARDS FOREST IMPROVEMENT

For Inditex, moving towards a more sustainable business model inescapably implies undertaking a commitment to the sustainability of forests, which are a basic source of raw materials in our sector – from wood for building and furnishing stores and paper and cardboard for packaging to the forest fibres we use in some garments.

Aware of this reality, we have been working with the Galician Government and the Lourizán Forestry Research Centre since 2007, supporting the programme for genetic improvement of the main forest species in Galicia.

In addition, we have also been working since 2015 with the Galician Forestry Association to design and create a forest test that can serve as a biological carbon sink model. It can also be used as a forestry laboratory for disclosing the project results, supporting Galician foresters by transferring what was learnt through the project and defining and publishing environmental indicators for forestry and CO_2 absorption.

4. OUR COMMITMENT: CLEAN, RESPONSIBLE FASHION

Our commitment to our customers means ensuring that the products we put on sale comply with the most demanding regulations and standards in the world in terms of health and safety, as well as being environmentally responsible. To this end, at Inditex, we have our own health, safety and environmental sustainability standards, which we use for all the items we commercialise and for the suppliers we work with.

4.1. PRODUCT HEALTH AND SAFETY

In order to continue to make progress in the excellence of our products and manufacturing, at Inditex we have scientific teams and technology experts who monitor news and regulatory updates in terms of health and safety, identify the chemical products used in the industry and assess each manufacturing process used for our products. Thus, we work to ensure the highest levels of health and safety of the specific rules and regulations that apply in each country.

As a key part of this careful process, the design and preparation of our product standards allow us to go beyond the limitations of a classic Restricted Substances List, bringing in additional expertise to identify regulated substances and to control manufacturing processes, as well as proposing to use alternative technologies to avoid non-conformities. This information comes as a result of the assistance provided to our manufacturers to ensure adequate levels of production health and safety.

In 2017, we updated our health and safety standards for clothing, footwear and accessories, while also developing new standards for other types of products, such as cosmetics or products designed to be in contact with food. These new standards were developed within the general concept of **I+ (IPLUS, by Inditex Precautions and Limits for Users' Safety)**, which includes the applicable health and safety parameters, the requirements for documents and best manufacturing practices and the analysis protocols for establishing compliance with the provisions of the standards.

- ***Safe to wear*** is the Inditex standard on product safety, aimed primarily at clothing for children and babies. It ensures that our garments have the necessary characteristics for avoiding risks to the safety of the customer.
- ***Clear to wear***, our product health standard for clothing, footwear and accessories, which basically incorporates the strictest regulations worldwide on chemical substances in textile and leather goods.
- ***I+Cosmetics***: our new standard, which is mandatory for all cosmetic products, deals with regulated chemical substances that can be used in these products, as well as pH and microbiological control at all stages of production and of the final products.
- ***I+FCM*** is the new health standard which is mandatory for all our products designed to be in contact with food. Its aim is to ensure that, under normal or foreseeable conditions of use, none of the substances in the products can be transferred to the food coming into contact with them.

The aim of our strategy for 2015-2020 is to create standards in line with I+ (IPLUS) for all the types of products we commercialise, reinforcing the existing technical lists or reports. Thus, we are working to implement new I+ health and safety standards for air freshener, candles and cots throughout 2018.

Likewise, in order to comply with our environmental commitments in general and our specific Zero Discharge of Hazardous Chemicals 2020 commitment in particular, we have our own Restricted Manufacturing Substances List (RMSL) to be used for all manufactured products. It specifies the chemical substances subject to specific restriction or whose use is prohibited.

In 2017, we updated our RMSL. It now includes more than 750 substances and, in 2020, it will include all substances carrying a minimum of risk to the environment.

103-1, 103-2, AF18

Zara Join Life collection

	safe to wear	clear to wear	i+COSMETICS	i+FCM
TYPE	PRODUCT SAFETY	PRODUCT HEALTH		
SCOPE	Clothing, accessories and footwear	Clothing, fabrics, accessories, footwear and household textiles	Cosmetics	Products in contact with food
SUBSTANCES AND PARAMETERS	10	37	110	57

4.2. ENVIRONMENTAL PERFORMANCE: GREEN TO WEAR

To extend our environmental commitment to our supply chain, we devote significant resources to improving and reinforcing environmental principles. To this end, we focused on a global approach, where we promote the environmental improvement of the industry, seeking to minimise environmental impacts on ecosystems, with particular emphasis on water and the conservation of the environmental quality of river and marine ecosystems.

For this task, at Inditex, we have our Green to Wear programme, which ensures that our products are more environmentally responsible. Through this action and improvement tool, we defined the minimum requirements for responsible environmental behaviour that should be complied with by our manufacturers and suppliers (dyehouses, tanneries, faux leather manufacturers, printing mills and washing and finishing mills).

Through this Programme, we have classified our manufacturers as A, B, C or D, according to their environmental performance. The suppliers with the best results, classified as A-Best in class or as B-Good performance can opt for the Plus+ category, i.e., A+ or B+, if they use the best Green to Wear technologies in their processes.

COMMITMENT TO ZERO DISCHARGE

At Inditex, we are committed to achieving Zero Discharge of Hazardous Chemical by 2020. This aim goes beyond existing international legislation and, in order to achieve it, Inditex has drawn on the cooperation of our suppliers and the chemical industry, as well as scientists and researchers in a variety of fields.

Our preventive programmes, *The List by Inditex* and *Ready To Manufacture*, are key to achieving this aim and, furthermore, their implementation is aimed at achieving the vision called *Clean Factory* by Greenpeace in our manufacturing chain, in collaboration with our suppliers and the chemical industry colouring agents, pigments and auxiliary chemical products.

The development and introduction of these programmes have made it possible to learn more about the substances used in the textile and leather industry. Given this situation, and in accordance with the application of the Precautionary Principle by Greenpeace, Inditex has taken on the responsibility of setting up a Working Group for Safety Studies on Chemical Substances. This group is made up of scientists from the Universities of Santiago de Compostela and Pompeu Fabra, experts in safety regulations and in experimental determination and computer simulations of the safety of chemical substances. The purpose of this initiative is to prepare a comprehensive database of substances that can be used in the fashion industry using the scientific data available. The substances on which there is currently not enough scientific data will be submitted to experimental and computer assessment. The resulting database will be presented during 2018.

Inditex is committed to continually assessing the progress of Zero Discharge, through strict assessment of the level of compliance by all the units in its production chain with the RMSL and Clear to Wear (CTW). Both the Green to Wear programme and the Picking Programme are key assessment instruments in this area. The best approach for achieving this aim is cleaning the factories in the supply chain, so that when non-compliance is detected in the wastewater or in the final product, we can analyse the root cause in order to identify the source of the incident and prevent its recurrence in the future through the implementation of an action plan. The investigation is carried out by experts in textile and leather production and includes an audit of all the production facilities involved in the affected production, particularly their inventories of chemical substances and the manufacturing processes used.

In 2017, Inditex updated the Manufacturing Restricted Substances List (MRSL), worked on cases of substitution of substances included in the MRSL, assisted suppliers in publishing the results of the water analysis and proceeded with the identification of the wet process facilities.

Also committed to the transparency of our progress in this area, in 2017, we published all of the materials indicated above at www.wateractionplan.com.

TRANSPARENCY FOR ACHIEVING ZERO DISCHARGE

At Inditex, we work closely with the ZDHC (Zero Discharge of Hazardous Chemicals) organisation, supporting different initiatives, of particular note being ZDHC Gateway. We help our suppliers to publish the results obtained from the wastewater analysis conducted in the Green to Wear assessments on Gateway, the ZDHC platform developed specifically by the organisation for this purpose.

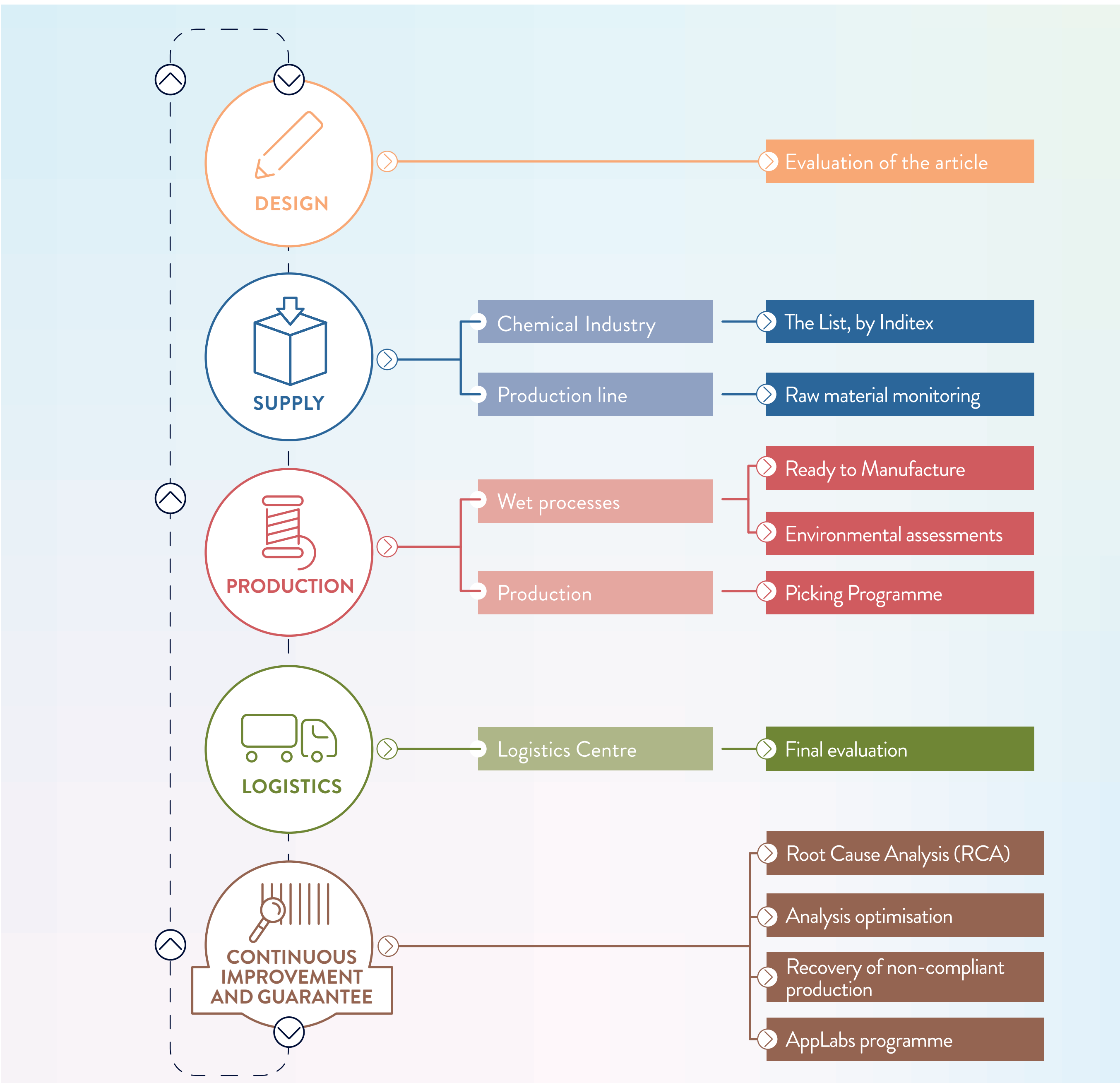
In the same way, we worked with the Chinese Institute of Public and Environmental Affairs (IPE) to improve the environmental management of our supply chain in China. In 2017, we worked with the IPE to prepare a map that will show the commitment to transparency and monitor the environmental performance of our suppliers in China.

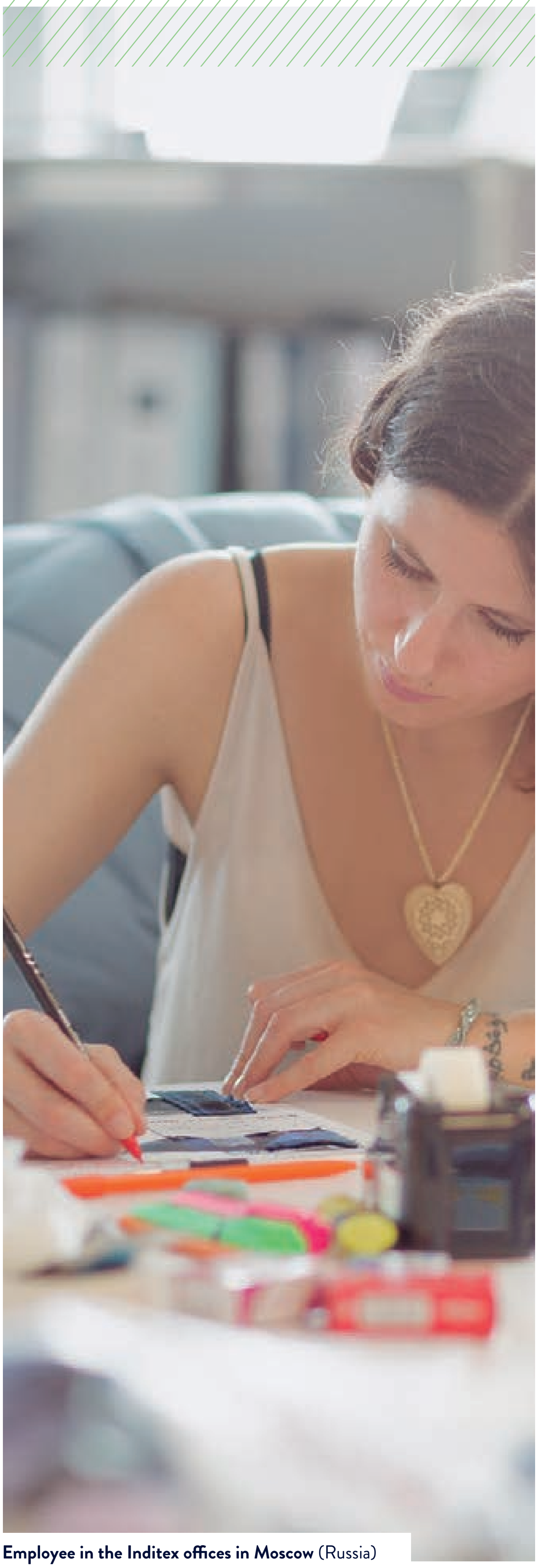
The Green Supply Chain Map is a tool designed to show the environmental commitment of the main brands and their supply chains. The map associates the list of each brand's suppliers with environmental data, wastewater discharge and the emission of gases. At the same time, the map also helps consumers to understand the efforts the brand is making to reduce the environmental impact of the supply chain and influence their purchasing decisions.

5. CONTROL AND CONTINUOUS IMPROVEMENT IN THE MANUFACTURE OF OUR PRODUCTS

At Inditex, we have developed a comprehensive programme of quality control and improvement along our entire production chain, with the aim of ensuring that all our products comply with our demanding health, safety and environmental sustainability standards.

We guarantee the excellence of our products through monitoring and improvement programmes all over our supply chain





Employee in the Inditex offices in Moscow (Russia)

DESIGN

EVALUATION OF THE ARTICLE

At Inditex we understand the importance of monitoring all the necessary phases for the production of each product from its initial conception, when basic processes such as the design and the choice of raw materials are carried out, which are vitally important.

The process of establishing that our garments are safe starts at this stage, with the delivery to our suppliers of detailed information about the design of the garment, the selection of raw materials (fabrics, sewing threads and linings) and accessories (buttons, zips and appliques), the manufacturing processes to use or, if applicable, the dimensions that laces, cords and strings should have.

To ensure our products meet the highest standards, we conduct assessments from the initial conception of the product

SUPPLY

RAW MATERIAL MONITORING

New facilities of 220 m^2

FOR THE ANALYSIS OF 18 SUBSTANCES AND PARAMETERS REGULATED BY OUR STANDARDS

Before producing an article, we ensure compliance with our health and safety standards in the raw materials' sourcing (fabrics, leathers, edgings and appliques mainly). In addition to this, we also carry out controls on the first batches of dyes, prints and finishes.

To conduct exhaustive controls in this point of the product life-cycle, Inditex has developed a project to create in-house control laboratories with the aim of monitoring the initial materials with which a product will be created.

These in-house control laboratories have the necessary infrastructure to be able to perform the tests according to the most demanding international regulations, making them a very efficient tool in the prevention of Clear to Wear and Safe to Wear non-conformities in the early garment manufacturing stages.

During this financial year we have begun the enlargement of our internal laboratories. We have built a 220 m^2 analysis centre with the technology required to be able to analyse up to 18 substances and parameters regulated in Clear to Wear and Safe to Wear. In these facilities we monitor the compliance of fabrics with our health, safety standard.

THE LIST, BY INDITEX

19,780 REGULATED CHEMICAL SUBSTANCES IN THE THIRD EDITION OF THE PROGRAMME

Since 2014 Inditex has had The List, by Inditex, a pioneering programme in the textile and leather industry, which seeks to classify and improve, with the involvement of the chemical industry, the chemical substances used in the manufacturing of our products, as well as compliance with the Clear to Wear standard, Manufacturing Restricted Substances List (MRSL) and with the Inditex commitment to achieve Zero Discharge of Hazardous Chemicals by 2020.

Additionally, in those cases in which this improvement of chemical substances is not possible, we are working on R&D programmes to allow the creation of new alternative chemical products.

The supervision and monitoring process of the substances classified in The List, by Inditex includes both audits of facilities in which our products are made and the strict supervision of the product health policies applied in their production processes and the performance of exhaustive chemical product analysis.

In this way, The List, by Inditex includes a register of chemical products available on the market, classified in accordance with their degree of conformity with Clear to Wear, thus facilitating the suppliers' decision on their suitability for use in production.

In 2017 we presented a third update of The List, by Inditex, with a total of 19,780 classified chemical products, commercialised by 22 manufacturers. At the same time, we have started to work on the fourth edition, which will represent a significant extension of the programme scope since it will also address additional questions on environmental sustainability.

We have developed Ready To Manufacture, a best practices code, to ensure compliance with our standards

PRODUCTION

READY TO MANUFACTURE

MORE THAN **800** SUPPLIERS INVOLVED

1,735 AUDITS OF WET PROCESS FACILITIES

At Inditex we believe that our health, safety and environmental sustainability standards must be, in addition to a reflection of our commitment to our customers, an instrument to encourage the improvement of the textile and leather industries. In this context and with the aim of ensuring compliance with our standards and advancing the Inditex commitment to achieve Zero Discharges of hazardous chemicals by 2020, the Group has developed its programme, Ready to Manufacture (RTM), pioneer in the textile and leather sector. This code applies to all direct Inditex suppliers, both of textile products and leather, as well as their wet process facilities (dyeing, washing, tanning and printing).

To ensure compliance with the Ready to Manufacture code, a supervision and monitoring programme is applied to the facilities involved in our production, while establishing an analysis regime, both for the chemical products used and for those production processes identified as a risk.

During 2017 we continued to implement this best manufacturing practices until reaching the 814 suppliers. Also, we have carried out 97 training sessions for fabric suppliers and have carried out 1,735 audits in wet process facilities.

ENVIRONMENTAL ASSESSMENTS

1,075 ENVIRONMENTAL ASSESSMENTS IN WET PROCESS FACTORIES IN FOUR YEARS

In accordance to our Green to Wear Programme, we are working with our suppliers with the aim of promoting the environmental improvement of the wet processes in textile manufacturing: dyeing, printing, washing, tanning and finishing. Thus, since the beginning of this programme in 2014, we have carried out 1,075 environmental assessments in wet process facilities.

During these assessments, we ensure compliance with the following aspects:

- Compliance with the Manufacturing Restricted Substances List (MRSL).
- Responsible environmental behaviour according to our Green to Wear Programme.

During all these visits to wet process facilities, we carry out improvement measures to advance the environmental management of these production units. In this way, in 2017 alone we have successfully concluded 198 new environmental improvement plans with a tailored guidance that represents significant progress for factories.

LOGISTICS

PICKING PROGRAMME

MORE THAN **750,000** TESTS AND ANALYSIS

ALMOST **60,000** INSPECTION VISITS TO OUR MANUFACTURERS

The Picking programme is the tool we use to ensure that all our products are manufactured in accordance with our health and safety standards. This project is based on technical inspection visits to the factories for the random selection of representatives samples of finished garments. We test and analyse them to ensure that our products comply with all the regulations included in our standards.

In the 2017 fiscal year 756,265 tests and analysis were carried out on products collected in 59,687 inspection visits to our manufacturers.

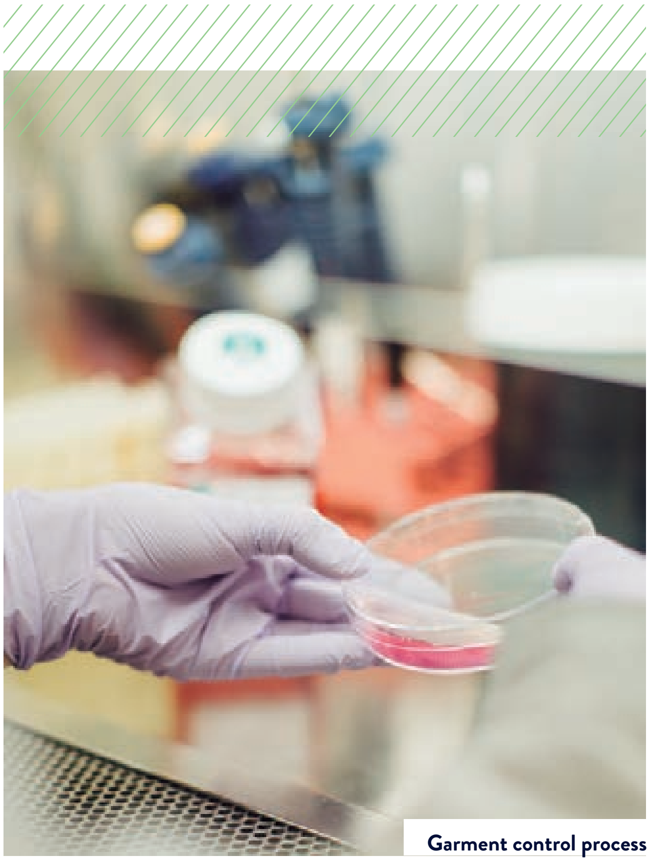
For Inditex, having a monitoring tool that allows us to establish the compliance with our standards quickly and accurately is a constant challenge. Thus, as a complement to the Picking programme, we have developed **Minilab**, a portable laboratory of a cabin bag size that allows us to perform at any time screening tests for six substances and parameters regulated in Clear to Wear. This tool allows us to conduct our tests in the manufacturing centres themselves, endowing the system with greater efficiency. During the 2017 financial year a total of 1,147 Picking inspections with Minilab were carried out.

This new development allows us both to accelerate the Picking Programme decision making process, and provides the opportunity to recover and save affected production before it is delivered. Another important aspect of this process is the raising of awareness of the supplier, since at all times the measures are carried out in their presence and in their facilities.

FINAL EVALUATION

Once the design and production process are completed, all products are sent to our logistics centres. There, our health and safety technicians check the products, review the results of all the analysis carried out on them and conduct new product safety tests, mainly on small parts, laces and cords.

In the event of detecting any design modification or incidents in the initial production risk assessment, we then carry out the additional analysis and necessary corrections to ensure that all our products comply with Inditex standards.



Garment control process

CONTINUOUS IMPROVEMENT AND GUARANTEE

We analyse the results of these RCA audits so as to feedback into other manufacturing intervention programmes

ROOT CAUSE ANALYSIS (RCA)

108 RCA AUDITS CONDUCTED

In those cases in which a product does not comply with the Clear to Wear requirements, Inditex conducts a Root Cause Analysis (RCA) so as to understand what has happened and study new possibilities and improvement strategies.

In this type of analysis, experts from the textile or leather sectors assess the facilities (dyeing, washing, tanning and printing) involved in the manufacture to determine the origin of the problem. Once identified, the first thing to do is provide the facility with a Corrective Action Plan to avoid this non-conformity in the future, and supervise the implementation of Ready to Manufacture (RTM).

During 2017, 108 RCA audits were carried out. These analysis show that 85% of cases were caused by the supplier using chemical products not permitted by The List, by Inditex programme and/or the appropriate pre-manufacturing processes controls not being applied. Furthermore, cross-contamination between different productions that did not follow the appropriate manufacturing conditions accounted for 10% of the problems detected. The presence of restricted substances in the raw materials accounted for the remaining 5% of the non-compliance.

At Inditex we work with all this information in order to ensure the continuous improvement of our Ready to Manufacture and The List, by Inditex programmes.

ANALYSIS OPTIMISATION

Within the *Picking* programme, at Inditex we are working with chemical and mathematical researchers from Santiago de Compostela University to develop tools capable of predicting which manufacturing technologies will have the greatest risk of generating non-conformities. Thus, we can check the compliance of a greater number of products with our standards, making less analysis and keeping our commitment with the excellence of our products.

RECOVERY OF NON-COMPLIANT PRODUCTION

With the aim of reducing the number of products rejected for non-compliance with our standards, we work with scientific and technological partners on studies to recover these products, eliminating the presence of non-compliant substances. In this context, we have developed recovery protocols for those cases with the presence of substances such as arylamines, chlorophenols, formaldehyde, phthalates and we are also perfecting the excess or lack of pH.

Once this product recovery process is completed, all the waste generated is duly treated in waste management centres for its correct elimination and environmental isolation.

APPROVAL OF LABORATORIES (APPLABS) *PROGRAMME*

When deciding whether a production complies with our standards, we base our decisions on the results of the tests conducted by external laboratories network. Our manufacturing model and the strict limits set in our standards oblige us to achieve maximum repeatability, precision and accuracy in these analysis.

The trust we have in the performance of the laboratories with which we work is based on approval programme called Applabs, designed and developed in collaboration with the Santiago de Compostela University. This programme consists of various stages, among which we highlight:

- The conducting of *in situ* audits that assess, among other things, the technical competence of the technical staff of each laboratory and their diligence in the performance of the analysis.

- The monitoring of the quality of the results obtained by each laboratory via a programme of result comparison, consisting of the periodic sending of reference samples with known levels of substances and the assessment of the reported results. Those laboratories whose results deviate from the Inditex required quality levels are subject to corrective actions or excluded from our laboratories network.

- We create mixed technical committees (formed by Inditex, our scientific partners and our external laboratory network) to discuss the problems detected, optimisation measures or the introduction of new analysis methods, among other issues.

During 2017, a total of 12 *in situ* audits were conducted on external laboratories and 22 inter-comparisons, that included the analysis of 9,181 correlation samples.

6. CONTRIBUTION OF THE PRODUCT QUALITY IMPROVEMENTS

Following the principles of the Greenpeace Slowing the Flow of Materials initiative to reduce the impact of the textile industry on the use of resources, at Inditex we worked throughout 2017 with the aim of raising the quality and durability of our garments, thus increasing their useful life.

At Inditex we have always been distinguished by the importance we attach to the continual improvement of the technological manufacturing processes of our products. To do this, we have focussed on the improvement of certain quality parameters of our garments, such as colour fastness. This improvement relies on the elimination of the technological limitations that certain manufacturing processes present, that often result in products that do not comply with a Clear to Wear parameter, especially the aforementioned colour fastness.

This objective was achieved by innovating alternative technological solutions in certain processes. Thus, we have worked on alternative technologies that present important advantages, facilitate the production of articles of higher quality and greater durability, minimise the use of chemical substances, water and energy and ensure manufacturing in compliance with the CTW standard.

In this context, this commitment to the quality improvement of our products is expressed in:

- Training meetings with our suppliers to spread the technological alternatives.

- Dissemination and support in the implementation of different technical support materials developed in collaboration with companies mainly in the dyeing, printing and chemical product manufacture sectors. These materials are the result of applying technological innovation to the resolution of specific quality problems.

In this context, in 2017, our experts on health and safety carried out training and technical consultancy activities in some of the principal manufacturing clusters: Portugal, North Africa, Turkey, China, Bangladesh, India and Pakistan. As far as technical support materials are concerned, procedures for the improvement of colour fastness in brushed products, with *"used"* effect and articles dyed with indigo in darker shades.

7. DIALOGUE AND COOPERATION WITH INTERNATIONAL BODIES

At Inditex we consider dialogue and cooperation with community organisations and institutions and public and private bodies as key tools for the improvement of our products and the methods for producing them.

7.1. UNIVERSITIES AND RESEARCH CENTRES

MIT-MISTI (INTERNATIONAL SCIENCE AND TECHNOLOGY INITIATIVES)

In the framework of our Closing the Loop Programme we are collaborating with the Massachusetts Institute of Technology (MIT) on the initiative **MIT-MISTI (International Science and Technology Initiatives)** with the aim of researching mainly in recycling technologies, creation of textile fibers through non-polluting systems, and new methods for the reduction of micro-plastics.

More information at:
https://www.zara.com/es/en/sustainability-products-l1455.html

SANTIAGO DE COMPOSTELA UNIVERSITY

The collaboration with the Santiago de Compostella University dated back to 2004 and, among many jointly developed projects and programmes, the creation of all out health and safety standards stands out, especially Clear to Wear, as well as the application of multi-disciplinary methodologies (chemical, biological, mathematical and pharmacological) to the resolution of all types of product manufacturing process sustainability problems, to the identification of unsuitable technological manufacturing processes or the optimisation of analysis methods and risk assessment protocols.

UNIVERSITY OF CORUÑA

In collaboration with this university, at Inditex we have developed datasheets analysing the different systems and technologies for each of the distinct phases of the textile fabric purification process with the aim of improving its operation and reducing the discharge of chemical substances.

CATALONIA POLYTECHNIC UNIVERSITY. IGUALADA TECHNICAL COLLEGE (CETI)

At Inditex we are collaborating with CETI on the development of improvements in tanning technologies and the leather finishing and on simple and versatile methods for the analysis of key substances such as formaldehyde and chromium (VI).

BARCELONA BIOMEDICAL RESEARCH PARK (PRBB)

PRBB is a joint initiative with the Government of Catalonia, Barcelona Council and the Pompeu Fabra University which collaborates with Inditex in the study of the risks associated with chemical substances used in industry and the leather industry.

7.2. SECTOR ORGANISATIONS

SUSTAINABLE APPAREL COALITION (SAC)

We are active members of the *Sustainable Apparel Coalition* (SAC), with the aim of advancing together with other textile leaders in the sustainable transformation of the sector. The principal initiative of the SAC is the development of the Higg Index, a tool to understand and minimise the environmental and social impact of each of the phases of the textile value chain, from the choice of raw materials to the end of the product life. Our efforts have been directed to update the modules aimed at brands and retailers, as well as that for suppliers, with the aim of including and promoting the implementation of the most sustainable practices throughout the industry.

COTTON CAMPAIGN

We collaborate with this coalition of organisations that work to ensure compliance with human and workers' rights for cotton cultivation workers in the producing countries.

ORGANIC COTTON ACCELERATOR (OCA)

This multi-sectorial initiative has the mission of encouraging the worldwide cultivation of organic cotton. We are founding members of the investor committee of the *Organic Cotton Accelerator* (OCA). Also in 2017 we started a project in collaboration with farmers to publicise the environmental and social benefits of organic cotton and thus promote its cultivation.

More information at: www.organiccottonaccelerator.org

102-12, 102-13

BETTER COTTON INITIATIVE (BCI)

From Inditex we collaborate as members of the *Better Cotton Initiative* (BCI) whose objective is to improve the worldwide production of more sustainable cotton and contribute to the future of the sector, both on the social and environmental level. hand-in-hand with other leading organisations in the textile sector, we support cotton farmers with technical training programmes, fostering more environmentally friendly cultivation practices.

+ More information at: www.bettercotton.org

CANOPY PLANET

As founding partners of the *CanopyStyle* initiative, we collaborate with the Canopy Planet organisation on the protection of primary and high ecological value forests through the textile chain. The shared objective is to achieve the sustainability of the artificial cellulosic fibres used as textile raw material and to do this, we are collaborating with the principal worldwide suppliers to promote the long term sustainability of their value chain.

+ More information at: www.canopyplanet.org

TEXTILE EXCHANGE

As members of *Textile Exchange*, we maintain our collaboration with this independent, non-profit organisation, that is an international benchmark in the sector. Its objective is to achieve a more sustainable textile industry, promoting and supporting the establishment of better practices and sustainable business models throughout the value chain.

+ More information at: www.textileexchange.org

ZERO DISCHARGE OF HAZARDOUS CHEMICALS (ZDHC)

This organisation combines our efforts with the rest of the industry to advance together towards compliance with our commitment to Zero discharge by 2020. Also, we are supporting the ZDHC initiative for the promotion of transparency. We encourage our suppliers to publish the results obtained from the water analysis conducted in the assessments of the Green to Wear procedure on Gateway, the ZDHC platform developed for this precise purpose.

+ More information at: www.roadmaptozero.com

CEO WATER MANDATE

We are signatories to this global commitment by the UN to promote adequate and sustainable water management.

+ More information at: www.ceowatermandate.org

ISTANBUL TEXTILE AND APPAREL EXPORTER ASSOCIATION - ITKIB

In Turkey, Inditex has maintained a long collaboration with ITKIB (Istanbul Textile and Apparel Exporter Associations) and EKOTEKS, the customs control laboratory, for the development of new analysis techniques for cosmetics and sustainable fibres.

7.3. GOVERNMENTS AND PUBLIC AUTHORITIES

EUROPEAN UNION. PRODUCT ENVIRONMENTAL FOOTPRINT (PEF) PILOT

This year we have continued to collaborate with this European Union programme. The objective is to develop a tool that allows the communication of the environmental characteristics of the products, explore new forms of transparency and promote sustainable consumption. Together with other brands and the Sustainable Apparel Coalition (SAC), we are collaborating on the development and the pilot project of a tool for footwear, analysing and minimising the environmental impact of these products.

CIQ (CHINA)

Inditex is participating in the *Pre-Testing* Programme with the Shanghai CIQ Organisation and the Chinese Customs Inspection and Quarantine Department, reserved for companies with a very high level of compliance with the imported product health regulations.

CHINESE INSTITUTE OF PUBLIC & ENVIRONMENTAL AFFAIRS (IPE)

Once again this year, we are continuing our collaboration with the Chinese Institute of Public & Environmental Affairs (IPE). This year we have collaborated jointly on the creation of a map monitoring the performance of Chinese textile companies.

+ More information at: wwwen.ipe.org.cn/index.aspx

Store employee at Zara, New York (US)

OUR PRIORITIES

CIRCULARITY AND EFFICIENT USE OF RESOURCES

RELATED SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
Goal 7: Ensure access to affordable, reliable, sustainable and modern energy for all. **Goal 13:** Take urgent action to combat climate change and its impacts.	Inditex is committed to minimising the impact of its activity on the environment. It therefore highlights our commitment to renewable energies, increasing their purchase in our facilities. Work is ongoing to ensure that all Inditex stores worldwide are eco-efficient by 2020. To achieve this, newly-opened as well as renovated stores are built according to the eco-efficiency criteria of the Inditex Eco-efficient Store Manual.
Goal 9: Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.	The design of Inditex stores and offices enables the company to reduce its environmental impact. By incorporating the most innovative technologies, it can improve efficiency and reduce consumption as well as greenhouse gas emissions.
Goal 12: Ensure sustainable consumption and production patterns.	The Inditex Closing the Loop programme helps the company close the production cycle of its garments by installing clothes collection containers. It also aims to achieve zero landfill waste by 2025.

Integrating circular economy strategies in all phases of the company's value chain is one of the key aspects of our commitment to customers and to society. We have programmes such as **Closing the Loop**, which involves closing the product life cycle, or our commitment with eco-efficient stores. We move forwards in more efficient use of the resources.

1. TOWARDS A CIRCULAR ECONOMY

We understand that progressing in a sustainable business model involves offering customers ethical and responsible products as well as being more efficient with the resources. Integrating circular economy strategies in all phases of the company's value chain is therefore one of the key aspects of our commitment to customers and to society.

The Closing the Loop programme is one our most outstanding projects in this regard, since it enable us to take new steps towards developing a complete and efficient product life cycle through our garment, footwear and accessory containers. From the moment products are deposited in the containers, they are given a new life, avoiding becoming waste and the reducing consumption of more raw materials.

Currently, all Inditex offices and logistics centres are part of this programme that has already been extended to 598 stores around the world. We have launched this programme in countries such as Austria, Lebanon, Japan and Canada and has completed its development in ten other markets, including Spain, the United Kingdom, the Netherlands, Denmark and China.

Using resources most efficiently is not only crucial for our products, but also in our facilities: offices, stores and logistics centres. For years we have established several objectives, such as improving energy consumption and greenhouse gas emissions, also commiting to renewable energy and efficiency in our shipments.

Thus, nearly 80% of our stores are already eco-efficient. They consume up to 20% less energy and save 40% of water compared to conventional stores. To certify this commitment, 29 of them also have the LEED seal awarded by the U.S. Green Building Council, one of the main certifications in sustainable construction.

Regarding its logistics activity, Inditex invests in better managing transport routes and optimising packaging. Thanks to the latter, up to 1,700 tonnes of virgin paper and 1,500 tonnes of plastic were saved in 2017.

CDP
DRIVING SUSTAINABLE ECONOMIES

INDITEX, A LEADER IN CLIMATE CHANGE ACCORDING TO CDP

One of the best indicators of Inditex's commitment to the efficient use of resources and the fight against climate change is reflected in the leadership assessment assigned by CDP (the international non-profit organisation Carbon Disclosure Project. It assesses more than 5,600 companies every year) in its *Climate Change* environmental assessment system.

CDP highlights that significant objectives have been set at Inditex in the field of Greenhouse Gas (GHG) Emission Management, applying best practices in terms of identifying and managing risks and opportunities related to climate change and, in the area of Government and Strategy, integrating climate change into business management and supply chain, among other issues.

Inditex's commitment to the environment and efficient use of resources can be extended to all of its activities and operations: from efficiency in its offices to the search for new tools for optimising logistics. It also maintains its Zero Waste to Landfill by 2025 plan

In 2017, we collect more than 12,000 tones of clothing, footwear and accessories through our Closing the Loop programme

2. CLOSING THE LOOP

CLOSING THE LOOP, IN 2017

- **Collecting 12,229 tonnes of clothing, footwear and accessories**
- Present in **598 Zara stores in fourteen markets**
- Inditex is committed to extending this programme to **2,000 stores by 2020**

Collect, Reuse and Recycle. These are the three pillars of our *Closing the Loop* programme, which seeks to extend the useful life of textile products, encouraging their reuse and recycling. We collaborate with different non-profit organisations, with companies that specialise in recycling and with specialists in different technologies to prevent used garments from ending up in landfill.

Currently, this programme is fully implemented in our offices and logistics centres, as well as in 598 Zara stores in 14 markets worldwide. All Zara stores in Spain, Portugal, the United Kingdom, Ireland, the Netherlands, Sweden, Denmark, China, Hong Kong SAR and Macao SAR* have clothes collection containers, while this project is being implemented in a pilot phase in Austria, Lebanon, Japan and Canada.

Through a collaboration agreement with the Seur Foundation, we also offer the free-home collection for Zara.com customers in Spain. Also, thanks to a collaboration with Cáritas, and with the aim of extending this programme beyond our stores, 1,856 containers were installed on Spanish streets between 2016 and 2017.

We are working to expand this programme in the coming years to new markets and brands such as Oysho, Massimo Dutti and Bershka. It is committed to the *Global Fashion Agenda*, a project that will be rolled out in 2,000 stores by 2020 through collaboration agreements with 40 entities.

Since 2015, thanks to this programme, our customers have donated more than 357 tonnes of garments, footwear and accessories in stores and corporate offices, of which 47 tonnes have been donated through the Zara.com home collection option. 18,973 tonnes have been also collected on Spanish streets.

These garments are donated to the benefit of non-profit organisations, thanks to collaborations with social and third sector organisations such as Cáritas, Red Cross, CEPF, Salvation Army and Redress. They separate and classify item for distribution to the most suitable destinations. Thus, depending on their condition, garments are donated, repaired, recycled or sold to finance the social projects of these non-profit organisations.

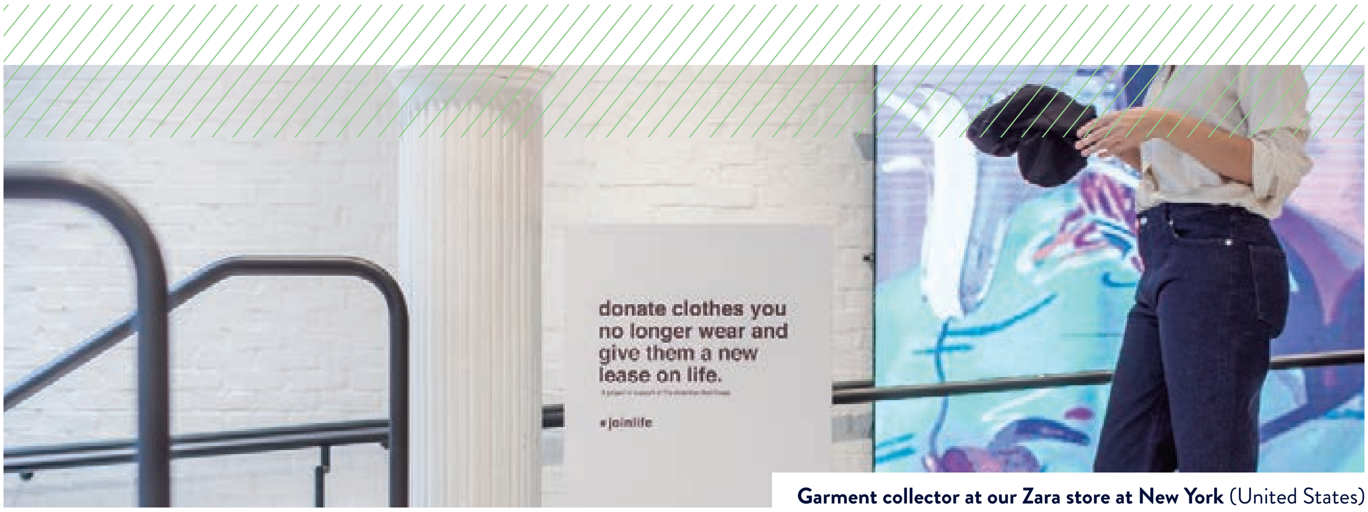
To close the cycle of the garments that cannot be reused or the waste from textile manufacturing process, Inditex has joined forces with different business organisations and universities to promote sustainable innovation and develop new materials and technologies that enable textile waste to be recycled.

In this respect, a special mention should be made of the collaboration with Austrian company Lenzing, to convert textile waste into a new material, Refibra™ Lyocell, for use in our collections.

University collaborations include the partnership established with the MIT International Science and Technology Initiatives (MISTI) of the Massachusetts Institute of Technology (MIT), which supports mainly research to improve textile fibre recycling. In 2020, Inditex's investment in technology for textile recycling will have reached 3.5 million dollars, and it is committed to the *Global Fashion Agenda*. To this end, it has already invested nearly 2.3 million dollars in technology for textile recycling with MIT and Cáritas in 2017.

The Universities of Vigo–in collaboration with the University of Clermont, France, the Basque Country, Granada–jointly with that of Hamburg, Germany–and the Polytechnic University of Valencia have submitted projects to find new pioneering methods for separating fibres and subsequent recycling.

(*) Special Administrative Region.



Garment collector at our Zara store at New York (United States)

3. COMMITTED TO RENEWABLE ENERGIES AND ECO-EFFICIENCY

One hundred per cent of the energy that Inditex consumes in Spain, Germany, Poland and Belgium and 41% of its global consumption in 2017 came from renewable sources. This is the result of the company's commitment to achieving greater energy efficiency in its offices and logistics facilities.

In Spain, we consume 484,962 MWh of electricity from renewable sources, which means that 100% of the energy in its stores and centres is generated from low-emission facilities. Worldwide, this figure is 734,567 MWh from clean energy.

To achieve these figures, we have increased the procurement of energy from renewable certified sources to a total of 733,867[1] MWh in our buildings in Spain, Germany, Austria, Brazil, Poland, Switzerland, Portugal, Holland, Turkey, Belgium, Luxembourg, and its LEED Stores in the US, France, Italy, Switzerland and India, preventing 258,409 tonnes of greenhouse gas emissions. Thanks to this effort, the use of electricity from renewable sources in the company's facilities multiplied by 17 since 2014.

All this is an advance in our commitment to energy efficiency in all processes. We have the commitment that 80% of the energy consumed in all of its distribution centres, offices and stores will be clean in 2025.

As a result of these actions, we continued to reduce Greenhouse Gases (GHG) emissions associated with our activity in 2017. In 2017, direct emissions were reduced by 10%, to 18,550 t CO_2eq[2] and 13% in indirect emissions, to 470,629 t CO_2eq[3]. Thus, in the last two years, we have reduced the relative emissions per garment[4] placed on the market, in scopes 1 and 2, by 22%.

3.1. LOGISTICS CENTRES, OWN FACTORIES AND OFFICES

The commitment to clean energy and the implementation of circular management models in offices and logistics centres are the pillars of Inditex's Environmental Management System, which is certified under the ISO 14001 international standard, implemented in all our logistic centres, offices and factories with the objective of ensuring efficient and responsible environmental management.

Six distribution centres and our brands headquarters are also certified with LEED Gold. Our Technology Centre in Arteixo (Galicia) is also certified under the Tier IV and LEED Platinum seals, as well as the international standard ISO 50001, which certifies its energy management and favours the most efficient and sustainable use of energy.

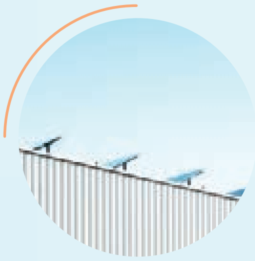
In order to reduce the consumption of resources, this year we continued to implement the Efficiency Plan in logistics centres which involves a commitment to more efficient technologies such as LED technology lighting and the latest generation of batteries. This facilitated a reduction in energy requirements and improved efficiency. These measures facilitated a 6% reduction in electricity consumption per garment[4] compared to 2016.

1 The data on the purchase of renewable energy varied with respect to the Management Report because it has been identified that there is more energy that comes from renewable sources.
2 The emission factors applied to natural gas and gas oil come from the GHG Protocol Tool for Stationary Combustion, version 4.1 of the World Resources Institute, 2015.
3 The emission factors applied correspond to the energy mix in each of the markets in which Inditex is present.
4 Garment ratios ((absolute value for the year/number of garments commercialised during the year) x 1,000) include product units sold in our stores and to franchises.

SUSTAINABLE MANAGEMENT IN OUR NEW LOGISTICS CENTRES

In 2017, the Group began working on the construction of a new distribution centre in Laracha dedicated to storing fabrics. The centre , which commenced operations in 2018, follows the criteria established by the U.S. Green Building Council and opts for LEED certification.

100% of the energy has a Renewable Origin guarantee certificate.



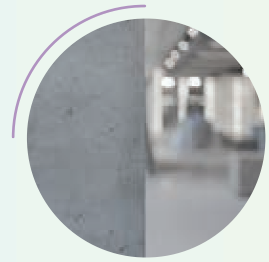
A 100 KW photovoltaic installation in self-consumption regime will provide a high percentage of the energy required for operations.

Natural light
through all façades contributes to energy saving.

The centre will also have motion detectors so that LED lighting will only switch on when needed.

A saving of 80% is expected.

Natural ventilation
is created by opening several vents depending on the level of $C0_2$ or to cool the air during the summer.



Recycling:
More than 75% of the waste generated during the construction works will be recycled. The materials used are also strictly controlled, giving preference to recycled materials.

3.2. ECO-EFFICIENT STORES

Our stores are one of the pillars of its business model and the place where we forge our relationship with customers. Our eco-efficient stores programme is one of the most visible aspects of our commitment to the efficient use of resources.

These stores represent a 20% reduction in electricity consumption and a saving of up to 40% of water when compared to a conventional store. We are committed to all of our own stores meeting these requirements by 2020. Thus, in 2017, thanks to the new eco-efficient stores and the 102 renovated stores, we had a total of 5,068 eco-efficient stores, representing nearly 80% of our own stores.

To achieve this, we follow the Eco-efficient Store Manual, which includes all the technical requirements that Inditex stores must comply with in terms of construction (electrical installation, air conditioning, plumbing, lighting, materials, furniture), as well as waste management. This manual is constantly updated to include the most innovative technologies in the field of eco-efficiency and includes best practices in environmental sustainability.

Real time centralised control of the installations is another of the operations carried out in these stores. Thanks to the centralised EcoTool platform, we can monitor and act individually on the air conditioning and electricity installations to optimise their management, identify inefficiencies and improve maintenance. In 2017, a total of 2,981 stores were connected to this system.

All woodbased products used in our stores comply with the company's Forest Products Policy. All furniture and paper products have sustainable forest certification PEFC or FSC stamps, ensuring that the entire production process of forest-origin raw material is carried out in a controlled manner and following a sustainability criteria. In addition, in order to reduce paper consumption, electronic receipts have been implemented on online orders and mobile payments since 2016.

ZARA.COM: COMMITTED TO ECO-EFFICIENCY IN THE ONLINE WORLD

Server equipment in Inditex offices in Arteixo (A Coruña)

In parallel with our eco-efficient stores programme, we work to make our online platforms more responsible and achieve zero emission target.

Thus, the images, videos and data from Zara.com are created in our offices in Arteixo (Spain) and stored in our Technology Centre, which operates with 100% renewable energies. Our Technology Centre in Spain is also certified LEED Platinum by the U.S. Green Building Council.

To ensure that navigation on Zara.com is quick and easy, external servers are also used. The website currently consumes 100% renewable energy and the company is committed to further minimising energy consumption.

ENERGY CONSUMPTION ORIGIN SERVERS AND OFFICES 2017

During the year, we continued to develop energy saving measures such as renovating facilities, equipment and lighting, which has resulted in the reduction of energy consumption by 20% per visit.

FLAGSHIP STORES WITH LEED CERTIFICATE

To ensure that the most recent requirements for sustainable construction are included in Inditex's Eco-efficient Store concept, since 2009 we have certified its flagship stores under the most prestigious standards in sustainable construction LEED *(Leadership in Energy and Environmental Design)* and Breeam® *(Building Research Establishment Environmental Assessment Methodology)*.

This year, Zara Calle Compostela (A Coruña), Oysho Galleria Colonna (Rome), Zara Castellana 79 (Madrid), Zara Opera Paris (Paris) and Zara Plaza Flora Fountain (Mumbai) stores were certified under the LEED Gold seal, reaching a total of 22 LEED Gold certified stores, added to the 7 LEED Platinum stores, the highest distinction awarded by the standard. We hope to add the new Zara stores in Plaza Cataluña (Barcelona) and Zara Miami (Florida) into the list, which are currently in the LEED Gold certification process.

CERTIFICATION OF INDITEX FACILITIES

EUROPE

Zara Compostela, A Coruña	LEED PLATINUM / GOLD
Zara Paseo de la Castellana, Madrid	LEED PLATINUM / GOLD
Zara, Serrano, Madrid	LEED PLATINUM / GOLD
Zara Portal del Angel, Barcelona	LEED PLATINUM / GOLD
Zara, Via del Corso, Rome	LEED PLATINUM / GOLD
Zara, Oxford St., London	LEED PLATINUM / GOLD
Zara, Champs Élysées, Paris	LEED PLATINUM / GOLD
Zara Opera, Paris	LEED PLATINUM / GOLD
Zara, Kalverstraat, Amsterdam	LEED PLATINUM / GOLD
Zara Haas Haus, Vienna	LEED PLATINUM / GOLD
Zara, Rynek Glowny, Krakow	LEED PLATINUM / GOLD
Zara, Place du Molard, Geneva	LEED PLATINUM / GOLD
Pull&Bear, Gran Vía, Madrid	LEED PLATINUM / GOLD
Pull&Bear, Lijnbaan, Rotterdam	LEED PLATINUM / GOLD
Massimo Dutti, Serrano, Madrid	LEED PLATINUM / GOLD
Massimo Dutti, Paseo del Borne, Palma de Mallorca	LEED PLATINUM / GOLD
Massimo Dutti, San Feliu, Palma de Mallorca	LEED PLATINUM / GOLD
Bershka, Tauentzienstrasse, Berlin	LEED PLATINUM / GOLD
Bershka, Colón, Valencia	LEED PLATINUM / GOLD
Oysho, Paseo de Gracia, Barcelona	LEED PLATINUM / GOLD
Oysho, Diagonal, Barcelona	LEED PLATINUM / GOLD
Oysho Galleria Colonna, Rome	LEED PLATINUM / GOLD
Zara Home, Champs Élysées, Paris	LEED PLATINUM / GOLD
Zara Home, Fürstenfelder, Munich	LEED PLATINUM / GOLD
Oysho Rivoli, Paris	BREEAM
Zara Plaza Cataluña, Barcelona	IN PROGRESS
Inditex central offices, Arteixo	LEED PLATINUM / GOLD
Inditex technology centre, Arteixo	LEED PLATINUM / GOLD
Pull&Bear offices, Narón, A Coruña	LEED PLATINUM / GOLD
Massimo Dutti logistics centre, Tordera	LEED PLATINUM / GOLD
Massimo Dutti offices, Tordera	LEED PLATINUM / GOLD
Oysho central office, Tordera, Barcelona	LEED PLATINUM / GOLD
Cabanillas logistics centre, Guadalajara	LEED PLATINUM / GOLD

AMERICAS

Zara Madero, Mexico	LEED PLATINUM / GOLD
Zara Soho, New York	LEED PLATINUM / GOLD
Zara Miami, Florida	IN PROGRESS

ASIA AND REST OF THE WORLD

Zara West Nanjing Road, Shanghai	LEED PLATINUM / GOLD
Zara Plaza Flora Fountain, Mumbai, India	LEED PLATINUM / GOLD
Zara Bourke, Melbourne	LEED PLATINUM / GOLD


Zara Opéra at Paris (France)

LEED PLATINUM / GOLD   IN PROGRESS   BREEAM

HOW THE ZARA CASTELLANA STORE WORKS

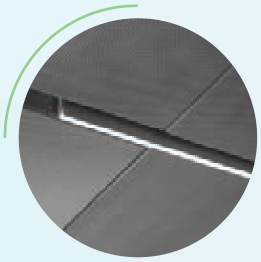
The 6,000 square metre store located in the iconic heart of Azca, one of the main business and commercial arteries of Madrid, has adopted very innovative measures towards using resources efficiently. Zara Castellana is LEED Gold certified due to its systems, which enable savings of up to 45% on water and up to 20% on energy when compared to a conventional store.

Platform to centrally manage the store's air conditioning and electricity installations.

Sophisticated temperature control systems

Thermostats are adjusted according to presence and sunlight, which representing a saving of 40%.

Automatic air curtains at the entrances regulate temperature stability and generate a 15% saving on energy consumption.

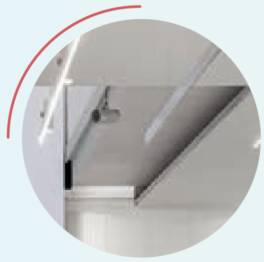


More efficient lighting

Automatic lighting programmes that adapt to the functions of the store.

LED lights with a duration four times greater than traditional lights.

Individualised analysis of the climate, location and ambient light to optimise the backlighting of the shop windows.



Automatic motion sensors in areas with little traffic in order to attenuate light by 80%.

Escalators with variable speed control which stop if there is no passenger flow.

Logistics efficiencies generated have saved an equivalent of 2 million kilometres travelled, a distance of 50 times around the world

4. SUSTAINABLE LOGISTICS

The efficiency of our network of logistics centres is essential to help distribute new products to stores twice a week. We understand that optimum transport and packaging management is essential to making more efficient use of resources and thus reducing the emissions associated with its processes.

4.1. PLANNING AND TRANSPORT MANAGEMENT

Throughout the year, we have worked on improving transport planning and optimising loads. We have reduced the number of vehicles that travel from our distribution centres in Spain to European destinations, in effect reducing 1,280 trips. Thanks to this and the measures put into place during previous years, an estimated saving of 2,000,000 km, a distance equivalent to 50 times around the Earth, has been achieved.

For example, the routes that serve European stores have been optimised to take charge of the return of merchandise in Spain, thus avoiding empty returns. During this year, these return flows were optimised with 4,700 lorry trips.

During this year, we incorporated megatrucks into its transport network, based on their approval by Ministerial Order PRE/2788/2015. These lorries have a maximum authorised weight of 60 tonnes, which increases the usual capacity of these vehicles by 50%.

We currently use six megatrucks every week on three routes (two in Spain and another connecting with its logistics with Morocco), thus promoting efficiency in loading the lorries coming from the suppliers that serve the distribution centres, as well as the lorries that supply the logistics platforms.

4.2. *GREEN TO PACK* PROGRAMME

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.

During 2017, we promoted the use of recycled materials in our packaging while reducing their thickness, to save on resource consumption and optimises transport. For example, recycled plastic tarpaulins are used to cover merchandise in air-freight shipments to our stores. Thanks to this measure, 204 tonnes of 100% recycled plastic sheeting was consumed this year.

Through this programme, work has continued to improve the quality of the cardboard boxes in which garments are shipped from suppliers. Since the start of the project in 2016, almost 600 suppliers have joined the *Green To Pack* Programme and have acquired close to two million certified boxes.

103-1, 103-2, 201-2, 301-3

Zara Shanghai employee (China)

This improvement entails, among other features, greater traceability of the materials used, fewer incidents originating from the boxes, as well as increased useful life of the boxes, which are used up to five times before being sent for recycling.

Once these boxes finish their useful life, they are recycled to promote the circularity of materials, since this recycled cardboard is used to manufacture the boxes for Zara's online shipments. This year in the Zara *Boxes with a Past project*, more than 4.5 tonnes of cardboard came from Zara’s own boxes.

Additionally, all the cardboard boxes in which Zara's online shipments travel are 100% recycled and the outer bag that protects them is 55% recycled plastic. This measure prevented the consumption of 1,700 tonnes of virgin paper and 1,500 tonnes of plastic on Zara.com orders in 2017.

Through this programme, we also promote the reuse and recycling of other materials: in 2017, 110 million hangers and 1,010 million alarms were reused.

Zara Shanghai employee (China)

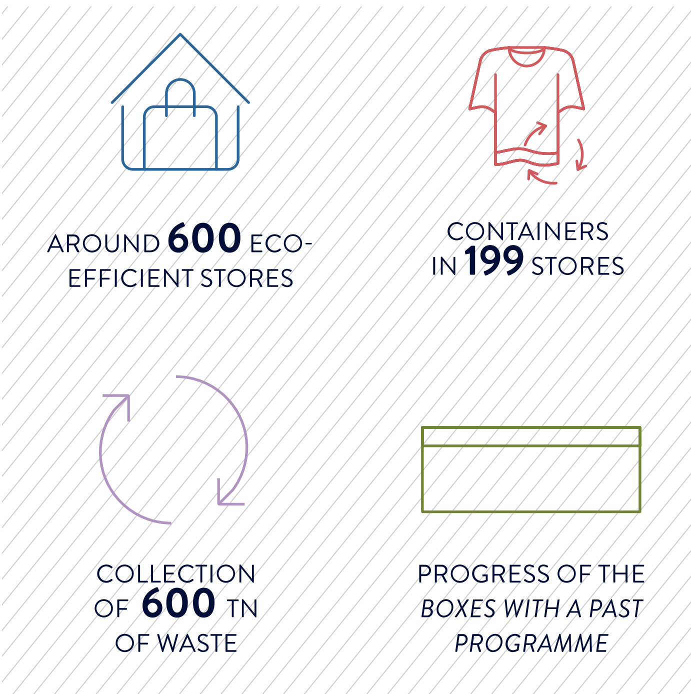
GREEN TO PACK IN 2017

- Savings of 1,700 tonnes of virgin paper and 1,500 tonnes of plastic
- 110 million recirculated hangers
- 1,010 million recycled alarms

Online orders:

- 100% of Zara.com orders are dispatched in recycled cardboard boxes
- Inditex recycles 4.5 tonnes of its own cardboard for these boxes

5. COMMITMENT WITH CHINA



One of the main aspects of Inditex's Strategic Environmental Plan 2016-2020 is the Asia Pacific Action Plan, through which we advance our commitment to sustainability in China. In this regard, one of our priorities objectives in the region is to ensure that all our stores in China **are eco-efficient by 2018**, two years ahead of the Group's global objective.

The reforms needed to ensure that all stores comply with the requirements of the Eco-efficient Store Manual have been carried out this year. In this respect, nearly 600 stores are already connected to the *EcoTool* energy efficiency platform, which enables Inditex to coordinate LED lighting management and monitor the use of air conditioning. Thanks to these reforms and the EcoTool platform, a total of 9,816 tonnes of CO_2 emission into the atmosphere have been prevented. During 2018 work will continue on building awareness and the training of all store teams and operations to ensure good management of our facilities.

In 2017, we also made significant progress in deploying its ***Closing the Loop*** strategy in China. Thus, in collaboration with the China Environmental Protection Foundation (CEPF) in 2017, Zara has continued to implement the garbage collection containers in a total of 183 stores. This same action has been developed in another 16 stores at Hong Kong SAR and Macao SAR* in collaboration with Redress.

We have also worked intensely on its commitment to **Zero Waste to Landfill** before 2025. To do this, work began in 2017 on implementing a system to standardise the separation and collection of waste generated in our stores and offices, as well as in the logistics centres, warehouses and our re-operation plants main suppliers in the country. The objective is to be able to recover all these materials to be reused as new raw materials. More than 600 tonnes of waste, of which more than 75% was cardboard, has also been collected.

Thanks to the collaboration with other organisations, we have also increased the life cycle of plastic bags, hangers and boxes, making cardboard waste part of online shipping boxes from Zara.com, within the *Boxes with a Past* programme.

Due to this commitment and based on the work over these years, Inditex has been awarded the ***Shanghai Green Supply Chain 2017 Good Case Award***. This prize is awarded by different environmental organisations in China, including the China-ASEAN Environmental Protection Cooperation Centre, the China Environmental Protection Foundation, the Shanghai Municipal Environmental Protection Office, the Shanghai Municipal Trade Commission and the Shanghai Municipal Commission for the Economy and Information Technology, in collaboration with the United States Environmental Protection Agency.

We have also been selected as advisory members of the *China Council for International Cooperation on Environment and Development* (CCICED) for 2017-2022, with the aim of sharing best practices and recommendations around the circularity and the efficient use of resources based on the learning of its programmes.

To continue progress with this commitment during 2017, work continued with environmental training. More than 850 people, including store personnel and logistics centres, have been trained in China in the efficient use of resources and respect for the environment.

(*) Special Administrative Region.

Employee at Inditex office at Shanghai (China)

6. EMPLOYEE TRAINING

As part of our commitment to the environment and the efficient use of resources, we integrate sustainability into the different projects it undertakes thanks to ongoing environmental awareness training and workshops for sustainable management that are taught from the moment that new employees join the company.

To achieve this, training is adapted to the needs of each business area. In 2017, Inditex reached 7,695 employees in logistics centres, offices and stores trained in sustainability. Therefore, 917 employees have been trained on implementing best practices in offices. More than 1,100 people have also been trained, mainly from sales teams and designers, in the characteristics and benefits associated with the most sustainable raw materials and the most efficient production processes used in the manufacture of our Join Life garments.

Training was also provided in store teams in Spain, China, Austria, France and the United Kingdom on the clothing collection programme and to the 938 employees of logistics centres in Spain and China were accompanied to promote compliance with the company's 2025 Zero Landfill Waste strategic objective.

Zara store assistant in Miami (US)

OUR PRIORITIES

TAX TRANSPARENCY

RELATED SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
Goal 9: To construct resilient infrastructure, promote inclusive and sustainable industrialisation and encourage innovation.	At Inditex we are fully committed to contributing to the economic, social and industrial development of the different countries in where we are present. The taxes we pay are a key aspect of our social and economic contribution, as they help the communities in which we operate to provide valuable public services and to build infrastructure enhancing economic growth.

We respect our role in contributing to economic, social and industrial development of the markets in which we operate by complying with local tax legislation and the OECD Guidelines for Multinational Companies. We reject the use of opaque companies and tax havens. Our transparency is shown in a triple tax report, in which we explain the taxes generated in each geographical area, throughout the value chain and for the different types of taxes.

1. COMMITMENT TO TRANSPARENCY

At Inditex we are fully committed to contributing to the economic and social development of the different countries in which we are present. The taxes we pay are a key aspect of our social and economic contribution, helping the communities where we operate to valuable provide public services and to build infrastructure enhancing economic growth.

During 2017, our activities in the 96 markets in which we operate generated total taxes of 5,959 million Euros in direct and collected taxes.

Our tax commitment is evidenced by our compliance with all tax obligations generated from our corporate activity. This is in compliance with applicable local and international regulations, through good tax practices, and in line with the sustainability and corporate social responsibility principles established by the Group.

To reach this goal, we maintain relationships with the local tax authorities, based on principles of good faith, collaboration and mutual trust. We try to avoid tax disputes by applying preferential interpretation criteria on the tax regulations set by the authorities or courts of law. Furthermore, we are part of part of Foro de Grandes Empresas ("Large Companies Forum") in Spain, whose primary objective is to promote greater collaboration among large companies and the state tax administration. We comply with the Code of Good Tax Practices promoted in the Forum, and have followed its recommendations, proposals and subsequent developments.

With regard to the measures adopted in the fight against money laundering and the financing of terrorism see the "Corporate Governance" section in this Report.

Employee in a Zara store in Miami (US)

2. TAX CONTRIBUTION

Taxes receive different names based on the countries and territories where each activity is fulfilled. For the purpose of homogenising this information, we have used *PwC's Total Tax Contribution* method, which considers all direct taxes paid, as well as taxes collected on behalf of third parties.

Based on this method, taxes are grouped into five major categories, including taxes on profits, properties, people taxes, on products and services and planet taxes.

Profit taxes: These includes taxes incurred for the profits obtained by the company, such as corporate income tax, tax on economic activities and certain taxes collected as withholdings on payments to third parties.

Property taxes: These are taxes on ownership, sales, transfer or the occupancy of property.

People taxes: These are taxes associated with employment both incurred and collected, including income tax withholdings of employees or social security payments by both the employee and the company.

Product taxes and services: These take into consideration indirect Product taxes on the production and consumption of goods and services, including VAT, custom duties, etc.

Planet taxes: Taxes on the supply, use or consumption of products and services considered to impact the environment.

TAX CONTRIBUTION 2017 (in euros)

DIRECT TAXES		COLLECTED TAXES	
Profit taxes	985,191,298	Profit taxes	121,399,992
Property taxes	114,445,106	Property taxes	13,992,397
People taxes	742,796,747	People taxes	664,097,577
Product taxes and services	862,087,798	Product taxes and services	2,447,011,659
Planet taxes	7,455,378	Planet taxes	298,675
TOTAL	2,711,976,327	TOTAL	3,246,800,300
TOTAL TAX CONTRIBUTION			5,958,776,628

2.1. TAX CONTRIBUTION BY GEOGRAPHICAL AREA

At Inditex we pay taxes on the profits generated in the territories where each activity is carried out. In Spain, accounting for 16.3% of our global sales and including main activities associated with the products, we generate 1,010 million euros of direct tax contribution, 37% of the global total. Regarding the corporate income tax, the effective tax rate in Spain was 21.65% compared to a global average of 22.5%.

We pay different tax duties for each market where we operate in a regulatory context which is highly dynamic and complex. We believe in the importance of managing our taxes based on good tax practice standards. To do this, we have defined a Tax Policy, which was approved by the Group's Board of Directors on 9 December 2015, setting out responsible tax behaviours, with principles in line with those set out in the OECD guidelines for multinational companies (2011).

At Inditex we carry out a practical application of the arm's length principle international standard consistent with OECD Transfer Pricing Guidelines, and with the tax law of the countries involved in the corresponding Group operations.

Furthermore, we expressly reject opaque company structures which have special purpose vehicles in tax heavens. In 2017, Group Companies located in countries or territories considered as tax heavens by Spanish law related to sales made in the nine stores located in Macao SAR* and the one in Monaco.

	Sale of goods and provision of services (euros)	Number of stores
Macao SAR*	17,179,757	9
Monaco	5,647,685	1
Total	**22,827,442**	**10**

* SAR: Special Administrative Region

TOTAL TAX CONTRIBUTION 2017

5,959
million euros

AMERICAS
753
million euros

Direct taxes	479
Collected taxes	274

SPAIN
1,613
million euros

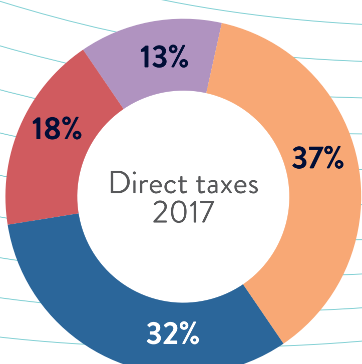
Direct taxes	1,010
Collected taxes	603

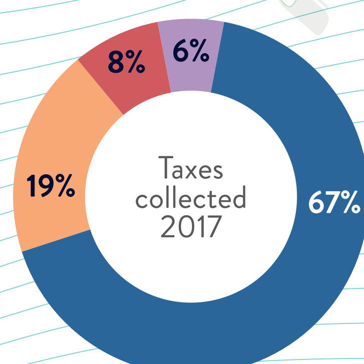
EUROPE*
3,043
million euros

Direct taxes	878
Collected taxes	2,165

ASIA AND REST OF THE WORLD
550
million euros

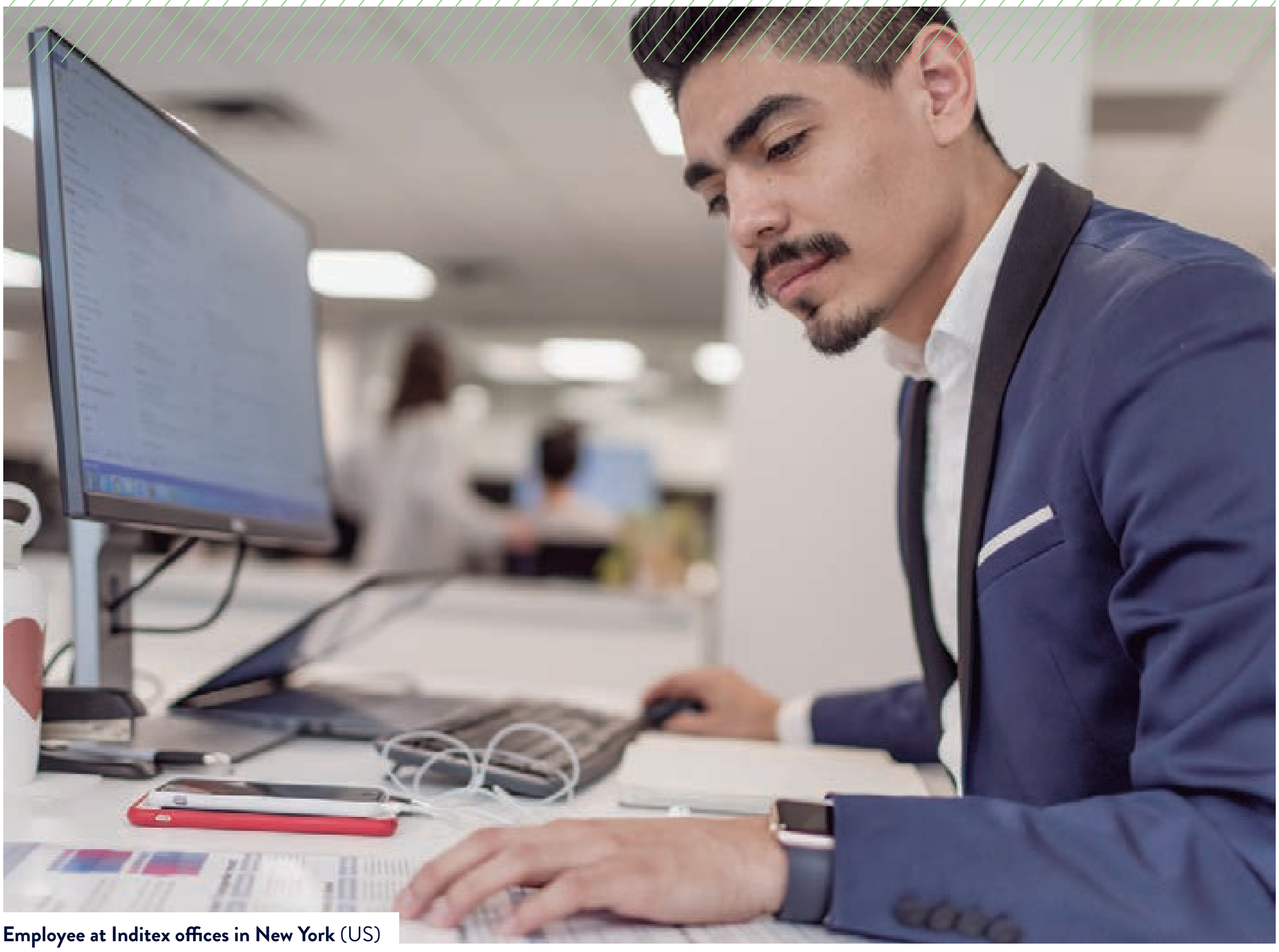
Direct taxes	345
Collected taxes	205





SPAIN · EUROPE (*) · AMERICAS · ASIA AND REST OF THE WORLD

(*) Without Spain



Employee at Inditex offices in New York (US)

2.2. TAX CONTRIBUTION IN THE VALUE CHAIN

Inditex's different activities generate direct and collected taxes paid to tax authorities. These highly integrated activities can be divided into those related with stores and online (architecture, exterior and interior design, commercial and sales) or those prior to the product reaching the store (design, procurement, manufacture, quality control and logistics).

Regarding income taxes, our business generated more than 985 million euros globally, 16.53% of the total tax contribution. Of these taxes, nearly 50% was paid in Spain, where the design, production and logistics teams are primarily located.

The integrated design and management of our stores is one of the cornerstones of the Group's business model. 1,105 million euros in taxes associated with employment were raised - income tax and Social Security contributions makes up a significant part of the total (19%). Furthermore, sales made in our stores and online generate 41% of Inditex's total tax contribution, amounting to 2,471 million euros in taxes on products (VAT and equivalent).

With regard to product-associated taxes, the integration of our design, procurement, manufacture, quality control and logistics processes provides the flexibility necessary to quickly adapt our collections to the customer demands. These activities, which are highly innovative, are located mainly in Spain and generate 20% of the taxes associated with employment (302 million euros in 2017).

Furthermore, our centralised logistics distribution scheme generates 838 million euros in customs duties through importing our products to the countries in which we have stores, comprising 14% of the total tax contribution.

Finally, both our store and product activities are also taxed for real estate and environmental taxes, and other withholdings of third parties. These amount to a total of 258 million euros.

103-2


STORE ACTIVITY
7,475 stores in 96 markets
Special presence in Spain
1,105
Taxes associated with employment
(million €)
STORE
2,471
taxes on products
(million €)
Taxes on profits
(million €)
985
5,959
TOTAL TAXES
(million €)
taxes, on properties environmental and withholdings to third parties
(million €)
258
Customs duties
(million €)
838
LOGISTICS
Taxes associated with employment
(million €)
302
DESIGN
PRODUCTION
PRODUCT ACTIVITIES
Mainly located in Spain and in nearby countries

Support to the MSF Emergency Unit (Photo: Gabriele François Casini/MSF)

CONTRIBUTION TO COMMUNITY WELFARE

RELATED SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
Goal 3: Ensure healthy lives and promote well-being for all at all ages.	Community health and well-being is one of the priorities of our Corporate Community Investment. We collaborate with organisations of reference in this field, such as Caritas, Médecins Sans Frontières (MSF), Water.org, Every Mother Counts or Medicus Mundi, as well as humanitarian relief initiatives and development cooperation programmes.
Goal 4: Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.	Education is one of the three major fundamental areas in our Corporate Community Investment projects. We develop a range of initiatives focused on providing opportunities through education, which offer people the possibility of a decent life, of personal development and foster social justice. We cooperate with academic institutions, both in our closest area of influence, such as the University of Coruña (Spain), as well as in the areas in which we cooperate, such as Tsinghua University (China), Beijing Normal University (China) or the University of Dhaka (Bangladesh).
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.	The sustainable development of communities in which we operate by encouraging the labour integration of people who are at risk of social exclusion. To this end, we develop programmes which encourage employment for vulnerable groups, in cooperation with non-profit organisations and social enterprises whose aim is to help build a more diverse and inclusive society.
Goal 10: Reduce inequality within and among countries.	A high percentage of our Corporate Community Investment goes towards initiatives that help promote social inclusion and to reducing inequalities. Among other actions included in this category are in-kind contributions by Inditex to people in need, channelled through institutions such as Red Cross and Cáritas.
Goal 12: Ensure sustainable consumption and production patterns.	We encourage responsible production and consumption through social actions that promote a circular economy, among others. In this context, we cooperate with community organisations such as the China Environmental Protection Foundation, the MISTI or Caritas, to develop social economy projects dedicated to giving clothing and footwear a second life, through the reuse and recycling.

In the 2017 financial year, Inditex has strengthened the aligment between its Corporate Community Investment program and the United Nations Sustainable Development Goals, with the aim of promoting prosperity and protecting the planet. 82% of the contributions to the CCI activities targeted primarily towards five specific SDGs, and more than 1.5 million people directly benefited from the different projects.

CORPORATE COMMUNITY INVESTMENT

Inditex's Corporate Community Investment (CCI) encompasses the activities that illustrate the company's commitment to contributing to social development, in the communities that have needs to be met, especially in the geographic areas where Inditex operates. These activities comply with the following principles:

- **They are voluntary**. The company has no legal obligation whatsoever at the time they are carried out.
- **They are non-profit activities and provide a social and/or environmental benefit.** Initiatives are targeted to social and/or environmental benefit, including support for any non-profit organisation. The scope also extends to those organisations that, despite the fact that they are not always being non-profit in character, their purpose is contributing to social well-being.
- **Beneficiaries shall not be restricted.** Activities shall be open to all potential beneficiaries, without prior classifications which may be discriminatory or beneficial to them, due to their belonging to or being related to companies in their capacity of customers, offspring of employees or any other similar circumstances.

In the 2017 financial year, Inditex has gained deeper knowledge regarding the link between its CCI program with the United Nations Sustainable Development Goals. Inditex's investment in the community materialises through collaboration with specific projects focussing on the following lines of action that are related to the company's activity, and their potential impacts, and for which reason they are considered as strategic.

- **Education:** initiatives that focus on providing opportunities through education, that offer people the possibility of a decent life, the personal development of youth and foster social justice.
- **Social welfare:** initiatives which encourage employment and entrepreneurship of vulnerable groups, whilst encouraging labour integration of people at risk of social exclusion.
- **Emergency relief:** actions focusing on protecting life, health and wellness of people in emergency situations resulting from natural disaster or similar circumstances.

Examples of these three lines of action during the financial year 2017 are highlighted below:

- The launching of **new long term strategic projects** for specific activities in the academic field, in partnership with Beijing normal University, Tsinghua University or the University of La Coruña.
- The reinforcement of **regular collaboration projects** in the fields of development cooperation, humanitarian aid and social actions, through different organisations such as *Every Mother Counts*, Médecins Sans Frontières (MSF), *Water.org,* Fundación Entreculturas and Cáritas.
- The establishment of **extraordinary emergency relief programmes,** such as the one set up in partnership with the Red Cross as a result of the earthquake in Mexico.
- The launching of **new initiatives that leverages additional resources from Inditex's employees** to social purposes, such as the initiatives Teaming or Big Idea Project.

+ More information is available on pages 65 and 66 of this Annual Report.

EPGO Program in Argentina (Photo: Entreculturas)

- **Strengthening of strategic initiatives aligned with the business model** such as the *Closing the Loop* programme in cooperation with non-profit organisations such as China Environmental Protection Foundation, Cáritas or the Red Cross, among others; the opening of new stores within the *for&from* project, that targets the labour integration of people with disabilities; or the launching of a new programme in partnership with ILO for promoting fundamental principles and rights at work in the cotton supply chain.

Inditex invested over 48.1 million euros in corporate community investment projects in 2017. This statistic represents a 20% increase on the previous year. More than 1.5 million people have directly benefited from the corporate community investment projects implemented throughout the year, which represents a 45% increase in terms of the reach of our CCI compared to the previous year.

The most relevant community investment programmes developed during the year, according to LBG[1] methodology, are outlined in the rest of this chapter. These programmes are subject to an exhaustive monitoring progress and continuous accountability, according to previously defined objectives for each programme based on a range of key performance indicators (KPIs).

The aforementioned methodology enables us to simply and thoroughly structure the voluntary corporate community CCI program, quantify and measure the impact on society, both in terms of depth as well as the type of impact.

In terms of the depth of the impact, the effects of our projects have on beneficiaries are broken down into the following three point scale identifying three distinct levels of change that a beneficiary might experience. Numbers recorded under each of the depth of impact headings are mutually exclusive:

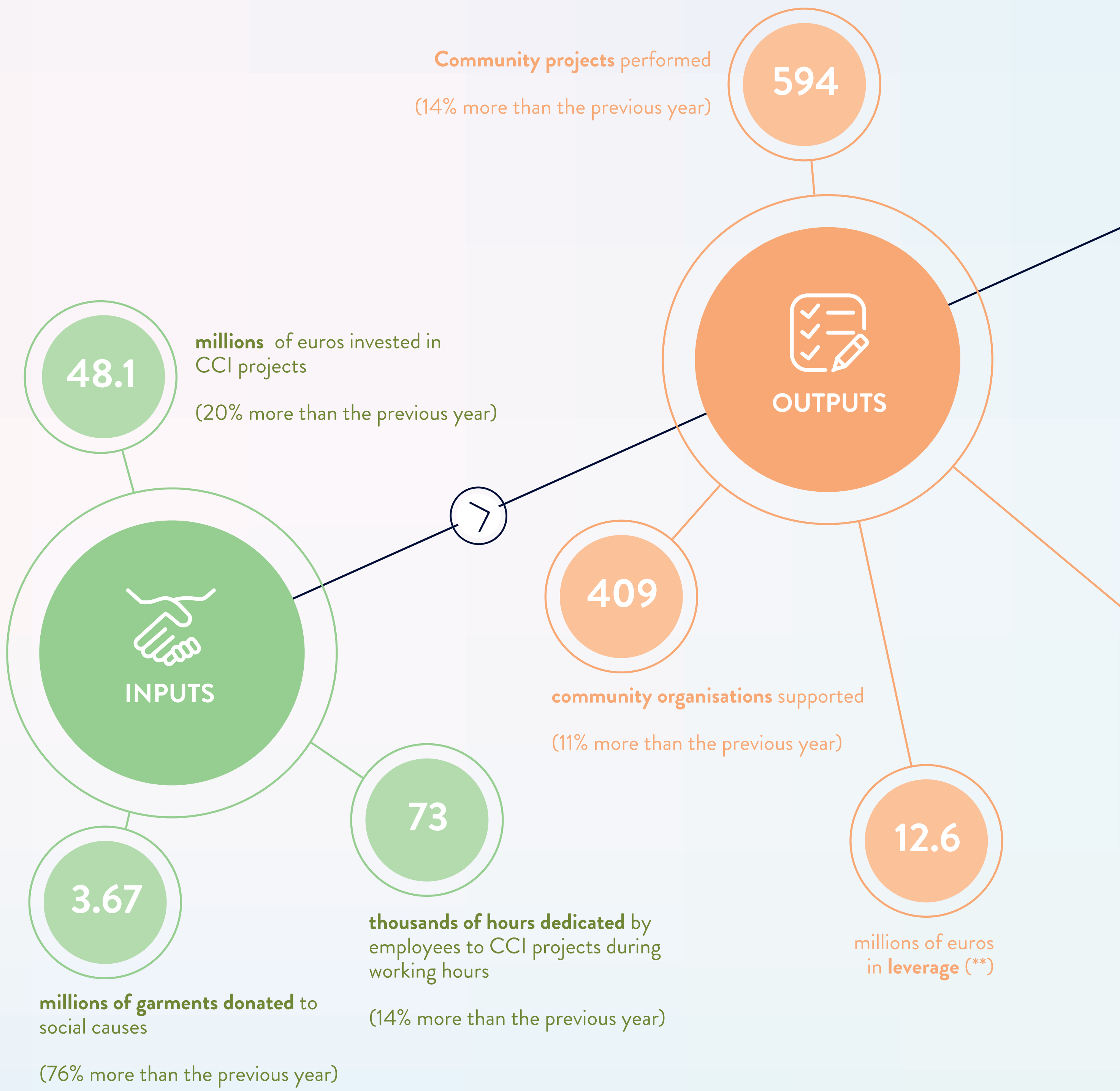
- **Connection:** the number of people reached by an activity who have reported some limited change as a result of an activity.
- **Improvement:** the number of people who have reported some substantive improvement in their lives as a result of the activity.
- **Transformation:** the number of people who have reported an enduring change in their circumstances, or for whom a change has been observed, as a result of the improvements made.

With regards to the type of impact, the changes experienced by beneficiaries are broken down into the following three categories. In this case, the same beneficiary can experience more than one type of impact.

- **Behaviour or attitude change:** the activity has helped generate behavioural changes that improve the life of the people. Likewise, the activity has enabled a change in negative attitudes or prejudices, allowing people to make better decisions.
- **Skills or personal effectiveness:** the activity has helped to develop new skills or improve existing skills, enabling them to develop academically, in the workplace or socially.
- **Quality-of-life or well-being:** the activity has helped people to be healthier, happier or more comfortable, through improved emotional, social or physical well-being.

1 A detailed description of the LBG model can be found at www.lbg-online.net

CORPORATE COMMUNITY INVESTMENT 2017*



IMPACT

90%

Impact on people (type of impact) (***)

40% experienced a positive change in their **behaviour or attitude**

4% developed **new skills** or an increase in their personal effectiveness

90% experienced a positive impact on their **quality of life** or well-being

99%

Impact on community organisations (****)

99% improved existing/delivered new **services**

88% improved **management processes**

93% increased their **profile**

85% taken on **more staff** or volunteers

65%

Impact on people (depth of impact)(***)

6% of beneficiaries made a **connection**

65% made **an improvement**

29% made a **transformation**

1.58

millions of direct beneficiaries

(40% more than the previous year)

(*) Data calculated in accordance with LBG methodology based on voluntary contributions by Inditex to Corporate Community Investment projects during the 2017 financial year. The exchange rate valid on 31 January 2018 was used to convert contributions into euros.

(**) Measure of any additional resources contributed to a community organization or activity that come from sources other than the company -employees, suppliers and customers, among other-.

(***) Of the total 1,584,446 direct beneficiaries, the impact assessment was carried out on 1.527.237 direct beneficiaries. The remaining direct beneficiaries correspond mainly to in-kind donations to which impact assessment is not applied.

(****) Assessment carried out on 212 community organisations supported by Inditex, on 68 long-term strategic projects.

CORPORATE COMMUNITY INVESTMENT 2017

The Corporate Community Investment (CCI) strategy is based on Inditex's Corporate Citizenship Policy. Implementation of this strategy in 2017 can be summarised by the following indicators.

INCREASING INVESTMENT

20%

Increased Corporate Community Investment

Inditex has sustainably increased its Corporate Community Investment. It exceeded 48.1 million euros in 2017, 20% more than the previous year and double that of 5 years before.

PARTNERSHIP THAT GOES BEYOND CASH CONTRIBUTION

14%

increase time contributions by employees

44%

increase garments donated to social causes

Beyond cash contributions - which increased by 13% on the previous year -, Inditex has boosted in-kind contributions - which increased 44% - as well as ttime contributions by employees to community activities during working hours, which grew by 14%.

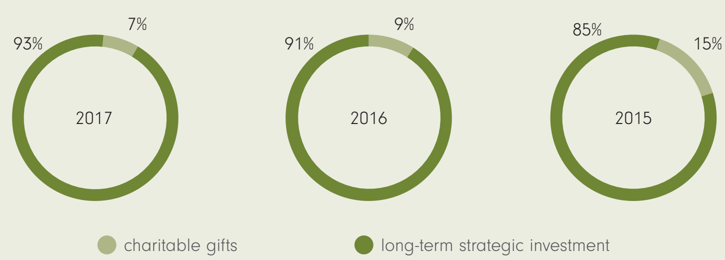
MAXIMIZING THE EFFECTIVENESS OF CONTRIBUTIONS

93%

contributions driven by strategic projects

The concentration of investments in long-term strategic projects allows us to maximise the effectiveness and amplify the positive impact.

FOCUS ON STRATEGIC COMMUNITY PROJECTS



For the third year in a row, investment in long-term strategic projects for specific activities (community investments and commercial initiatives) has increased, in front of charitable gifts in response to short-term or one-off events.

ALIGNING TO THE CORPORATE STRATEGY

82% of investment targeted primarily towards 5 SDGs linked to our activity

93% of investment carried out in strategic geographical areas

MAXIMIZING IMPACT REQUIRES FOCUS

a) Activity area

82% of the investment has been focused on activities that have had SDG's 3, 4, 8, 10 and 12 as the main objective.
81% of investment was targeted towards strengthening the strategic focuses defined in the Corporate Citizenship Policy - education, ssocial welfare and emergency relief.

b) Geographical area

Inditex has targeted 93% of its Corporate Community Investment to projects focused on strategic geographical areas, in terms of supplier cluster locations - 67% - as well as their commercial activity - 86%.

INCREASING THE SCOPE

14%

Increase in the number of CCI projects developed

594 CCI projects were developed in 2017, which represents an increase of 14% on the previous year.

INCREASE IN THE NUMBER OF DIRECT BENEFICIARIES

45% PEOPLE

11% ORGANISATIONS

In 2017, Corporate Community Investment projects have benefited 45% more people than the previous year. similarly, a total of 409 community organisations were benefited, which is 11% more than the previous year.

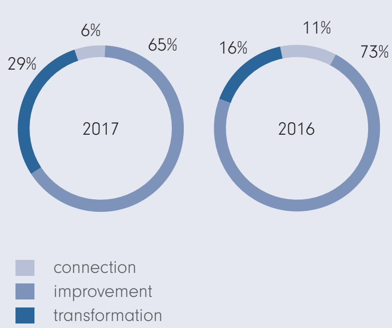
MAKING GREATER IMPACT

96%

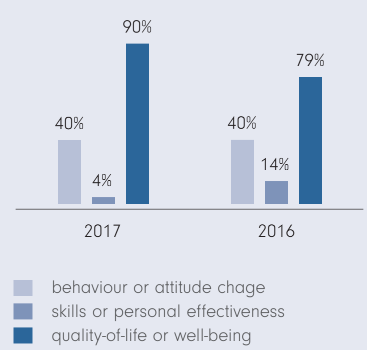
direct beneficiaries included within the impact assessment

The impact assessment was extended to 1.53 million people - 96% of the total number of beneficiaries - compared to 0.57 million people in the previous year - which represented 52% of the total number of beneficiaries.

DEPTH OF IMPACT



TYPE OF IMPACT

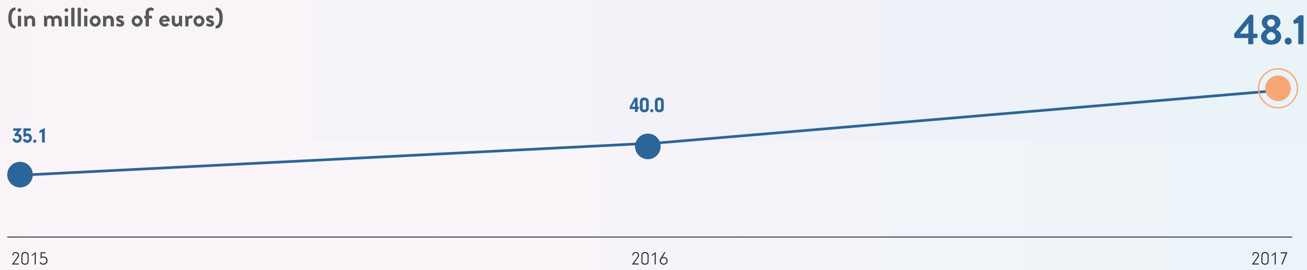


Both the level of depth and types of positive impacts generated for direct beneficiaries have increased.

EVOLUTION OF CORPORATE COMMUNITY INVESTMENT 2015-2017

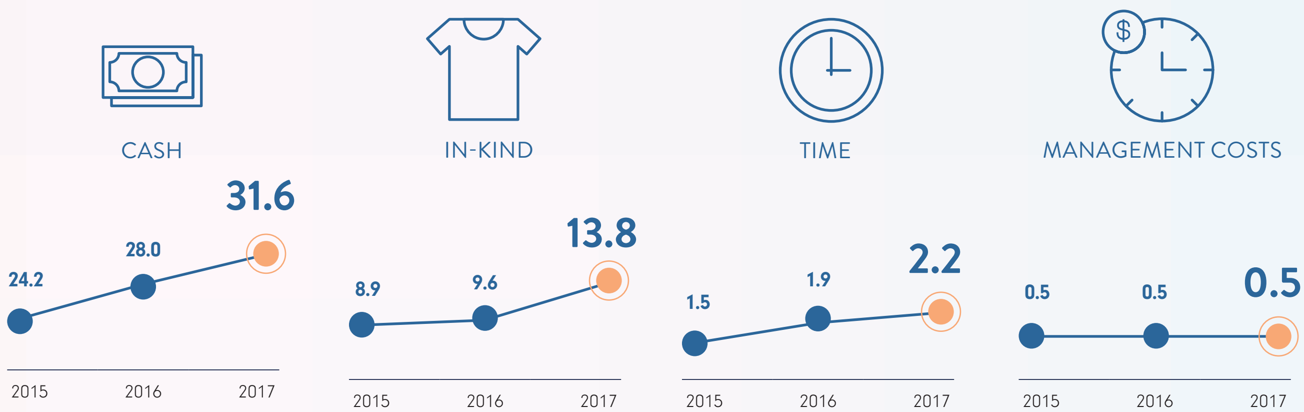
TOTAL CORPORATE COMMUNITY INVESTMENT 2015-2017

(in millions of euros)



BY FORM OF CONTRIBUTION

(in millions of euros)



BY DRIVER FOR CONTRIBUTION (*)

(in millions of euros)

Charitable gifts:

one-off institutional donations to the general goals of community organizations.

Community investment:

Long-term strategic commitment in partnerships with the community to support specific social activities.

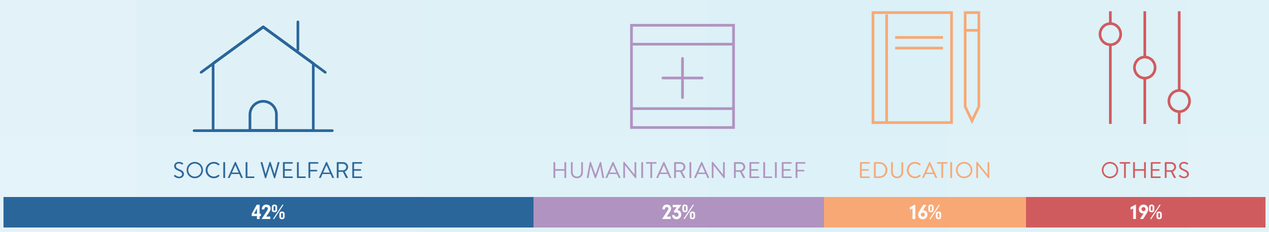
Commercial initiatives in the community:

Initiatives of social interest directly related to the company's retail activity.

(*) Management costs are not included.

DISTRIBUTION OF CORPORATE COMMUNITY INVESTMENT 2017

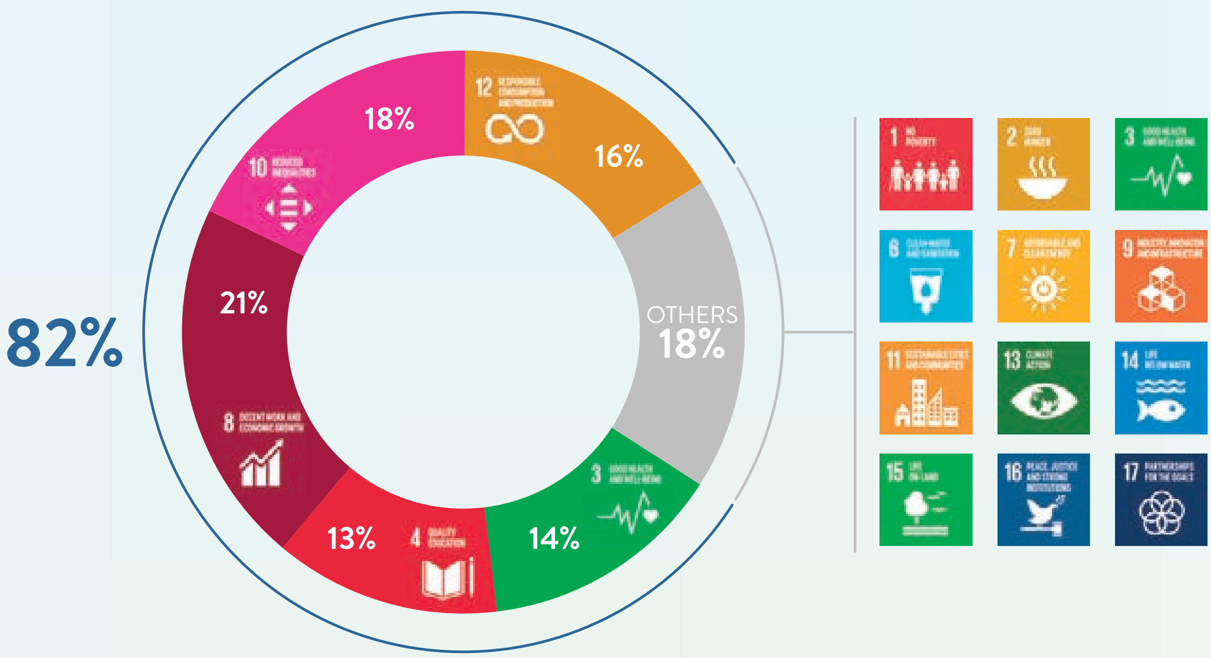
BY ISSUE ADDRESSED (*)



BY LOCATION OF ACTIVITY (*)

BY SDG (*)

The primary or main SDG of each of the 594 Corporate Community Investment projects developed during the current year have been identified. In 2017 we have focused our efforts on SDGs 8, 10 and 12, which represent our priorities, due to the alignment with the company's activity. In addition, we have contributed significantly to SDGs 3 and 4. More specifically, we have targeted 82% of the Corporate Community Investment - 39 million euros - to initiatives which have had some of the five SDGs as the main goal.

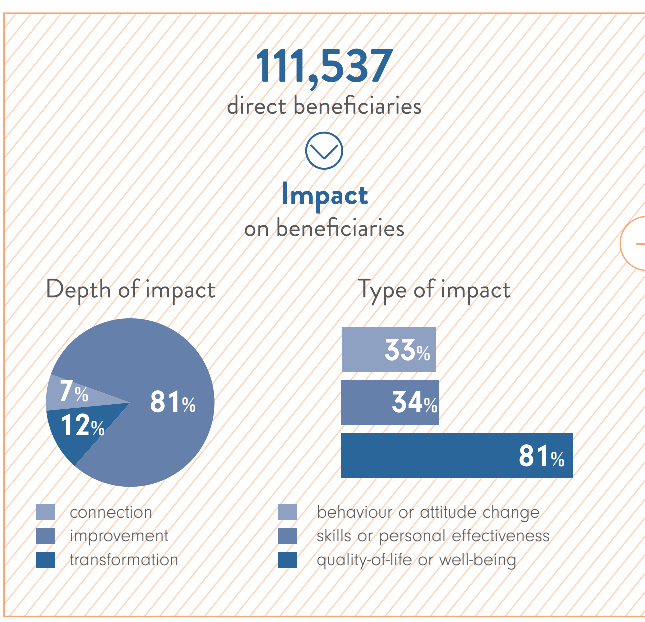


Our Educational programmes

KEY PROGRAMMES IN 2017

1. EDUCATION

EPGO PROGRAMME (EDUCATE PEOPLE, GENERATE OPPORTUNITIES)



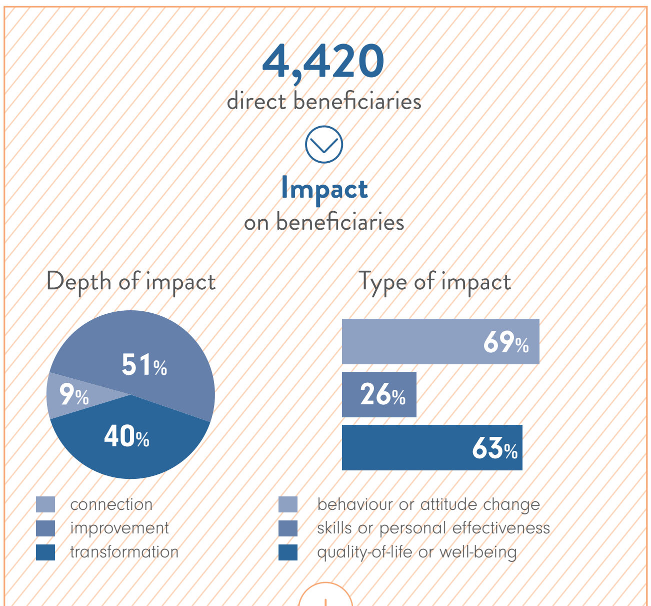
2017 the first year of operation of the new EPGO II programme (*Educate People, Generate Opportunities II*), which continues the work carried out by EPGO I, completed in December 2016.

Through this new three-year programme, Inditex and Entreculturas are investing in education and training for employment, as well as in vulnerable groups - especially the displaced or refugees - via the humanitarian relief channel. This work is carried out in 11 Latin American countries, Africa and Asia, with the objective of directly benefiting 165,500 people during these three years.

After the first year of implementation, a total of 111,537 people in Argentina, Bolivia, Brazil, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, South Africa and Lebanon have directly benefited from these educational, employment and humanitarian relief initiatives.

More than 1.5 million people directly benefited from our Corporate Community Investment projects in 2017

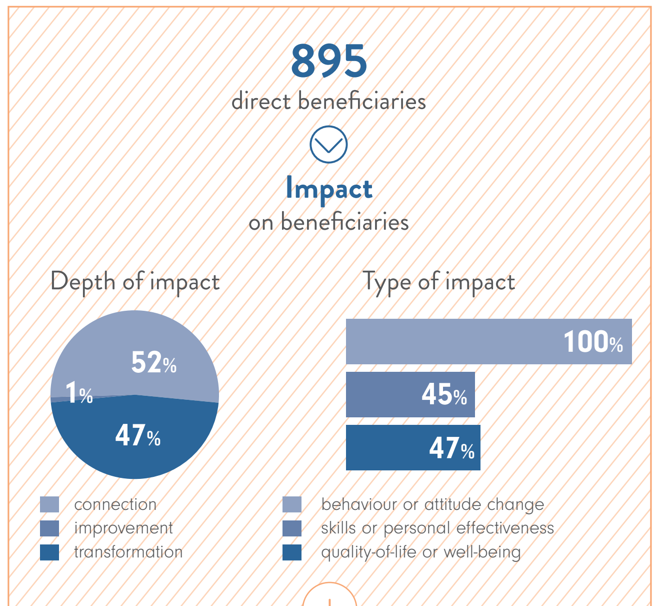
THE COLOMBIA BORDERS PROGRAMME



The *Colombia Borders Programme*, developed between 2015 and 2017 in Colombia, Ecuador and Venezuela, aims to provide opportunities and support for the displaced victims or refugees of the Colombian armed conflict. To this effect, Inditex and Entreculturas and the Jesuit Refugee Service carry out activities involving livelihood, formal education and protection and the guarantee of access to rights.

4,420 direct beneficiaries have been registered in the third year of the programme, in aspects such as social economic integration and food security. They have also been offered legal assistance so that they can access their rights, and rights have been guaranteed for educational access, permanent and academic certification of children, young people, displaced persons and refugees.

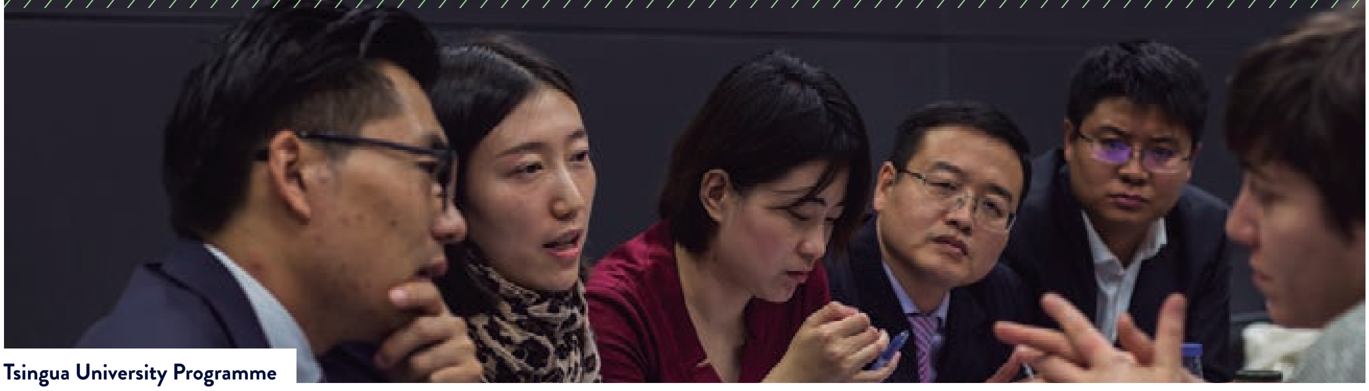
VILLAGE *HOPE SCHOOL PROGRAMME*



In 2016, Inditex signed a three-year cooperation agreement with CYDF for building 10 *Village Hope Schools* per year. In 2017, 5 Village Hope Schools were selected for construction in Baoshan, Yunnan Province, and the other 5 schools were under construction in Xiji County, Ningxia Province. 895 adolescents have directly benefited from the program.

Inditex *Village Hope School Program* has improved the infrastructure for rural education in poverty-striken providing access to quality education for students. This program has improved their mental and physical health as well as students' academic performances. What's more, this program has also encouraged the investment in elementary education from local government, which will improve the level of school management and teaching, and arouse the whole society's attention and support to rural primary schools in the impoverished areas.

In 2017 September, Inditex volunteers visited the hopes, taking the opportunity to know and collaborate with the students involved in the program. The Inditex *Village Hope School Program* has won the "CYDF best partner award in 2017".

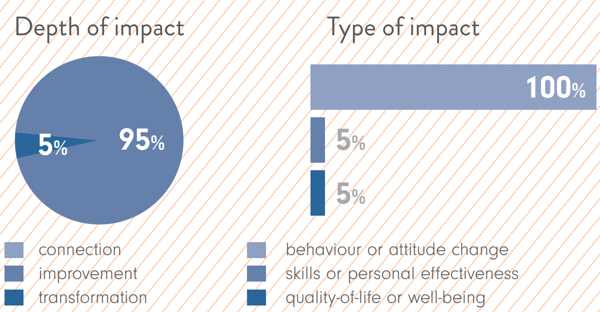


Tsingua University Programme

TSINGHUA UNIVERSITY PROGRAMME

840
direct beneficiaries

Impact
on beneficiaries



The partnership between Inditex and Tsinghua University School of Economics (Tsinghua SEM) is defined by a three-year agreement between the parties, which began its journey in 2017 and will run until 2019.

In January 2018, 40 MBA students from Tsinghua SEM were selected to travel to Spain to take part in a programme named "Fashion Industry in the Social Media Era". The students have the opportunity to share their opinions about Inditex's sustainability policy.

They also gained first-hand knowledge of the ins and outs of the industry, with case studies and visits to the group headquarters. In addition, they underwent training in corporate social responsibility and environmentally friendly practices applied to the fashion business.

BEIJING NORMAL UNIVERSITY PROGRAMME

100
direct beneficiaries

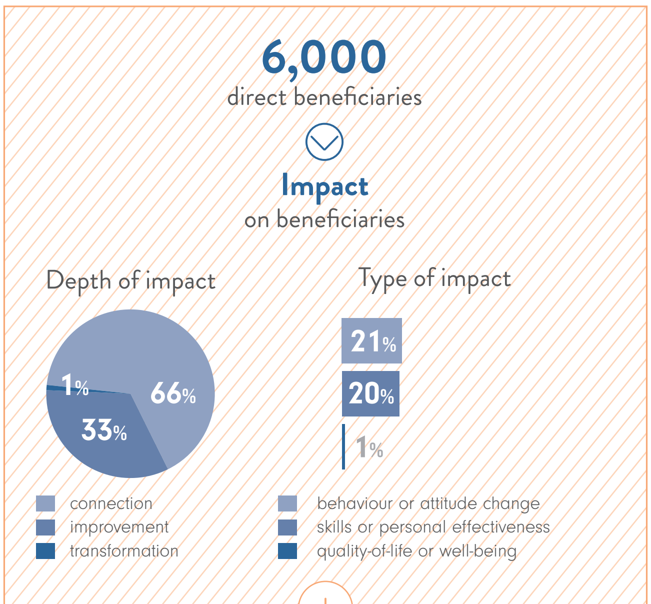
Impact:

Not applicable. Initiative launched in 2017.

The Emerging Markets Institute of Beijing Normal University, in collaboration with Inditex, has set up in 2017 the program called "The Belt and Road Scholarship" for the IMBA students, whom are pursuing master degree of business administration from developing countries. In particular, it has been awarded this scholarship for students coming from countries along the routes of the Belt and Road. With the help from the Belt and Road scholarship, students have adequate financial support for their thesis writing and the completion of the final projects.

In 2017, it has been established an honorary award "Inditex Chair Professors Funding" for outstanding scholars from Emerging Markets Institute. Those award-winning professors are receiving research funds for doing research concerning the issues of sustainable development as well as education in poverty-stricken areas.

INDITEX CHAIR OF SPANISH LANGUAGE AND CULTURE IN BANGLADESH

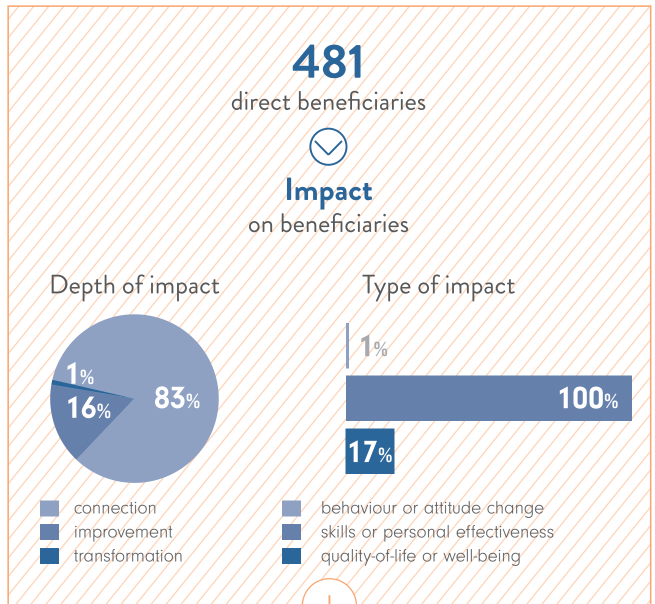


The Inditex Chair of Spanish Language and Culture in the University of Dhaka (Bangladesh) has been undertaking their activity in this university since 2011. Conceived as a partnership project between the local university and those in A Coruña and Santiago de Compostela, it currently has a team of six teachers.

The Chair teaches Spanish to more than 400 students every year and a cultural activities programme that is open to all students on the campus. The first seminar on Ibero-American studies was organised by this course - and has become the first international academic activity promoted by the Chair in the University of Dhaka.

A photography project featuring an exhibition about the life and works of poet Octavio Paz was also organised. This was a partnership between Spanish and Bangladeshi professionals in collaboration with the Mexican Embassy in New Delhi. In addition, there is an ongoing yearly summer scholarship programme for students at the Chair, and for teacher training, bringing three students from this country to the University of Santiago de Compostela.

CHAIR OF REFUGEES AND FORCED MIGRANTS



In 2017, the Chair for Refugees and Forced Migrants - created by Inditex and the Comillas Pontifical University - has concluded its research on social integration of applicants for international protection and the role of the Spanish International Reception and Integration System, in collaboration with different organisations such as the Jesuit Migrant Service and, in particular, the University of Duesto.

At the same time, an agenda for quantitative research has been pushed forward, about the refugee population in Spain and its territorial inclusion, in addition to a study carried out with Cáritas of Spain. Finally, two doctoral research grants have been promoted for the Southern European Border and about the psychological intervention processes with refugees, the latter in cooperation with Harvard University.

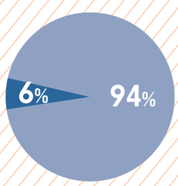
Tempe-APSA chair of Disability and Employability

INDITEX-UDC CHAIR OF SOCIAL RESPONSIBILITY

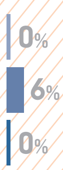
496
direct beneficiaries

Impact
on beneficiaries

Depth of impact



Type of impact



- connection
- improvement
- transformation

- behaviour or attitude change
- skills or personal effectiveness
- quality-of-life or well-being

The mission of the Inditex-Universiy of A Coruña (UDC) Chair of Social Responsibility is to promote a space for community, academic training and research applied to social responsibility and innovation by public bodies and administration, companies and non-profit organisations.

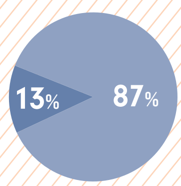
2017 saw the sixth edition of the Specialisation Course in Social Responsibility and Innovation (CERIS), a postgraduate course that attracted 143 pre-registration requests, 28 of which were accepted, and 12 received scholarships from Inditex. A total of 625 certified training hours have been delivered through this course. Training is carried out by a team of specialised teaching professionals (around 50%), teachers from the UDC (around 25%), and from other universities (the remaining 25%). 35 invited teachers have also participated.

TEMPE-APSA CHAIR OF DISABILITY AND EMPLOYABILITY

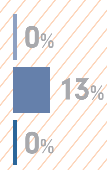
202
direct beneficiaries

Impact
on beneficiaries

Depth of impact



Type of impact



- connection
- improvement
- transformation

- behaviour or attitude change
- skills or personal effectiveness
- quality-of-life or well-being

The TEMPE-ASPA Chair of Disability and Employability at the Miguel Hernández University, in Spain, aims to improve the quality of life of disabled people through social economic training in a university and corporate environment.

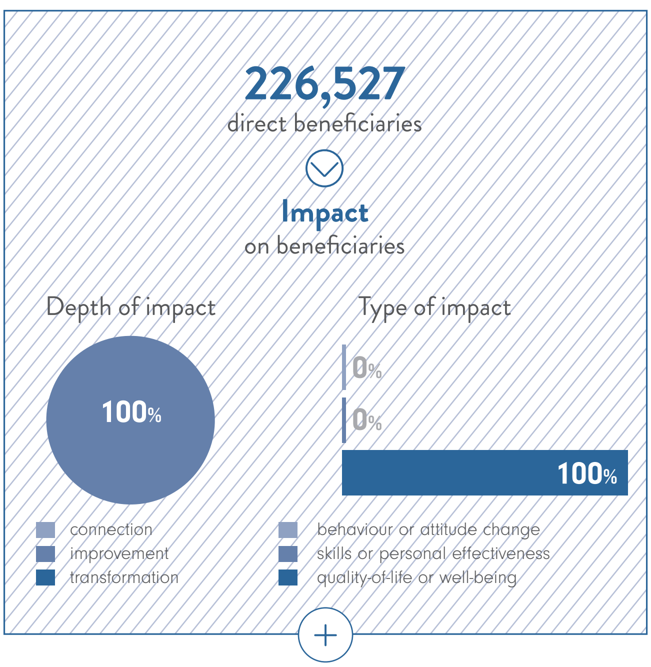
The Chair has carried out a range of research and training activities in 2017. The book Employability of people with disabilities and limited intellectual ability, has been published within the framework of the research project *to develop employability strategies for people with an intellectual disability.*

Similarly, in the area of education, the first edition of the University Expert in Auxiliary Retail Tasks was completed by a total of thirteen students with disabilities.

Water.org Programme in India (Photo: Water.org)

2. SOCIAL WELFARE

WATER.ORG PROGRAMME



We have maintained our partnership with Water.org since 2015 through microcredit lines named *WaterCredit*, to facilitate access to drinking water and sanitation to over 160,000 people in Bangladesh and Cambodia until 2019. Ever so, the programme has exceeded its final objectives at the beginning of its third year, already benefiting around 230,000 people in both countries.

In Cambodia, in particular, over 190,000 people have access to drinking water and sanitation today, thanks to over 42,000 lines of microcredit granted. Water.org has signed agreements with five specialised local microfinance institutions in order to reach this population: Vision Fund Cambodia, LOLC, SAMIC, Chamroeun and Agora Microfinance (AMK).

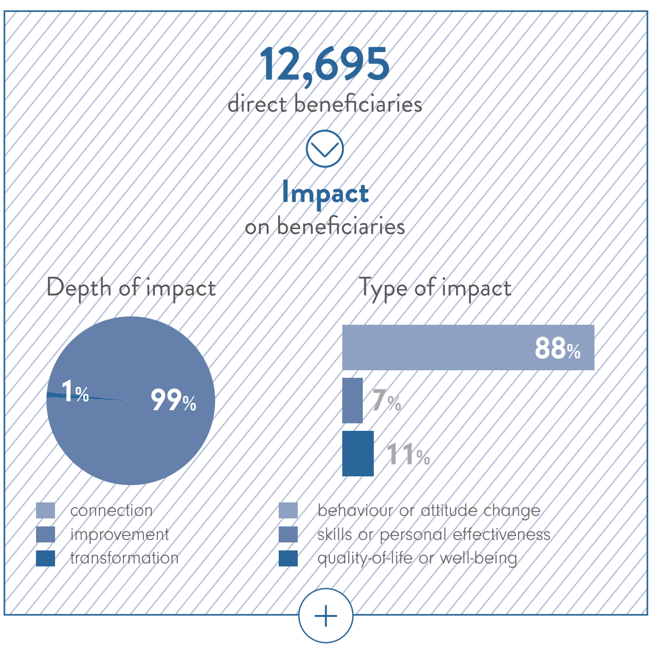
At the same time, educational activities are already underway to promote healthier hygiene habits and the importance of water and toilet usage in partnership with non-profit credit institution SAMIC.

With respect to Bangladesh, over 35.000 people have gained critical access to safe water and/or improved sanitation through more than 7.000 WaterCredit loans. Water.org supported Sajida Foundation and WAVE Foundation as they each developed policies and procedures for water and sanitation lending, conducted demand assessments and supply side analysis, piloted their newly developed WaterCredit products, and subsequently implemented WaterCredit across their networks.

They have also developed educational programmes to raise awareness about the importance of hygiene and the provision of sanitation and drinking water systems.

Every Mother Counts Programme in Bangladesh (Photo: Every Mother Counts)

EVERY MOTHER COUNTS PROGRAMME



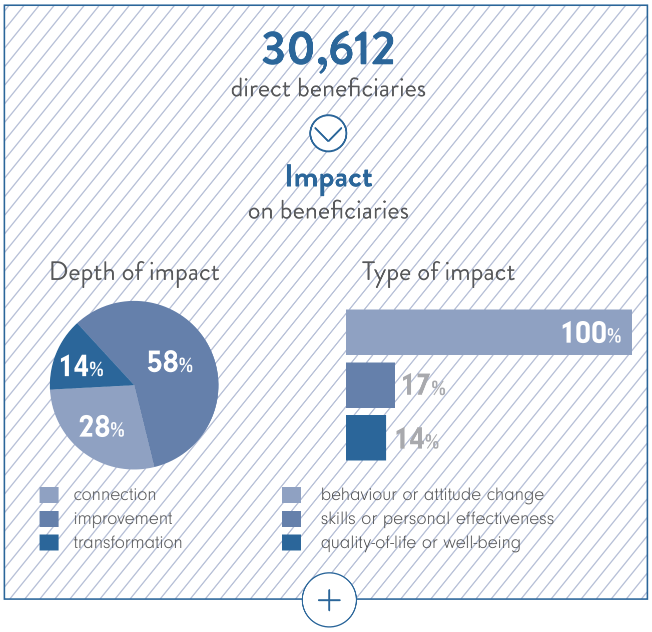
In March 2017, Inditex signed a three-year agreement with the non-profit organisation Every Mother Counts (EMC) by which the Group will contribute a million dollars for projects by the organisation in the United States and Bangladesh, particularly focussed on the provision of prenatal care and attention to pregnant women.

Thanks to this alliance, *Every Mother Counts* has collaborated with the HOPE Foundation for Women and Children of Bangladesh, providing care for pregnant women and their children, as well as maternal education on issues such as breastfeeding, care for the new-born, family planning and vaccination for 1,500 women in the Cox's Bazar region, in the south east of the country. At the same time the organisation has provided an ambulance for patient transport and financing to provide healthcare for Rohingya refugees that reached the region in 2017.

Also it has launched a photo-journalism project in Bangladesh to portray in images the experience of a pregnancy in conditions of extreme vulnerability.

In the United States, the support of Inditex for Every Mother Counts has allowed to provide the Florida non-profit organization Commonsense Childbirth with a grant to help women on low income and in a situation of social exclusion so that they have access to pre and post-natal care and education and social support. Funds were also used to support public education and awareness programs in the United States including races and other events.

COMMUNITY DEVELOPMENT PROGRAMME IN BANGLADESH



Community Development Programme in Bangladesh (Photo: Caritas)

The Community Development Programme in Bangladesh, in collaboration with Cáritas, focusses on working with communities vulnerable to natural disasters or situations of extreme poverty both in rural areas and in the capital, Dhaka. It is centred around two lines of action:

1) **Enhancing the adaptation capacity of the communities vulnerable to natural phenomena such as droughts and floods.**

Mitigating the consequences of natural disasters and offering sustainable ways of life to the population of four regions of Bangladesh exposed to floods and drought are the objectives of this line of action, promoting the production of a Plan for disaster preparation and reduction for communities in the Gaibandha, Naogaon, Sherpur and Sunamganj districts.

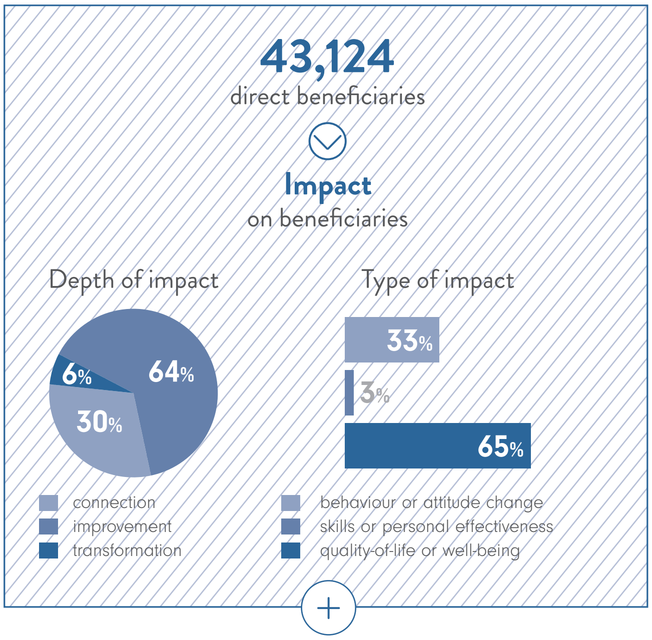
This Plan includes development activities based on the necessities identified by the communities. With them it is intended to improve the management of the water resources and contribute to the reforestation of the different areas. The issues of subsistence and improving the ways of life have also been considered as key to the development of vulnerable communities.

2) **Contribution to the improvement of socio-economic conditions and the dignity of people in the communities affected by extreme poverty in Dhaka.**

Improving the quality of life for people by promoting Human Rights in the urban communities affected by extreme poverty -the so-called *slums*- in the capital Dhaka by means of the development of social institutions for unemployed women without resources is the objective of this line of action of the Community Development Programme in Bangladesh.

Likewise, access to social services for children under six is facilitated. To do this five health and childcare centres have been created, providing training for parents' associations. Furthermore, in 2017 emphasis has been placed on the training and education of women and adolescents, nutritional support, healthcare and hygiene, maternal and reproductive health among other educational activities.

COMMUNITY DEVELOPMENT PROGRAMME IN CAMBODIA

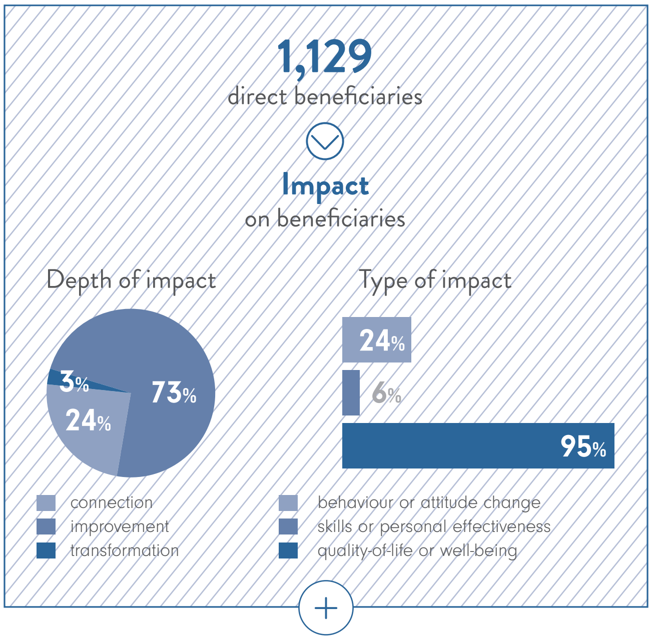


The Community Development Programme in Cambodia, in collaboration with Cáritas, works in rural areas through community associations, farming cooperatives and healthcare volunteers, and relies on the collaboration of healthcare centres and local authorities.

Its principal objective is to improve the resilience of local communities to the challenges posed by climate change, introducing techniques to increase crop yields and animal husbandry. The promotion of farming cooperatives is another of the lines of action and aims to foster business opportunities on a local level.

In 2017, a work cycle finished in 44 villages, and developmental support started in 18 new communities. The programme also pays special attention to maternal and infant health via access to healthcare centres and hospitals, vaccines, prenatal and postnatal care, and the improvement of nutrition for children and the pregnant.

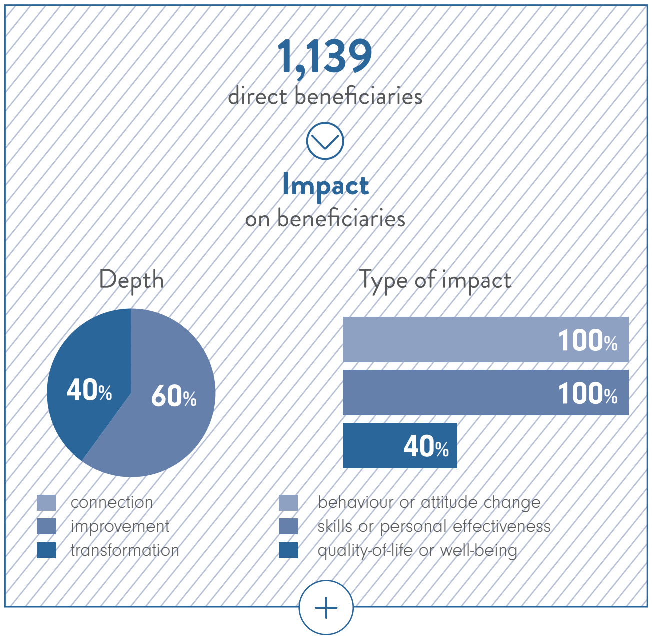
PROGRAMME FOR CLOTHING WORKERS WELFARE IMPROVEMENT IN MOROCCO



The programme, begun in 2015 in collaboration with Medicus Mundi, has the promotion of health in the working environment and the prevention of work bases illness as its principal foci. In 2017 it continued with this work, with the training of the hygiene and safety committees, and health promotion activities, influencing the improvement of working conditions.

In this context, and thanks to the collaboration with the project partners -both the members of civil society (Union of Feminist Action and the Moroccan Occupational Health Association) and the public administration (Ministries of Labour and Professional Integration, and that of National Education)- have conducted awareness raising events on social rights and the right to health, strengthening of occupational risk prevention skills and literacy for women working in garment sector in Tangiers.

EMPLOYMENT AND TRAINING PROGRAMME IN SPAIN

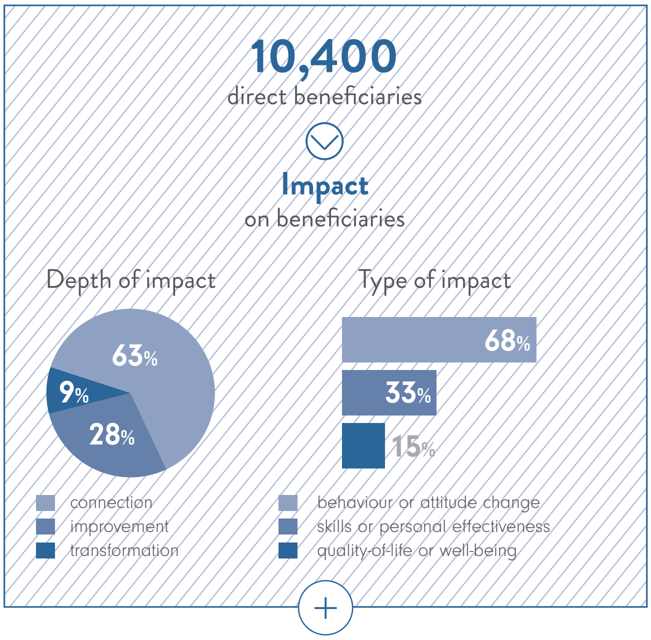


Since 2011 Inditex has supported the Cáritas programme with employment in Spain. The objective is to promote access to decent employment for people in situations of social exclusion through the following lines of action:

- Personal accompaniment for each person so as to assist their journey to social inclusion.
- Training, with the focus on improving skills, as a basic requirement to boost employability.
- Encouraging social economy initiatives that generate productive structures in a social and economic environment based on the principles of justice, social cohesion and the generation of opportunities for all.

Thanks to the collaboration with Inditex, in 2017, 32 social economy projects have been consolidated, 1,139 people have improved their employability, 849 of them have received training and 460 have also found a job.

IMMIGRANT INTEGRATION PROGRAMME IN BRAZIL

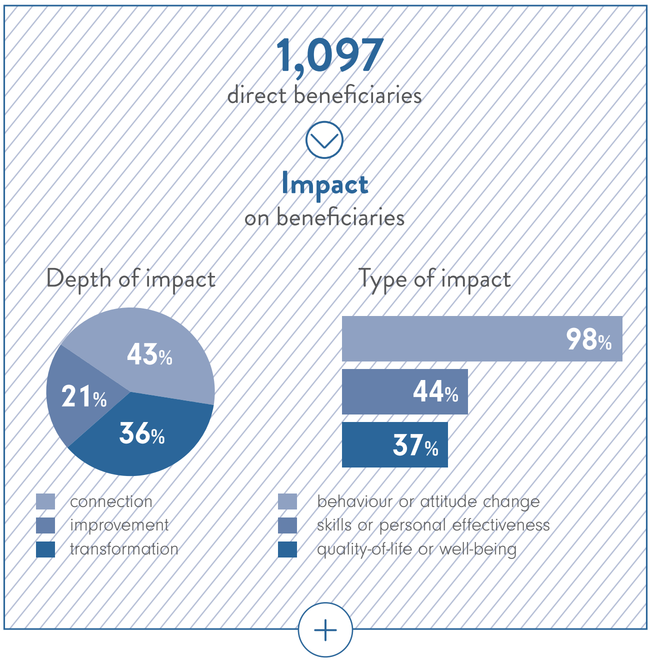


In 2017, and through social organisations such as *Missão Paz*, CDHIC, CAMI and *Aliança Empreendedora,* Inditex has benefited 10,400 immigrants in vulnerable situations.

The programme has been fundamentally organised around the following lines of action: migratory regularisation, training for citizenship and humanitarian emergency situations (food and shelter), reaffirming Inditex's ongoing commitment to the promotion of Human Rights and occupational improvement in the textile sector. Out of the total beneficiaries, 456 people received healthcare.

The Coruña Emprega Project centres on the incorporation into the employment market of highly vulnerable groups

A CORUÑA PROGRAMME



During 2017 Inditex strengthened its collaboration in local projects whose objective is to contribute to the social integration and welfare of people at risk of exclusion residing in the A Coruña area (Spain), the province of the Inditex headquarters. Specifically, Inditex has organised this programme through two projects called *Coruña Emprega* and *A Flote*, in collaboration with the City Council of A Coruña and the Emalcsa Foundation.

The *Coruña Emprega* Project centres on professional qualification and on labour mediation to foster the incorporation into the employment market of highly vulnerable groups with difficulties obtaining work. A total of 124 unemployed people found a job in 2017 through Inditex support, representing an average of 69.2% obtaining work. Likewise, 727 people received personalised employment guidance. And 1,755 hours of employment training were given, and 710 hours of work experience in companies.

In relation to the *A Flote* project, Inditex and the Emalcsa Foundation signed a three-year agreement in May 2017 to contribute to the integration of people at risk of exclusion through the management of immediate relief for social emergency situations that require the social services of the A Coruña City Council. Additionally, the programme foresees measures to prevent the exacerbation of the situation that gave rise to the emergency. Through this project, more than 300 financial relief packages have been managed, mainly related to the right to housing.

3. HUMANITARIAN RELIEF

MEXICO EMERGENCY PROGRAMME

18,582
direct beneficiaries

Impact
on beneficiaries

Not applicable:
one-off programme of an immediate nature for short-term activities.

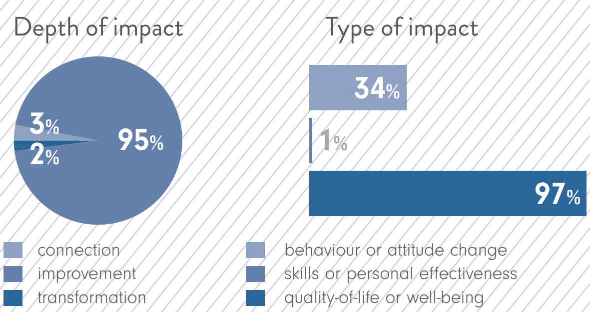
In September 2017 two earthquakes devastated Mexico and left close to 400 dead as well as serious damage to the country's infrastructure. Faced with this situation, Inditex launched an emergency programme in collaboration with the Mexican Red Cross and Entreculturas.

The project in collaboration with the Mexican Red Cross mainly centred on the strengthening, equipping and certification of the Urban Search and Rescue (USAR) teams. At the same time, and through the collaboration with Entreculturas, two initiatives have been supported that have benefited more than 18,000 people affected by the earthquake. On the one hand, and together with the Jesuit Migrant Service, the reconstruction of the migrant hostels damaged by the earthquake has begun. On the other hand, a Loyola Foundation project for the reconstruction of housing for affected families has been supported.

SYRIAN REFUGEE CARE IN KILLIS (TURKEY)

30,794
direct beneficiaries

Impact
on beneficiaries



Owing to its location on the border with Syria, the Turkish province of Killis has taken in hundreds of thousands of people fleeing the Syrian conflict since the war began over seven years ago. Nearly 135,000 people with limited access to medical care live in the city. Inditex has supported this Médecins Sans Frontières (MSF) project since 2013, which has allowed primary medical and mental health care to be offered to thousands of people since then.

The direct involvement of the Turkish government, within the framework of its agreement with the European Union, has allowed MSF to concentrate on one of the most necessary services after several years of forced displacement: mental health. In 2017 the MSF teams of psychologists and psychotherapists attended and accompanied more than 30,000 people in individual and group sessions.

Support to the MSF Emergency Unit (Photo:MSF)

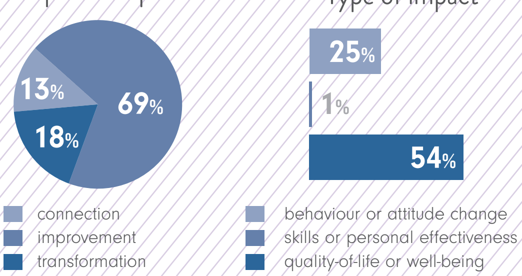
ACCESS TO HEALTH FOR THE SYRIAN POPULATION IN THE NORTH OF AZAZ, SYRIA

106,743
direct beneficiaries

Impact
on beneficiaries

Depth of impact

Type of impact



2017 marks the completion of the seventh year of armed conflict in Syria. Although many people have crossed the country's borders and found refuge in countries such as Turkey, Lebanon and Jordan, others have had to remain in their country.

Presently, around 400,000 people are surviving in the north of Aleppo, on the border with Turkey. Away from the battlefront, the displaced population has sought refuge in the Azaz area. Médecins Sans Frontières (MSF) has kept the Al Salamah hospital operational, ensuring high quality, free medical attention in the region. Inditex supports this project that, in 2017, allowed more than 57,000 people to be seen as outpatients, more than 14,000 children to be vaccinated and assisted nearly 900 births.

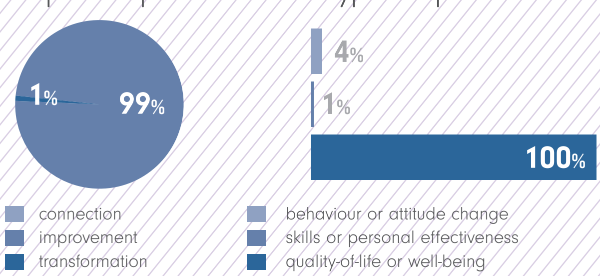
ACCESS TO HEALTH FOR THE ROHINGYA REFUGEES IN BANGLADESH

68,254
direct beneficiaries

Impact
on beneficiaries

Depth of impact

Type of impact

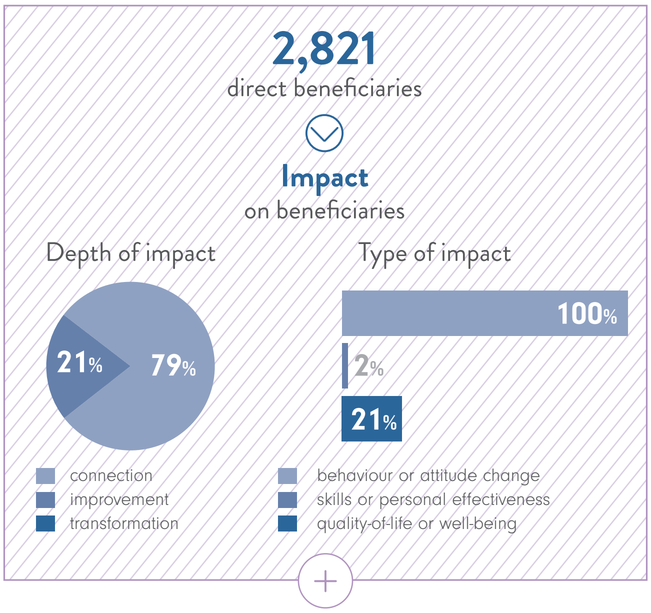


The south of Bangladesh is, since August 2017, the destination for more than 900,000 Rohingya refugees that have fled Myanmar. The massive arrival in Bangladesh has stretched the country, and the international agencies, to the limit, causing a scarcity of food and drinking water.

In September, Médecins Sans Frontières (MSF) began to work in the region with the aim of offering medical attention, water and sanitation services to the population in two of its refugee camps. Thanks to this intervention, close to 70,000 people have been seen as outpatients and for mental health. Also, the humanitarian medical organisation has dealt with an outbreak of diphtheria by means of a specific treatment centre with which it has treated around 1,000 patients.

The Inditex contribution to this project has been largely destined to equipping MSF clinics, purifying water and constructing latrines.

TREATMENT OF INFANT MALNUTRITION IN CHAKRADHARPUR, INDIA

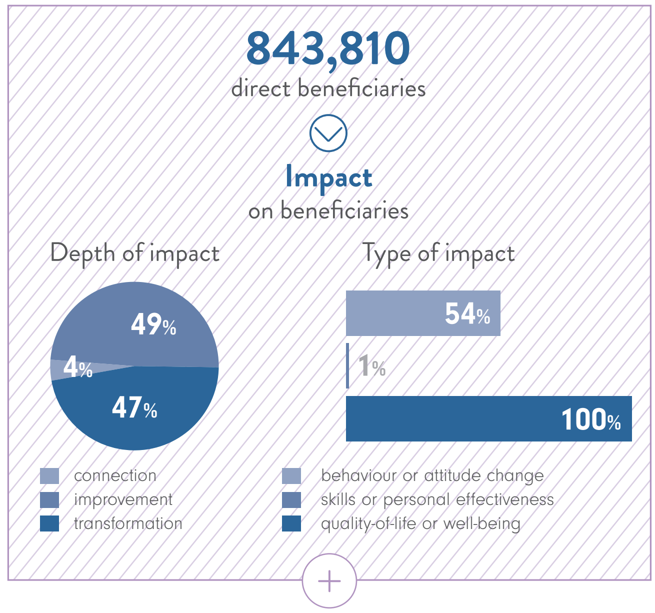


The focus of Médecins Sans Frontières (MSF) when it comes to treating infant malnutrition in India is based on demonstrating the benefits of outpatient treatment. The objective is to ensure that those children with higher levels of malnutrition and without additional medical complications can be treated appropriately in their houses, without the need for admission.

In mid-2017, MSF launched a project in Chakradharpur, West Bengal, based on outpatient therapy for malnutrition, thanks to the financing of Inditex.

In this context, community workers have been trained that visit rural areas to identify cases, while equipping outpatient treatment centres where mothers are given food with the essential nutrients so that they can recover at home. In a few months they have treated more than 2,800 children with positive results.

SUPPORT FOR THE MSF EMERGENCY UNIT



Inditex has maintained its commitment to the Emergency Unit structure of Médecins Sans Frontières since 2011. This support is key to guaranteeing the immediacy of the agency when it comes to responding in a professional and safe manner to humanitarian alerts anywhere in the world, and being able to organise emergency missions exclusively based on medical needs.

This support has allowed the maintenance of the professional structure of the Emergency Unit at its base in Barcelona (Spain) and two of its regional teams, based in the Democratic Republic of Congo and in the Central African Republic, countries with recurrent humanitarian crises.

In 2017 the MSF emergency teams attended to more than 840,000 people in Iraq, delivering medical and logistical supplies to the hospitals in Mosul while the final offensive for the liberation of the city was taking place. Also it has supported the victims of the conflict in Yemen, who also suffered a serious outbreak of cholera. Furthermore, hundreds of malnourished children have been attended to in the state of Borno, in Nigeria. And it has worked in two remote areas of the Democratic Republic of Congo to attend to the displaced and the victims of the violence in the country. In these countries massive vaccination campaigns have been organised against measles and pneumonia.

EPGO Program in Brazil (Photo: Entreculturas)

4. OTHERS

In addition to the projects described in the previous sections, Inditex has allocated 19% of its Corporate Community Investment projects in 2017 to activities related to health, economic development, art and culture, among others.

These activities include, mainly, charitable gifts at a corporate level and contributions from our Group brands and subsidiaries to community organisations. In this context, Inditex assigned more than three million euros in 2017 for charitable gifts, both money and in kind, that was distributed among more than 200 community organisations.

In order to systematise and channel this work, Inditex relies on the Sponsorship and Patronage Committee, the body charged with the approval of these projects.

Employee at the Zara Home store in Shanghai (China)

OUR PRIORITIES

CREATING VALUE FOR THE SHAREHOLDER

RELATED SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	Among its principles of action, Inditex complies with a policy of transparency and communication with its shareholders, which favours their participation in the decision-making process of the Group's highest governance body, the General Shareholders' Meeting. We can ensure that shareholders have access to all the necessary information to guarantee inclusive, participatory and representative decisions that respond to their needs.

We uphold a transparent and fluid communications policy with all shareholders, which favours their participation in the decision-making process. We offer an attractive, predictable and sustainable dividend, while generating resources for reinvestment in business growth. Our best practices keep us at the forefront of the most selective indices in terms of sustainability and generation of value.

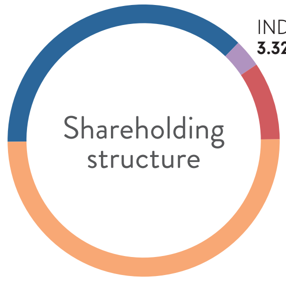
1. OUR SHAREHOLDERS

Among its principles of action, Inditex includes compliance with a policy of transparency and maintaining open communication channels[1] with both its current and potential shareholders, which favours their participation in the decision-making process of the Group's highest governance body, the General Shareholders' Meeting.

Likewise, Inditex maintains a sustainable, attractive and predictable policy of dividend distribution, compatible with its shareholder mandate, to create value in a sustainable way in the medium and long-term, specifically contributing through its activity to the development of the environments closest to its operational centres.

1.1. SHAREHOLDING STRUCTURE

A basic summary of Inditex's shareholding structure[2] at January 31st 2018 is as follows:



Shareholders	Shares
Institutional investors	1,165,078,117
Individuals	103,573,568
Partler 2006 SL	289,362,325
Pontegadea Inversiones SL	1,558,637,990
Total	**3,116,652,000**

1 In article 41, the Board Regulations set out a series of measures that regulate relations with shareholders.

2 Inditex shares are represented by book entries. Said entries are handled by the Management Company of Registry, Compensation and Securities Settlement Systems (Iberclear). Inditex had, at January 31st 2018, 94,129 shareholders according to the information found in the Shareholder Register. 89,566 of those were individual shareholders, with the rest being investment institutions. The table includes the significant interests registered in the National Securities Market Commission.

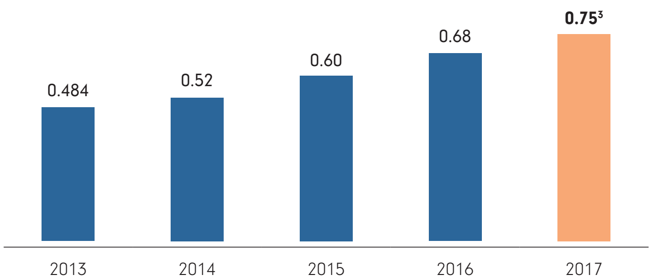
Zara employee at our New York office (United States)

1.2. SHAREHOLDER REMUNERATION

Inditex upholds its policy of offering an attractive, predictable and sustainable dividend over time, aligned with the company's operating growth. These criteria are compatible with a reinvestment in growth. Thus, we generate resources that can handle investments ensuring present and future sustainable growth of the business and the creation of value in the environment.

In May and November 2017, the dividend corresponding to 2016 was paid at an amount of 0.68 euros per share, 13.3% higher than the previous year. Additionally, regarding 2017, the Board of Directors proposed the distribution of a dividend of 0.75 euros per share to the General Shareholders' Meeting[3], 10.3% more than in the previous year.

EVOLUTION OF THE DIVIDEND OVER THE LAST 5 YEARS



1.3 RELATIONSHIP WITH SHAREHOLDERS

All communication channels and relations with shareholders or potential shareholders of the Inditex Group are governed by the Policy on Communication and Contact with Shareholders, Institutional Investors and Voting Advisors, as well as by the Regulations of the Board of Directors.

All channels aim to guarantee access to information for the market (shareholders and potential shareholders in particular) under equal conditions. To promote this access to information, Inditex publishes an Investor Agenda on its website, as well as reports and presentations on the evolution of the company.

Additionally, for the sake of transparency, Inditex publishes a complete list of entities and analysts on its website who produce reports and studies on the company's evolution and of those with whom it regularly maintains a relationship based on the same aforementioned parameters.

3 Dividend proposal made by the Board of Directors to the General Shareholders' Meeting. Of this amount, 0.375 euros per share was paid on 2 May 2018 as an interim dividend and 0.375 euros per share will be distributed on 2 November 2018, pending the approval of the Shareholders' Meeting.

1.3.1. SHAREHOLDERS' OFFICE

In 2017, the Shareholders' Office dealt with about 800 different requests from individual shareholders. Any individual investor can contact the Shareholders' Office to request detailed information regarding the evolution of the business and its future strategy. Through this channel, individual shareholders may make any request for information they deem relevant regarding the evolution of Inditex.

The Shareholders' Office is particularly important in planning and holding the General Shareholders' Meeting, traditionally held in mid-July at the Inditex head office in Arteixo (La Coruña). The sending of information and documentation is done accurately to provide shareholders with adequate knowledge of the call and content of the General Meeting, as well as to facilitate their participation in the decision-making process of the Group's highest governance body.

1.3.2. DEPARTMENT OF INVESTOR RELATIONS

- There are 42 financial and stock market entities which publish analysis reports regarding the value of Inditex.
- There are 4,563 institutional investors, holding 37.38% of the share capital, and who play a key role in shaping the share price and its liquidity.

The relevant information regarding business evolution is communicated through the Inditex website (www.inditex.com) and distributed to a database with more than 1,100 records of investors and analysts.

Inditex complements this information with quarterly open access conference calls. In addition, Inditex makes presentations to analysts and investors throughout the year in the main global financial capitals.

1.3.3. ACTIVITIES WITH INSTITUTIONAL INVESTORS

a) *Roadshows.*

Management conducts four rounds of major presentations (roadshows) per year in which it presents the quarterly results, visiting the world's main financial capitals. During these presentations, investors can get an insight into the management team's strategic vision. During these visits there is direct contact with more than 250 investors.

b) Sector conferences.

Another forum for communication with investors are the sector conferences organised by financial institutions, taking place in key events throughout Europe with an average attendance of 50 key institutional investors.

c) Individual meetings.

In addition to the scheduled events, meetings are held with investors throughout the year. In response to specific demands, visits to investors from a specific country or geographical area are organised. Over the last year, presentations have been carried out in the main financial capitals of Europe, America and Asia to over 150 institutional investors.

d) Investor visits at our corporate offices.

We also host a number of institutional investor visits at the Inditex offices so that they can better get to know our organisation, business model and business strategy. Throughout 2017, meetings were held with some 100 institutional investors from around the world. 200 videoconferences and conference calls have also been held.

Inditex is included in selective and benchmark indices, both from a financial performance (EURO STOXX 50 and IBEX 35)and best practices point of view in sustainability(FTSE4GOOD and DJSI), in accordance with the mandate of its shareholders

1.4. INDICES

Inditex is included in selective and benchmark indices, both from a financial performance point of view and best practices in sustainability point of view, in accordance with the mandate of its shareholders.

1.4.1 EURO STOXX 50/ IBEX 35

Inditex has been part of the European benchmark index Euro STOXX 50 since 2011. Likewise, Inditex has been part of the selective Spanish index IBEX 35 since 2001.

1.4.2. FTSE4GOOD

Inditex received a score of 4.8 out of 5, the highest in the sector, in the latest update of this index, which analysis the environmental, social and corporate governance practices of those global companies with the greatest commitment to corporate responsibility. FTSE4Good has included Inditex in its index since October 2002.

INDITEX IS THE MOST SUSTAINABLE RETAIL COMPANY ACCORDING TO THE DOW JONES INDEX

DJSI annually measures the economic, environmental and ethical behaviour of listed companies. The ranking, published since 1999, assessed 2,528 companies from around the world in its latest edition, of which only 320 from 24 sectors were included.

In 2017, and for the seventeenth consecutive year, Inditex was included as a member of DJSI World and DJSI Europe. It also received the gold medal in the Sustainability Yearbook 2017, compiled by the investment consultancy RobecoSAM.

Inditex has been named the most sustainable company in its sector by the Dow Jones Sustainability Index, with a total of 78 points out of 100. The ranking highlights Inditex's "leadership" for its practices "in the field of human rights within its supply chain", qualifying it as a "pioneer in the textile industry."

According to the results, "Inditex has implemented the best Human Rights policies and the most complete risk assessment processes in its supply chain". In this sense, the index also highlights efforts regarding "transparency", which establish "stricter standards" for the rest of the industry.

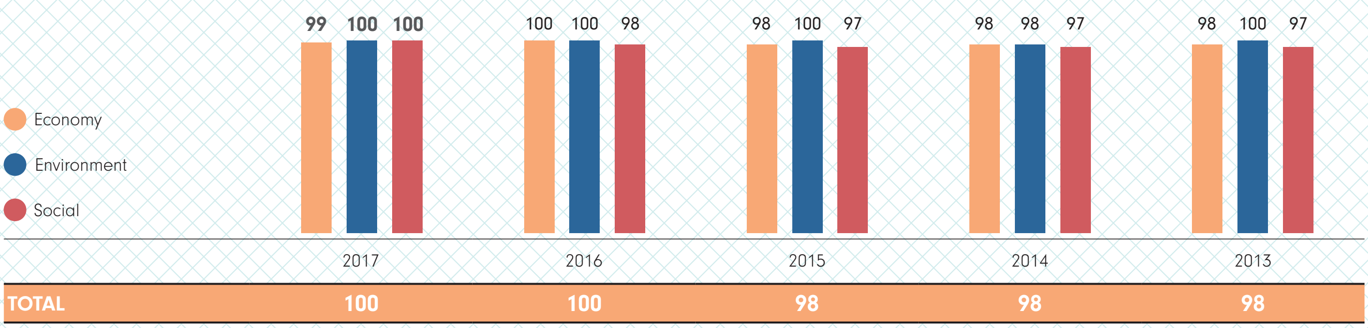
Regarding the environment, the index highlights a reduction in "the consumption of water and energy", which shows "a special commitment to eco-efficiency". Dow Jones also mentions "the Closing the Loop programme, which has set new goals for the removal of waste in its own activity in 2020".

Companies making up the Dow Jones Index are seen as leaders in their respective sectors thanks to their economic, environmental and social practices. Various parameters are assessed in these three categories, from corporate governance to supply chain management and customer care systems, also including eco-efficiency policies, and even transparency in the manner this information is reported.

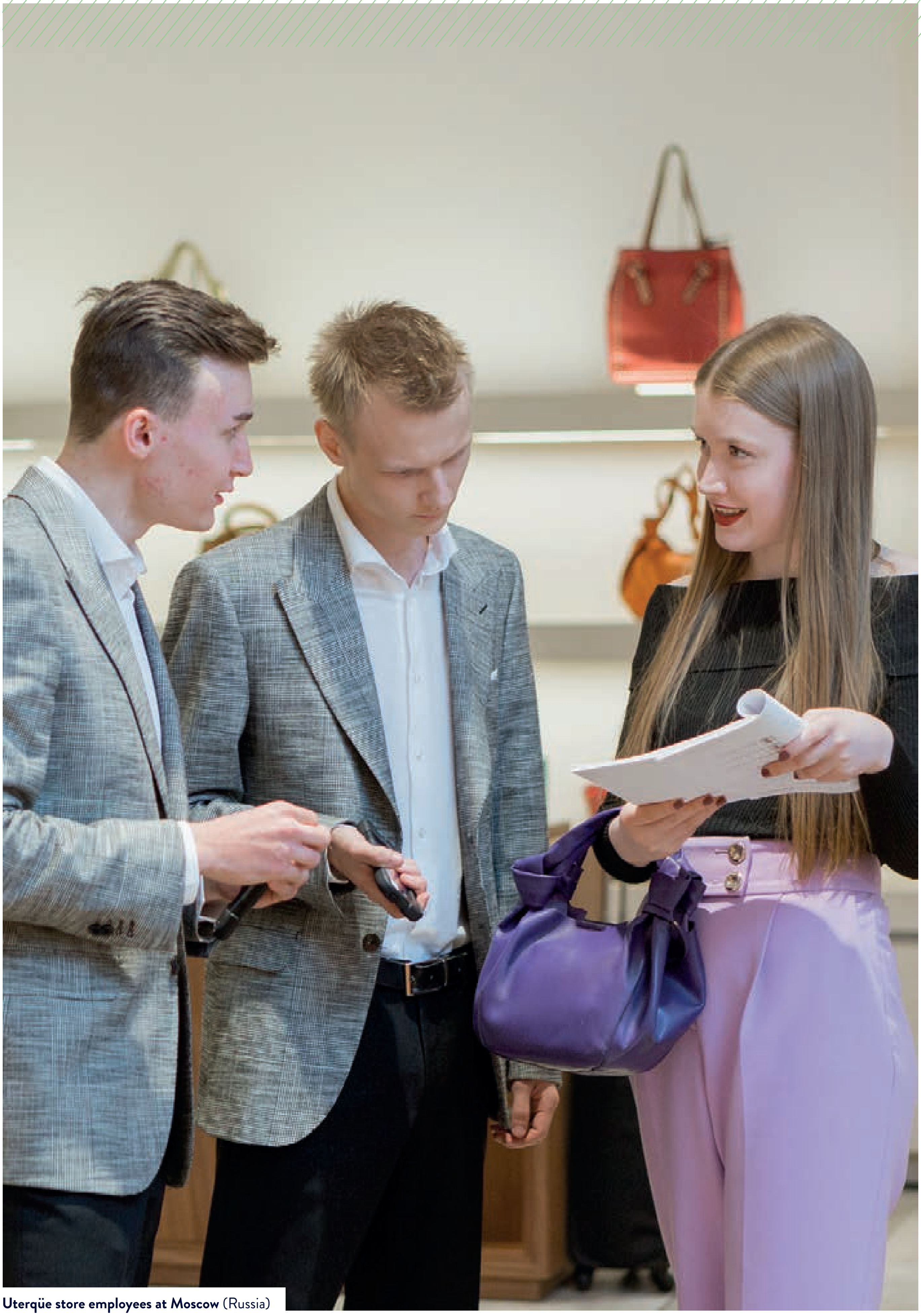
INDITEX RESULTS VS AVERAGE FOR SECTOR COMPANIES IN 2017

2017	Inditex score	Percentile Ranking (*)	Average sector score
Economic	70	99	40
Environmental	96	100	33
Social	79	100	32
TOTAL	**78**	**100**	**36**

PERCENTILE RANKING (*)



(*) Percentage of companies in the same sector with a rating lower than that obtained by Inditex



Uterqüe store employees at Moscow (Russia)

OUR PRIORITIES

CORPORATE GOVERNANCE

RELATED SUSTAINABLE DEVELOPMENT GOALS	INDITEX'S CONTRIBUTION
Goal 5: Achieve gender equality and empower all women and girls.	Gender equality is a principle that is firmly anchored in Inditex's culture, as is enshrined in its Code of Conduct and Responsible Practices and Code of Conduct for Manufacturers and Suppliers. The company's Nomination Committee is required to establish a targeted level of representation for the gender in minority on the Board of Directors as well as guidelines for how to achieve this target. As is set down in its Director Selection Policy, Inditex is pursuing the goal of having at least 30% of total board places occupied by women directors before the year 2020. Inditex also also a Diversity and Inclusion Policy which evidences its commitment to diversity and multiculturalism in the workplace, a commitment that applies to all positions and levels of the Company, including its boardroom. This same policy also sets down in its unwavering zero-tolerance approach to any form of discrimination, including on the grounds of gender. In addition, the Inditex Group devises gender equality plans that are designed to reduce inequalities and imbalances, prevent discrimination in the workplace, reinforce the Company's commitment to improving its employees' quality of living, guarantee a healthy work environment and establish measures that foster enhance work-life balance.
Goal 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all.	Inditex's Code of Conduct and Responsible Practices and its Code of Conduct for Manufacturers and Suppliers formally set down its commitment to the provision of decent work. These codes include a series of undertakings with respect to conduct and responsible practices, specifically including compliance with applicable legislation, internal rules and regulations and the external agreements Inditex has entered into.
Goal 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.	The Code of Conduct and Responsible Practices includes a series of undertakings with respect to conduct and responsible practices, specifically including engaging in licit, ethical and respectful dealings with suppliers and public authorities (the suppliers that endorse Inditex's Code of Conduct are similarly bound by these undertakings), aligned with international standards for the prevention of corruption and bribery. Inditex has built a robust Compliance Model which transmits a genuinely ethical corporate culture to all its stakeholders. The Corporate Crime Prevention Policy is designed to instigate ethical and responsible conduct on the part of all of its employees and the Group itself and, by so doing, all-importantly, to prevent the commission or crimes. In addition, with the aim of ensuring compliance with the main rules governing the prevention of bribery and corruption in force in the markets in which the Group is present, Inditex has approved what it has termed its Integrity Policies, which comprise the Gifts and Hospitality Policy, the Donations and Sponsorships Policy and the Public Officials Engagement Policy.
Goal 17: Strengthen the means of implementation and revitalise the global partnership for sustainable development.	Inditex has a Social Council, a body tasked with advising it on sustainability matters. It is made up of individuals and institutions that are external to and independent of the Group. Its task is to formalise and institutionalise Inditex's dialogue with the stakeholders deemed key in the civil society in which the Group pursues its business model.

Our concept of good corporate governance allows us to meet the goal of creating total net wealth in the long term, through a management team that acts in an ethical and transparent manner, subject to control and verification, both internal and external. Such good corporate governance, together with social action and environmental sustainability, is a strategic instrument for the effectiveness and competitiveness of the company.

1. FOREWORD

Corporate Governance is usually defined as the manner in which companies are organised, 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, are held accountable for their deeds and ensure balance of powers, respect and equality of all the shareholders, namely of minority ones.

Section 5.4. of the Board of Directors' Regulations reads as follows: *"The Board of Directors shall perform its duties in accordance with the corporate interest, it being understood as the viability and the maximisation 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 the groups associated with the Company.

The concept of good corporate governance arises thus as a necessary instrument to meet the goal of creating net worth in the long term. It shall be necessarily embodied through a Management that must 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 term, which is a strategic tool for the effectiveness of the Company, to achieve competitive advantages, together with social action, or social responsibility *strictu sensu*, and environmental sustainability.

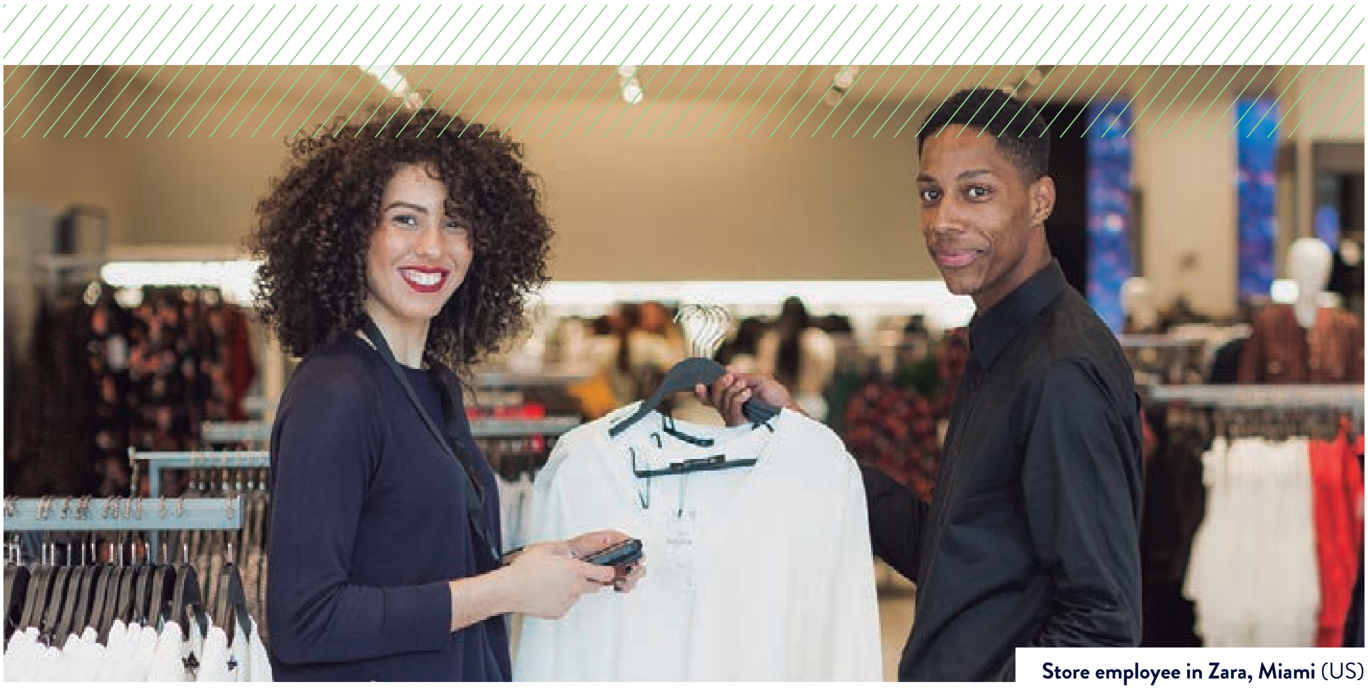
ANNUAL CORPORATE GOVERNANCE REPORT

In line with the foregoing, the Annual Corporate Governance Report for financial year 2017 (from 1 February 2017 through 31 January 2018) approved by the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.) (hereinafter, "Inditex", the "Company", or the "Group") available on the corporate website (www.inditex.com) and on CNMV[1]'s website (www.cnmv.es) provides full and reasoned information about the structure and governance practices of the Company, so that the market and the stakeholders may get a true image and a full and grounded view of corporate governance of the Group and of the degree of compliance with the recommendations of the Unified Good Governance Code of Listed Companies. In FY17, the degree of compliance with the recommendations applicable to Inditex stood at 99%.

REGULATIONS ON CORPORATE GOVERNANCE

Inditex's corporate governance regulations are listed below, together with the date when they were last amended:

1 CNMV stands for *Comisión Nacional del Mercado de Valores*, the Spanish Securities and Exchange Commission.



Store employee in Zara, Miami (US)

Internal Regulations	Competent Governing Body	Date of approval/ last amendment
Articles of Association	General Meeting of Shareholders	19-07-2016[2]
Regulations of the General Meeting of Shareholders	General Meeting of Shareholders	14-07-2015
Board of Directors' Regulations	Board of Directors	19-07-2016
Audit and Control Committee's Regulations	Board of Directors	19-07-2016
Nomination Committee's Regulations	Board of Directors	09-06-2015
Remuneration Committee's Regulations	Board of Directors	09-06-2015
Internal Regulations of Conduct regarding transactions in Securities (IRC)	Board of Directors	19-07-2016
Code of Conduct and Responsible Practices	Board of Directors	17-07-2012
Code of Conduct for Manufacturers and Suppliers	Board of Directors	17-07-2012
Regulations of the Committee of Ethics	Board of Directors	17-07-2012
Whistle Blowing Channel Procedure	Board of Directors	17-07-2012
Policy on Criminal Risk Prevention	Board of Directors	19-07-2016
Criminal Risk Prevention Procedure	Board of Directors	19-07-2016
Zero Standard	Board of Directors	19-07-2016
Compliance Policy	Board of Directors	13-12-2016
Integrity Policies: Policy on Donations and Sponsorships, Policy on Gifts and Business Courtesies and Policy on Dealings with Public Servants	Board of Directors	19-09-2017
Diversity and Inclusion Policy	Board of Directors	12-12-2017
Anti-Money Laundering and Terrorist Financing Policy	Board of Directors	13-03-2018

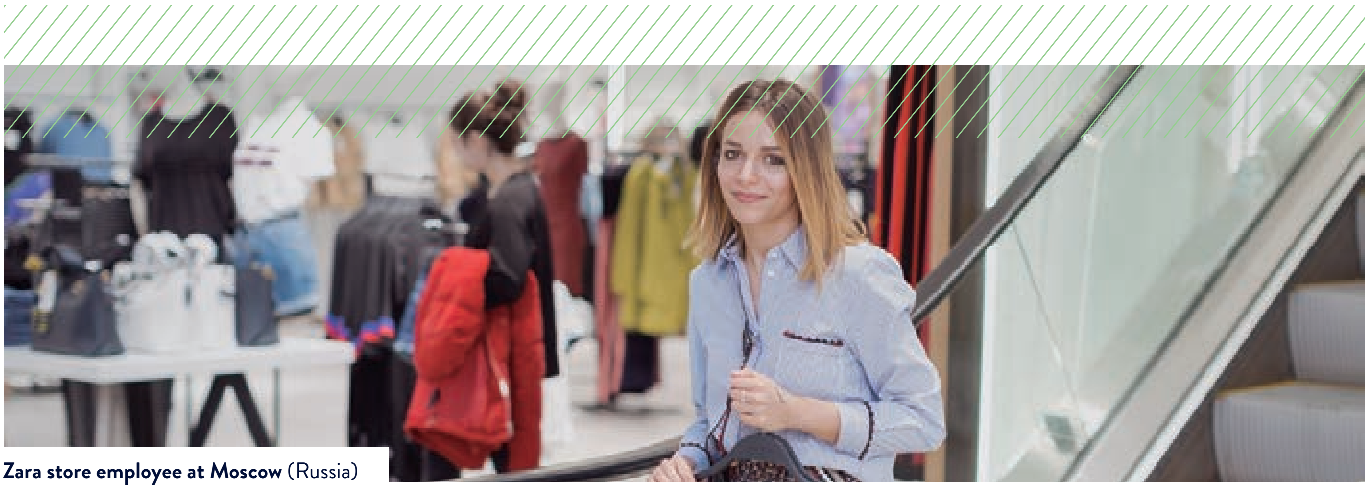
TRANSPARENCY AND INFORMATION

Good governance requires that stakeholders may have regular and timely access to any relevant, appropriate and reliable information, both as regards corporate governance regulations and exercise and the results achieved.

A summary of the most relevant issues of Inditex's Corporate Governance is included in this section of the Annual Report:

1. Ownership structure.
2. General Meeting of Shareholders.
3. Board of Directors.
4. Board of Directors' Committees.
5. Remuneration.
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. Compliance.

2 Date format: DD-MM-YYYY



Zara store employee at Moscow (Russia)

2. OWNERSHIP STRUCTURE

SHARE CAPITAL

As at 31 January 2018, Inditex's share capital amounts to €93,499,560.00 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 index 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 launching in December 2004.

As at 31 January 2018, Inditex's share price per the listing price on Spain's Electronic Trading System (continuous market) was €28.87 per share and the stock market capitalization was € 89.98 billion.

OWNERSHIP STRUCTURE OF THE SHARE CAPITAL

The Company issues bearer shares, represented by the book-entry method. Notwithstanding the foregoing, pursuant to the provisions of section 497 of the revised text of the Spanish Companies Act approved by Real Decreto Legislativo 1/2010, of 2 July, (hereinafter, the "Companies Act" or "LSC" [*Spanish acronym]*), in FY17 Inditex has contracted from Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) *[Spanish Central Securities Depositary in charge of the Register of Securities, and the Clearing and Settlement of all trades]*, the daily share ownership notification service. As at 31 January 2018, the members of the Board of Directors who had a stake in the Company were as follows:

		Number of indirect voting rights (*)		
Name (person or company) of the director	**Number of direct voting rights**	**Direct owner of the holding**	**No. of voting rights**	**% on the total voting rights**
Mr Pablo Isla Álvarez de Tejera	1,933,560		0	0.062%
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%
Bns. Denise Patricia Kingsmill	0		0	0.002%
Mr José Luis Durán Schulz	3,106		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%

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In addition to board members, according to the Company's Register of Shareholders, the owners of significant holdings in the Company as at 31 January 2018, were:

- Partler 2006, S.L. (owner of 289,362,325 shares, representing 9.284% in the share capital)
- Rosp Corunna Participaciones Empresariales, S.L.U. (owner of 157,474,030 shares, representing 5.053% of the share capital).

RIGHTS ON SHARES

Mr Pablo Isla Álvarez de Tejera, the Executive Chairman, might acquire up to a maximum number of 215,405 shares under the 2016-2020 Long-term Incentive Plan addressed to members of Management and other employees of the Inditex Group, pursuant to the terms approved by the Annual General Meeting on 19 July 2016: a maximum number of 119,754 shares for the first cycle (2016-2019) of the 2016-2020 Plan and a maximum number of 95,651 shares for the second cycle (2017-2020) thereof (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 has it learned about any concerted actions between its shareholders.

OWN SHARES

The authorisation granted by the Annual General Meeting on 19 July 2016 remains in force, by virtue of which the Board of Directors is authorised to acquire the Company's own shares (the full text of this resolution is available on www.inditex.com). As at 31 January 2018, Inditex's entire treasury stock stands at 2,950,143 own shares, which represents 0.095% in the share capital.

3. 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 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 at law.

AUTHORITIES

The General Meeting of Shareholders is authorised to pass all kinds of resolutions concerning the Company and, in particular, and subject to any other powers vested by the applicable regulations, the exercise of the following powers is reserved to such body:

(a) To resolve on the individual annual accounts of the Company and, where appropriate, on the consolidated accounts of the Company and its Group, as well as on the distribution of the income or loss.

(b) To appoint, re-elect and remove directors, as well as, confirm or revoke such interim appointments of directors made by the Board of Directors, and to review their management.

(c) To approve the adoption of remuneration systems consisting of the granting either of shares or stock options, as well as any other remuneration system linked to the value of the shares, for the benefit of directors.

(d) To approve the directors' remuneration policy pursuant to statutory terms.

(e) To conduct, as a separate item on the agenda, an advisory say-on-pay vote on the Annual Report on Remuneration of Directors.

(f) To authorise the release of the directors from the duty of preventing conflicts of interest and of the prohibitions arising from the duty of loyalty, when the authorisation to release them is attributed by statute to the General Meeting of Shareholders, as well as from the obligation not to compete with the Company.

(g) To authorise the Board of Directors to increase the Company's share capital, or to proceed to the issue of bonds convertible into Company's shares.

(h) To resolve the issue of bonds convertible into Company's shares or which allow bondholders to participate in the Company's earnings, the increase or the reduction of the share capital, the exclusion or restriction of the pre-emptive right, the transformation, merger, split-off or winding-up of the Company, the global assignment of assets and liabilities, the approval of the final balance sheet of liquidation, the transfer of the registered office abroad, as well as any other amendment whatsoever of the Articles of Association.

(i) To authorise 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 statutory auditors.

(l) To appoint and remove, where appropriate, the Company's liquidators

(m)To approve the Regulations of the General Meeting of Shareholders and any subsequent amendment thereof.

(n) To resolve on the matters submitted to it by a resolution of the Board of Directors.

(o) To give directions to the Board of Director or to submit to its prior authorisation the passing by the Board of Directors of decisions or resolutions on certain management matters; and

(p) To grant to the Board of Directors such powers it may deem fit to deal with unforeseen issues.

PROCEEDINGS

The Board of Directors must call the Annual General Meeting once a year; within the first six months of the closing of each financial year in order to, at least, review the Company's management, approve, where appropriate, the 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 to be transacted. 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 take 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, on account of the scope of the resolutions submitted for deliberation. The notice must state the name of the Company, the day, time and place of the meeting, as well as the date on which, if appropriate, the General Meeting shall be held on second call. There must be at least a 24-hour period between the first and the second call. The notice shall likewise state, clearly and precisely, all the business to be transacted therein.

No later than the date of publication, or at any rate, on the business day that immediately follows, the Company shall send the notice of the meeting to CNMV, and to the Governing Organisations of the Stock Exchanges where the Company's shares are listed for its insertion in the relevant Listing Bulletins. 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 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 IN FY17

Date AGM	18-07-2017
Attendance data	
% attendance in person	0.08%
% attendance by proxy	86.56%
% remote voting	0.68%
Total	**87.32 %**

RESOLUTIONS PASSED

The full text of the resolutions passed by the Annual General Meeting held in FY2017 and the result of the votes thereof are available on www.inditex.com. All resolutions were passed by majorities of votes ranging from 97.10% to 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 2016, ended 31 January 2017.

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 2016, ended 31 January 2017, and of the management of the Company.

Third.- Distribution of the income or loss of the financial year and declaration of dividends.

Fourth.- Re-election of Mr José Arnau Sierra to the Board of Directors as proprietary director.

Fifth.- Re-election of Deloitte, S.L., as auditors of the Company and its Group for FY2017.

Sixth.- Advisory vote (say on pay) on the Annual Report on the Remuneration of Directors.

Seventh.- Granting of powers to implement resolutions."

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 attached 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 headed "General Meeting of Shareholders" of the Company's web page, which encourages the participation of all the shareholders pursuant to the provisions of the Companies Act.

RELATIONSHIP WITH INVESTORS

Information on the relationship with investors and namely the "Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors" is provided in the section headed "Investors and Stock Market indexes" of this Annual Report.

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 posted during FY2017 by submitting the relevant "Results releases" and by means of meetings and other proceedings with institutional investors.

4. BOARD OF DIRECTORS

Except for such issues whose transaction is reserved to the General Meeting of Shareholders, the Board of Directors is the highest decision-making, supervisory and controlling body of the Company, as it is entrusted with its administration, management and representation, delegating as a general rule the management of 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 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 the shareholders.

It is also incumbent on the Board of Directors to ensure that the Company enforces its social and ethical duties, and its duty to act in good faith with regard to its relationship with its employees and with third parties, as well as to ensure that no individuals or small groups of individuals have a decision power within the Company which has not been subjected to counterweights and controls, and that no shareholder receives a more privileged treatment than the others.

The Board performs its functions in accordance with the corporate interest, it being understood as the viability and maximisation of the Company's value in the long term in the interest of all the shareholders, which shall not prevent taking into account the rest of lawful interests, either public or private, that concur in the development of every business activitiy, and especially the interests of the other "stakeholders" of the Company (employees, clients, suppliers and civil society in general), determining and reviewing its business and financial strategies pursuant to said criterion, trying 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 the internal information and control systems;
- (vi) The definition of the tax strategy of the Company;
- (vii) The corporate governance policy; and
- (viii) The corporate social responsibility policy.

(b) Approval of the following decisions:

(i) The drafting of the annual accounts, the management report and the proposal for the allocation of income or loss of the Company and the consolidated annual accounts and management report to be submitted to the General Meeting of Shareholders.

(ii) The notice calling the General Meeting of Shareholders, determining its agenda and preparing the proposed resolutions to be submitted thereto;

(iii) The approval of the financial information that the Company, being a listed company, must periodically release;

(iv) The approval of the Annual Corporate Governance Report, the Annual Report on Remuneration of Directors and the issue of any manner of reports that the Board of Directors should recommended or which it must issue pursuant to statute, provided that the transaction covered by such report is not eligible to be delegated;

(v) The approval of any manner of investments or transactions, which, are considered strategic or deemed to have a special tax risk, unless the approval thereof falls on the General Meeting of Shareholders.

(vi) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered as tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group, and,

(vii)The approval, after report of the Audit and Control Committee, of the transactions of the Company or of any of the companies within its Group with directors, shareholders or Related Parties.

(c) The following internal proceedings of the Board of Directors:

- (i) To decide on the organisation and proceedings of the Board of Directors, including namely:
  - · The approval and amendment of the Board of Directors' Regulations;
  - · The appointment, on the proposal or after report of the Nomination Committee, as the case may be, of the internal offices within the Board of Directors, and the members and internal offices of its committees;
  - · The election, on the proposal or after report of the Nomination Committee, as the case may be, of directors through the co-option procedure to fill any vacancies which may occur within the Board of Directors; and
  - · Submitting to the General Meeting of Shareholders motions to elect, re-elect, ratify or remove directors.
- (ii) The approval of a specific and ascertainable policy for the selection of directors that ensures that proposed election or re-election is duly supported by a prior analysis of the requirements of the Board of Directors and that favors diversity of knowledge, experience and gender;
- (iii) The proposal of the amount of the remuneration of directors as such to the General Meeting of Shareholders, as well as the approval of the remuneration of executive directors, in both cases, on the proposal of the Remuneration Committee and pursuant to the Articles of Association and the

remuneration policy for directors approved by the General Meeting of Shareholders;

(iv) The appointment and removal of chief executive officers as well as the approval beforehand of the contracts to be executed between the Company and the directors to whom executive duties are assigned;

(v) Overseeing and evaluating on an annual basis:

- The quality and efficiency of the proceedings of the Board of Directors itself and its delegated bodies.
- The diversity in the composition and skills of the Board of Directors;
- The performance of duties by the Chairman of the Board of Directors and by the chief executive of the company;
- The performance of its supervisory and control committees based upon the reports furnished by the same, and
- The performance and contribution of each director, especially that of the chairs of the different Committees of the Board of Directors.

Where the Chairman of the Board of Directors would discharge executive duties, his 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 minute of the meeting of the Board of Directors or attached thereto as an annex.

(vi) The authorisation or release from the obligations stemming from the duty of loyalty of directors, after report of the Nomination Committee, where such responsibility is not incumbent on the General Meeting of Shareholders;

(d) The following issues regarding senior 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 2018 the Board of Directors is comprised of the following members:

Name (person or company) of the director	Representative	Director category	Office on the Board	Date first appointed	Date last appointed	Election procedure
Mr Pablo Isla Álvarez de Tejera		Executive	Executive Chairman	9-06-2005	14-07-2015	AGM
Mr Amancio Ortega Gaona		Proprietary	Ordinary member	12-06-1985	14-07-2015	AGM
Mr José Arnau Sierra		Proprietary	Deputy Chairman	12-06-2012	18-07-2017	AGM
PONTEGADEA INVERSIONES, S.L.	Flora Pérez Marcote	Proprietary	Ordinary member	09-12-2015	19-07-2016	Board of Directors;
Bns. Denise Patricia Kingsmill		Independent	Ordinary member	19-07-2016	19-07-2016	AGM
Mr José Luis Durán Schulz		Independent	Ordinary member	14-07-2015	14-07-2015	AGM
Mr Rodrigo Echenique Gordillo		Independent	Ordinary member	15-07-2014	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

AGM: Annual General Meeting

PROFILE OF DIRECTORS

- Mr Pablo Isla Álvarez de Tejera

He has been the Chairman of the Board of Directors since 2011. He was Deputy Chairman of the Board of Directors and CEO since 2005. He is a law graduate from Universidad Complutense de Madrid and Abogado del Estado *[State lawyer]*. From 1992 to 1996, he was Director of Legal Services at 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. Additionally, he serves on the Board of Directors of Nestlé, S.A. as non-executive director since April 2018.

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

He 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

He has been the Deputy Chairman of the Board of Directors since 2012. A law graduate from Universidad de 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 this 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 A Coruña 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. He has been re-elected to the Board of Directors by the Annual General Meeting held on 18 July 2017.

- 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 the legal representative of Pontegadea Inversiones S.L. She began her professional career at the Zara format, where she held different roles related to design and purchase of products for such company. In addition to her job at this subsidiary, she has had broad experience as 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 19 July 2016.

- Bns. Denise Patricia Kingsmill

She has been an independent director of Inditex S.A. since July 2016. In 2000 Baroness Kingsmill was awarded a CBE for services to Employment Law and Competition. In June 2006 she was appointed to the House of Lords as a Labour Peer. She is a Member of the Select Committee on Economic Affairs.

After a 20 year legal career she became deputy chair of the Competition Commission between 1996 and 2004.

In 2003 she was appointed Chairman of the Department of Trade and Industry's Accounting for People task force.

She has 5 honorary Doctorates from universities in the United Kingdom.

At present, Baroness Kingsmill is the Chairman of Monzo Bank, a mobile only challenger bank, a Member of the Supervisory Board of E. ON SE and member of the International Advisory Board of IESE Business School. Baroness Kingsmill has been an adviser to a number of international companies and has been a non-executive director of various British, European and American boards, including, most recently, International Consolidated Airlines Group, S.A. (IAG) and Telecom Italia.

A diverse and varied career spanning fashion and design, the law and regulation, as well as politics and people has given Baroness Kingsmill a unique perspective on the contemporary boardroom.

- Mr José Luis Durán Schulz

He has been an independent director since July 2015. He holds a degree in Economics and Management from ICADE *(Instituto Católico de Administración y Dirección de Empresas)*. From 1987 through 1990, he was an auditor at Arthur Andersen. In 1991, he joined Carrefour Group, where he held the following positions: Head of Management Control (Spain, Europe and Latin America) (1991-1997); Chief Financial Officer for Spain (1997-2001); Group Chief Financial Officer (2001-2005) and Group Chief Executive Officer (2005-2008). In July 2009, he joined Maus Frères International Group, based in Switzerland, where he held the following positions, until January 2015: Chief Executive Officer of Lacoste, Executive Chairman of Gant and Board member of Aigle, S.A. Until 4 October 2015, he has been a member of the Governance, Remuneration and Nomination Committee at Unibail-Rodamco, and member of the Board of Directors of such company. Until 30 June 2017, he has been an independent director and member of the Audit Committee of Orange. At present, he is the CEO of Value Retail Management.

- Mr Rodrigo Echenique Gordillo

He has been an independent director since July 2014. He is a graduate in Law from Universidad Complutense de Madrid and Abogado del Estado *[State lawyer]* currently on leave. From 1973 through 1976 he held several positions in the State Administration. From 1976 through 1983 he was Head of Legal Services and subsequently Deputy General Manager at Banco Exterior de España. From 1984 to 1994 he held different positions at Banco Santander, where he became a member of the Board of Directors in October 1988, being appointed at the same time Chief Executive Officer and member of the Executive Committee where he served until September 1994. From October 1994 through January 1999, he was a member of the Board of Directors, the Executive Committee and all Board Committees of Banco Santander, chairing the Audit and Control Committee, and was Deputy Chairman of Banco Santander de Negocios and Santander Investment. He serves on the Board of Directors, the Executive Committee and the Executive Committee of Risks since January 1999. He has been Deputy Chairman of Banco Banif, S.A., Chairman of Allfunds Bank, and Chairman of SPREA. He has been a member of the Board of Directors of Banco Santander International and Santander Investment. He has been Ordinary Member of the Board of Directors of different industrial and financial companies such as Ebro Azúcares y Alcoholes, S.A., Industrias Agrícolas, S.A., SABA, S.A. and Lar, S.A. From July 2001 through February 2008, he chaired the Social Advisory Board of University Carlos III of Madrid. He was also first 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 and member of the Executive Committee, Chairman of Santander España and Chairman of Banco Popular.

Likewise, he is Deputy Chairman of the Chamber of Commerce of Spain. Member of the Board of Trustees of Fundación Banco Santander, of the Board of Trustees of Fundación Consejo España-EE.UU, of the Board of Trustees of Teatro Real, of the Board of Trustees of Escuela Superior de Música Reina Sofia, of Fundación Empresa y Crecimiento and of Fundación ProCNIC and CNIC.

- Mr Carlos Espinosa de los Monteros Bernaldo de Quirós

He has been a director since May 1997. He is a law and business studies graduate of 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 Organisation 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 a Director in May 1997 and re-elected to the Board of Directors 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

He has been an independent director since June 2010. A Graduate in Economics from the Universidad Complutense de Madrid, he has an MBA from the University of California in Los Angeles (UCLA), awarded in 1980. He was also a Fulbright scholar. Mr Saracho began his career in 1980 in Chase Manhattan Bank, where he was responsible for operations in different sectors such as Oil and Gas, Telecommunications and Capital goods. In 1985, he took part in the launching and implementation of Banco Santander de Negocios, where he led the Investment Banking division. In 1989, he was appointed head of the Division of Large Companies of Grupo Santander and Deputy General Director. He has been a director of FISEAT, Santander de Pensiones and Santander de Leasing. In 1990, he worked for Goldman Sachs in London as co-head of Spanish and Portuguese operations. In 1995, he returned to Santander Investment as General Director in charge for the Investment Banking area worldwide. From 1996 to 1998, he was responsible for the Banking operations in Asia. Mr Saracho joined J.P. Morgan in 1998 as Chairman for Spain and Portugal and head of business for the Iberian Peninsula and member of the European Management Committee. From early 2006 through 1 January 2008, he was Chief Executive Officer of J.P. Morgan Private Bank for Europe, the Middle East and Africa, based in London. He also sat on the Operating Committee and on the European Management Committee, while chairing at the same time J.P. Morgan in Spain and Portugal. He was in charge of Investment Banking operations of J.P. Morgan for Europe, the Middle East and Africa, and sat on the Executive Committee of the Investment Bank and on the Executive Committee of JPMorgan Chase. From December 2012 through April 2015, he was Deputy CEO for EMEA. From 2015 to the end of 2016, he was Vice Chairman of JPMorgan Chase & Co and from February to June 2017, he chaired the Board of Directors of Banco Popular. At present, he holds the office of director on the Board of International Consolidated Airlines Group, S.A. (AIG)

GENERAL COUNSEL AND SECRETARY OF THE BOARD OF DIRECTORS

Mr Antonio Abril Abadín is the General Counsel and Secretary of the Board of Directors. Likewise, he is the Secretary of all Board Committees.

The appointment and removal of the Secretary of the Board must be approved by the Board of Directors in plenary session, following a report of the Nomination Committee. The Secretary needs not be a director.

The Secretary shall support the Chairman in his duties and must provide for the smooth running of the Board by taking particular care to provide directors with the necessary advice and information, keep the documents of the Company, enter the proceedings in the minutes' books and certify the Board's resolutions. When directors or the Secretary himself/herself should express concern about 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 proceedings 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 up any new vacancies and when appointing new directors, the selection process conforms to the prohibition of any manner of discrimination. Pursuant to Inditex's "Director Selection Policy", efforts will be made so that by 2020, the number of female directors sitting on the Board would represent at least 30% of the total number of members of the Board of Directors.

Additionally, pursuant to the provisions of section 529 bis 2 of the Companies Act, the Board of Directors shall ensure that gender, experiences and knowledge diversity is fostered in recruitment processes of directors, which should not suffer from any implicit bias that may entail any discrimination and particularly, that selection of female directors is fostered.

As at 31 January 2018 two female directors sat on the Board of Directors: Ms Flora Pérez Marcote (representing Pontegadea Inversiones, S.L., non-executive proprietary director) and Bns. Denise Patricia Kingsmill (non-executive independent director); such presence represents 22.22% of the aggregate number of Directors, Inditex being in this respect above the average of IBEX35 companies.

Additionally, Bns. Denise Patricia Kingsmill is a member of the Audit and Control Committee, the Nomination Committee and the Remuneration Committee, which represents a percentage of 16.7% female directors sitting on 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 justice, taking into account the different cultural background of each individual, without allowing 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 condition beyond qualifications and capacity.

Finally, Inditex's Diversity and Inclusion Policy, approved by the Board of Directors on 12 December 2017, seeks to fully endorse the regulatory requirements, the recommendations and the best practices in the area of diversity, and to mark Inditex's commitment to diversity and multiculturalism in the working environment, in all positions and levels within the Company, including within the Board of Directors, as well as the Company's unbreakable zero tolerance policy against any kind of discrimination. The principles and action lines of the Diversity and Inclusion Policy govern all the proceedings in the area of human resources, such as, without limitation, recruitment and selection, compensation and benefits, promotions, transfers, skills enhancement, professional development and training, demotions, terminations and other, disciplinary actions.

MEMBERSHIP OF DIRECTORS ON BOARD OF DIRECTORS OF OTHER LISTED COMPANIES

The Board of Directors may not propose or appoint any persons to fill up a vacancy on the Board who already are directors in more than four listed companies other than the Company.

As at 31 January 2018, 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
Bns. Denise Patricia Kingsmill	E. ON. SE	Director
Mr Rodrigo Echenique Gordillo	Banco Santander	Executive Vice-Chairman of the Board of Directors
Mr Rodrigo Echenique Gordillo	Banco Santander (México)	Director
Mr Emilio Saracho Rodríguez de Torres	International Consolidated Airlines Group, S.A	Director

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 an explanatory report issued by the Nomination Committee, which may be posted on the corporate website upon calling the General Meeting to which the nomination, ratification or re-election of each director is submitted.

Prospective directors of the Company shall meet the following requirements:

- Be honest, suitably qualified persons of well-known ability, competence, experience and merits.
- Be trustworthy professionals, whose conduct and career is in line with the principles laid down in the Code of Conduct and Responsible Practices and with the views and values of the Inditex Group.

Additionally, the Nomination Committee shall define the required duties and skills of candidates who have to fill each vacancy and evaluate the required time and dedication for them to effectively discharge their duties.

In the meeting held on 12 June 2017, the Nomination Committee issued a report covering Board of Directors' needs regarding the ratification, appointment or re-election of directors. In such 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, the Company and the Group.

(ii) Be performant in economy and finances, 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 for director selection, efforts shall be made so that the Board of Directors would reach an appropriate balance of profiles, knowledge, skills, careers and experiences so that multiple viewpoints are contributed to the discussion of the business transacted and the decision-making process is enriched.

Those persons who are involved in any legal grounds of disqualification to hold the office of director, or who do not meet the requirements laid down by the Company's corporate governance rules to be a director, shall not be eligible to be a director.

Namely, the Board of Directors may not propose or appoint, to fill any vacancy as director, anyone who holds the office of director at the same time in more than four listed companies other than the Company,.

The Nomination Committee shall take all necessary measures and make all appropriate enquiries to ensure that the candidates are not involved in any of the scenarios described in the foregoing paragraphs.

The Company may rely on external advisors with regard to the prior analysis of the needs of the Company, the search or assessment of potential candidates or the evaluation of their performance.

It is incumbent on the Nomination Committee to establish and ensure the effective independence of the experts referred to in the paragraph above.

Pursuant to the provisions of the Articles of Association, the Board of Directors' Regulations and the Nomination Committee's Regulations, directors shall be appointed by the General Meeting of Shareholders or by the

Board of Directors, pursuant to statute and the corporate governance regulations of the Company.

The 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 to which category the relevant director belongs to, this classification being duly supported.

The proposals for the election of directors that the Board of Directors submits to be considered by the Annual General Meeting shall be accompanied at any rate by an explanatory report issued by the Board of Directors assessing the qualifications, experience and merits of the proposed candidate; such report shall be attached to the minute of the Annual General Meeting or of the Board of Directors itself. Additionally, with regard to the ratification or re-election of directors, the explanatory report shall assess the quality of the director's work and his dedication to office during his mandate, as well as his observance of the Company's corporate governance rules.

Where the Board of Directors departs from the motions and reports of the Nomination Committee, it must state the reasons for its actions and place them on the record.

The Board of Directors shall explain to the Annual General Meeting in charge of appointing, ratifying or re-electing directors the 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. In this regard, the observance of the Director Selection Policy in FY17 was reviewed by the Audit and Control Committee, this being included in the scope of the periodic evaluation of the appropriateness of the Company's corporate governance system. The findings of such Committee are included in a report issued on 11 December 2017. All of which was duly reported to the Board of Directors, in the meeting held on 12 December 2017, pursuant to the Director Selection Policy.

Considering the foregoing, the re-election of Mr José Arnau Sierra to the Board of Directors as non-executive proprietary director took place in FY17. Such re-election was based upon the prior analysis of the needs of the Company and of the Board of Directors itself, as provided in the above referred explanatory report issued by the Nomination Committee on 12 June 2017, and upon a report issued by the Board of Directors whereby certain elements were assessed, such as the quality of the director's work, his dedication to the office during his past tenure, and his observance of the Company's regulations on corporate governance.

Regarding the re-election of Mr Arnau, the Nomination Committee also considered the following issues: (i) having honest and trustworthy professionals of reputation, well-known ability and experience and merits join the Board of Directors; (ii) the fact that the balance on the Board was kept; and, (iii) Mr Arnau's contribution to the appropriate development of the Board's duties, which ultimately result in a better corporate governance practice.

All of the foregoing took place pursuant to the provisions and action lines of Inditex's Director Selection Policy.

RESIGNATION OF DIRECTORS

Directors must resign in such scenarios which could have a negative impact on the proceedings of the Board of Directors or the credit and reputation of Inditex.

Additionally, directors must place their office at the disposal of the Board of Directors and, should this latter deem it appropriate, tender their resignation in the following cases:

a) When they reach a certain age.

b) When they cease to hold such executive positions to which their appointment as director was associated.

c) When they are involved in any of the grounds of incompatibility or prohibition foreseen in 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.

In FY17 no vacancy has occurred on the Board of Directors, either via resignation or otherwise.

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 FY2017 are shown below:

Governing body	Number of meetings	% Directors' attendance
Board of Directors	5	100%
Audit and Control Committee	5	100%
Nomination Committee	4	100%
Remuneration Committee	5	100%

PASSING OF RESOLUTIONS

Except for a number of cases provided in Inditex's internal regulations, for resolutions to be passed, an absolute majority of votes for by the directors attending the meeting shall be required.

Notwithstanding the above, it shall be necessary that two-thirds of the members of the Board vote for in order to permanently delegate any power of the Board of Directors to the Executive Committee or to the Chief Executive Officer, should there be one, and to appoint the directors who have to fill such positions.

Likewise, in order to amend the Board of Directors' Regulations, the resolution must be passed by a majority of two-thirds of the directors present.

The Chairman of the Board of Directors has a casting vote in the event of equality of votes between the directors attending the meeting.

PROXY GRANTING

Any director can grant proxy to another director in writing to be represented, such proxy having to be granted specifically for each meeting, communicating this in writing to the Chairman. Non-executive directors may only grant proxy to other non-executive directors.

EXTERNAL ADVICE

In order to be aided in the performance of their duties, non-executive directors may request that legal, accounting, technical, financial, commercial or other experts be engaged at the Company's expense. The commissioned task must of necessity deal with particular problems of a certain importance and complexity which may arise in the performance of the office.

The decision to engage external experts must be notified to the Chairman of the Board of Directors and it may be open to veto by the Board of Directors if it proves that: a) such engagement is not necessary for the proper performance of the duties entrusted to the non-executive directors; b) the cost thereof is not reasonable in view of the importance of the problem and of the assets and income of the Company; c) the technical assistance obtained may be adequately provided by in-house experts and 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 broadest 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, offering appropriate spokespersons at the appropriate level in the organisation 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 the 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 delegated 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 committee will prepare its own report assessing its performance and that of its members. Such 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, the Chairman, the Lead Independent Director and the Secretary of the Board.

   To carry out this procedure, separate questionnaires are sent to each director, as described below:

   a) An individual self-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 the performance of the Board itself, the Directors and the Committees, based upon the reports issued by the latter, as stated in section 2 above.

It should be noted that the Company has been assisted by external consultant Spencer Stuart in the adaptation of the evaluation process and in the review of the self-assessment process in respect of the proceedings of the Board of Directors and of Directors.

The result of the assessment carried out in 2017 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 organisation 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.

RELEVANT PROCEEDINGS SUBSEQUENT TO FY2017 YEAR-END

The Board of Directors approved in the meeting held on 13 March 2018, the proposal of the Audit and Control Committee, and following a favourable report of the Nomination Committee, the appointment of Ms Paula Mouzo Lestón as new Chief Audit Officer of the Inditex Group, replacing Mr Carlos Crespo González who was in turn appointed as Chief Operating Officer.

5. BOARD OF DIRECTORS' COMMITTEES

AUDIT AND CONTROL COMMITTEE

REGULATIONS

Article 28 of the Articles of Association, section 15 of the Board of Directors' Regulations, and namely the Audit and Control Committee's Regulations approved on 14 June 2016 (hereinafter, the "Regulations"), set out the regulations governing the proceedings of the Audit and Control Committee.

The Regulations are available on the corporate website.

COMPOSICIÓN

Name	Office	Category	Appointment date
Mr José Luis Durán Schulz	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	17-07-2012
Mr Rodrigo Echenique Gordillo	Ordinary Member	Non-executive independent	15-07-2014
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate	27-10-2000
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive independent	13-07-2010

Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Audit and Control Committee.

The Audit and Control Committee shall be made up of a minimum of three and a maximum of seven directors appointed by the Board itself, the majority of whom must be independent directors. At present, four members of the Audit and Control Committee, entirely made up of non-executive directors, are independent, which represents 66.66% of all its members.

Members of the Committee, and namely its Chair, have knowledge, qualification and expertise in accounting, audit or risks management matters, and the required technical knowledge regarding the business sector to which the Company belongs.

The Chair of the Audit and Control Committee, who must be an independent director, shall be elected for a term that does not exceed four years and must be replaced at the expiry of the aforementioned term. He may be re-elected once a period of one year has elapsed since the date of his/her removal. Mr Durán Schulz was appointed Chair of the Audit and Control Committee on 19 July 2016.

In FY17, no member of the Audit and Control Committee has been removed, following resignation or otherwise, and no new members have been appointed.

DUTIES AND POWERS

a) Powers

Section 5 of the Regulations sets forth the mission of the Audit and Control Committee and its powers are set out in sections 6 to 15 and 27 to 30 thereof.

The Audit and Control Committee is mainly entrusted with powers regarding supervision of (i) the process to prepare the regulated financial information; (ii) the Statutory Audit; (iii) the Internal Audit, and; (iv) the internal control and risk management. Namely, it is entrusted with the following duties:

- To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of the Audit and Control Committee , and namely, regarding the result of the audit conducted, explaining that it has contributed to the integrity of the financial information, and the role played by the Audit and Control Committee in this process ;
- To oversee the effectiveness of the internal control system of the Company, the internal audit and the risks management systems, including tax risks, and to review with the auditor the significant weaknesses of the internal control system revealed in the course of the audit, all of which without 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;
- To oversee the process for preparing and disclosing the regulated financial information regarding the Company and, as the case may be, its Group, reviewing compliance with regulatory requirements, the appropriate delimitation of the consolidation perimeter and the appropriate application of accounting criteria, and to submit recommendations or motions to the Board of Directors for the purposes of safeguarding the integrity of such information;
- To table to the Board of Directors, for the subsequent submission thereof to the General Meeting of Shareholders, the motions on recruitment, appointment,

re-election and replacement of the external auditors, taking charge of the recruitment process pursuant to the provisions of the applicable regulations, as well as the terms and conditions of the agreement to be executed with them and to regularly gather from the external auditors information about the audit plan and its performance, in addition to preserving its independence in the performance of its duties;

- To liaise with the external auditors in order to receive information on those matters that could represent a threat to its independence, so that the Committee may review them, and on any other matter related to the implementation of the audit process, and, where appropriate, the authorisation of any services other than those forbidden, pursuant to the terms of the applicable regulations, as well as on those other communications envisaged by the audit legislation and the auditing standards. At any rate, the Committee shall receive every year from the external auditors, the statement of its independence regarding the entity or those entities directly or indirectly related thereto, as well as the detailed and separate information on any additional services of any manner rendered and the relevant fees received from the above mentioned entities to the external auditors or by the persons, natural or legal related to such external auditors, pursuant to the provisions of the prevailing regulations on the audit activity;

- To issue on an annual basis, prior to the issue of the auditor's report, a report expressing an opinion on whether the independence of the auditors or audit firms has been 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;

- To advice beforehand the Board of Directors on all the topics covered by statute, the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the periodic financial information that the Company must disclose on a regular basis; (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties;

Additionally, pursuant to the provisions of section 15 of the Board of Directors' Regulations and sections 5 to 15 of the Audit and Control Committee's Regulations, the Committee shall also assume duties in the following fields:

- Corporate governance: (i) evaluate the appropriateness of the corporate governance system, and; (ii) oversee and receive information about the degree of compliance with the Internal Regulations of Conduct regarding transactions in securities (IRC) and other corporate governance rules;

- Compliance with internal regulations of the Company: (i) establish and oversee the mechanisms allowing to report any irregularity or noncompliance with internal regulations (i.e., Whistle Blowing Channel); and, (ii) receive information on a half-yearly basis on the degree of compliance with the Codes of Conduct and the proceedings of the Whistle Blowing Channel; (iii) prepare and submit the Annual Corporate Governance Report; and, (iv) oversee the proceedings and suitability of the corporate website.

- Corporate social responsibility: (i) oversee the Policy, and (ii) follow-up on its strategy and practices.

- Environmental sustainability: (i) oversee the Policy, and (ii) follow-up on its strategy and practices

- Tax issues

- Oversee the strategy and relationship processes with the different stakeholders and, namely, with shareholders and investors.

b) 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 therein 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 of 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 the major business concerns, the Committee encourages the appearance 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 Chief 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 advises 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 organisational structure by means of a direct link to the Board of Directors, achieved through the functional reporting to the Chair of and the operational reporting to the Executive Chairman.

The Chief Audit Officer, 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 different 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, 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 pursuant to the provisions of section 15 of the Board of Directors' Regulations and sections 7 and 30 of the Audit and Control Committee's Regulations.

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.

PROCEEDINGS

The Committee shall meet, at least on a quarterly basis, for the purposes of reviewing the periodic financial information to be submitted to the market authorities as well as the information that the Board of Directors must approve and include within its annual public documentation. Likewise, it shall meet each time that its Chair calls it. The Chair must call the Audit and Control Committee whenever the Board of Directors or the Chairman thereof would request the issue of a report or the submission of motions and, at any rate, whenever it is appropriate for the successful performance of its functions.

It should be underlined that the Chair and the Secretary of the Audit and Control Committee hold a preparatory meeting with the officers of the main areas more directly related to the Committee on account of their duties, and at any rate, with the Chief Financial Officer and the Chief Audit Officer, for the purposes or reviewing and preparing the items on the scheduled Agenda. The meeting of the Audit and Control Committee is called after such preparatory meeting is held.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary thereof.

Members of management or staff members of the Company and its Group are bound to attend the meetings of the Audit and Control Committee and provide its members with assistance and access to the information they may have, upon request of the Committee. Likewise, the Committee may also request the presence at its meetings of the Company's auditors.

With regard to the foregoing, two Committees exist within the Company which in turn regularly report to the Audit and Control Committee:

- The Compliance Committee: composed of the Executive Chairman of the Company, who chairs it; the General Counsel and Secretary of the Board who is, in turn, the Chief Compliance Officer; the Chief Financial Officer; the Capital Markets Director and the Chief Human Resources Officer.

  The Compliance Committee is charged with promoting knowledge and ensuring compliance with the Internal Regulations of Conduct regarding Transactions in Securities of Inditex and its corporate Group (the "IRC").

- The Committee of Ethics: composed of the General Counsel and Chief 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 with the Code of Conduct for Manufacturers and Suppliers of the Inditex Group.

The Audit and Control Committee may seek external advice for a better discharge of its functions.

ACTIVITIES OF THE AUDIT AND CONTROL COMMITTEE

a) Meetings held, business transacted, reports and attendees

The Audit and Control Committee held 5 meetings during financial year 2017.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by the Audit and Control Committee during financial year 2017 stands at 100%.

The average duration of each meeting has been of approximately three hours.

The schedule of the meetings held and business transacted by the Audit and Control Committee between 1 February 2017 and 31 January 2018 is provided below:

Date of meeting	Main business transacted	Reports and Motions tabled to the Board of Directors	Inditex's attendees
13/03/2017	- Review of the financial statements of the Company. Review of the annual financial report to be disclosed by the Board of Directors to the market. - Meeting with the external auditors of the Company. - Motion regarding the appointment/ re-election of statutory auditors. - Report on the Independence of auditors. - Internal Audit issues: · External Audit: 2016 fees and 2017 budget. · 2016 Internal Audit activities report. · 2017 Internal Audit Plan and budget. · 4Q2016 assignments. - Report on related-party transactions. - 2016 Annual Corporate Governance Report. - Annual report of the Committee of Ethics: summary of proceedings and implementation of the Corporate Compliance Programme of the Inditex Group. - Report on tax policies followed in the financial year (Code of Good Tax Practices). - Half-yearly report (August 2016 - January 2017) of the Compliance Supervisory Board. - Report on treasury stock. - Provision by external auditors of additional non-audit services.	- Annual financial information (FY 2016). - Final findings 2016 Audit. - Report on the re-election of auditors. - Report on the independence of external auditors. - Reports of the IA Department: · External Audit: 2016 fees and budget · 2016 Annual Activities Report of Internal Audit. · 2017 Internal Audit Plan and Budget. · Report on assignments carried out during 4Q2016. · Report on related-party transactions. · 2016 Annual Corporate Governance Report. - Annual report of 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 2017. - Half-yearly report (August 2016 - January 2017) of the Compliance Supervisory Board (CSB). - Report on treasury stock. - List of non-audit services.	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Ignacio Fernández Fernández, Chief Financial Officer. - Mr. Carlos Crespo González, Chief Audit Officer. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Mr Santiago Martínez-Lage Sobredo, Deputy-Secretary of the Board. - Ms Paula Mouzo Lestón, Deputy Chief Audit Officer. - Ms Piedad Barco Gurrea, Secretary of the Committee of Ethics. - Mr Andrés Sánchez Iglesias, Head of the Tax Department. - Mr Marcos López García, Capital Markets Directo.

Date of meeting	Main business transacted	Reports and Motions tabled to the Board of Directors	Inditex's attendees
12/06/2017	- Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory bodies. - Internal Audit: analytical review 1Q2017 results. - Review of external audit topics. - Reorganisation of online sales companies. - Cybersecurity - Compliance: · Report on the Criminal Risk Prevention Model. · Observance of new local requirements on Compliance, namely, report on compliance with the UK "Modern Slavery Act. - Internal Audit: work done during 1Q2017. - Statement of the Annual Report (Integrated Report). - Annual Report on the Proceedings of the Audit and Control Committee. - Provision by the external auditors of non-audit services.	- Financial information for 1Q2017. - Report on the 1Q2017 results by the IA Department. - Report of the Tax Department on the Reorganisation of the online sales companies. - Report of the IT Division. - Report of the Committee of Ethics on the Model of Criminal Risk Prevention of the Inditex Group. - Inditex Group Modern Slavery and Human Trafficking Statement FY2016. - Report on the work done by the IA Department during the first quarter of FY2017. - Annual Report. - Annual Report on the Proceedings of the Audit and Control Committee for FY2016. - Provision of non-audit services.	- 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 Head of the Tax Department. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Mr Gabriel Moneo Marina, Chief IT Officer. - Mr Raúl Amigorena Eguiluz, Head of IT Security. - Mr Santiago Martínez-Lage Sobredo, Deputy Secretary of the Board. - Ms Piedad Barco Gurrea, Chief Compliance Officer for Europe. - Ms Paula Mouzo Lestón, Deputy Chief Audit Officer. - Mr Manuel Alonso Vila and Ms Ana Díaz Ibarra, members of the IA Department.
18/09/2017	- 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 1H2017 results. - Internal Audit: - Work done during 2Q2017. - Compliance area: · Report on the implementation status of the Corporate Compliance Programme of the Inditex Group. · Report of the Committee of Ethics: summary of proceedings. · Half-yearly report (February – July 2017) of the Compliance Supervisory Board (CCSB). · Integrity Policies: Policy on dealings with public servants; Policy on gifts and business courtesies, and Policy on donations and sponsorships. - Risks Map: 2017 update. - Report on the appointment of the Data Protection Officer. - Related-party transactions. - Provision by the external auditor of non-audit services. - Inclusion of non-audit services provided to Pontegadea Inversiones, S.L. - Agreements executed with the Inditex Group.	- Financial information 1H2017. - Report issued by external auditors on the review of the 1H2017. - Report on the work done by IA Department during 2Q2017. - Report of the Committee of Ethics on the enforcement of the regulations on Corporate Compliance System of the Inditex Group. - Report on the proceedings of the Committee of Ethics for 1H2017. - Half-yearly report (February – July 2017) of the Compliance Supervisory Board (CSB). - Policy on Donations and Sponsorships. - Policy on Gifts and Business Courtesies. - Policy on Dealings with Public Servants. - Risks Map. - Information regarding the appointment of the Data Protection Officer. - Information on related-party transactions. - List of non-audit services –.	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Ignacion Fernández Fernández, Chief Financial Officer. - Mr Carlos Crespo González, Chief Audit Officer. - Mr Antonio Abril Abadín, General Counsel and Secretary of the Board. - Ms Paula Mouzo Lestón, Deputy Chief Audit Officer. - Ms Piedad Barco Gurrea, Chief Compliance Officer for Europe. - Mr Juan Villar de la Riera, Head of Compliance at HQ, and for South-Africa and Oceania. - Ms Isabel Gómez-Cuétara Martínez, Head of Corporate Governance. - Ms Martina Fernández Porto Head of the ERM Department. - Mr Antonio Trillo Prego, Head of the PDC Department. - Ms Cristina Sánchez-Tembleque, corporate Data Protection Officer.

Date of meeting	Main business transacted	Reports and Motions tabled to the Board of Directors	Inditex's attendees
14/11/2017	- Business Plan 2018-2020.	- Business Plan 2018-2020.	- Mr Pablo Isla Álvarez de Tejera, Executive Chairman. - Mr Ignacio Fernández Fernández, Chief Financial Officer. - Mr José María Álvarez Gallego. Head of Corporate Development. - Mr Javier Losada Montero. Head of Planning and Management Control.
11/12/2017	- Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory bodies. - External Audit: 2018 Audit Plan. - Internal Audit: a. Analytical review of the 3Q2017 results. b. Work done in 3Q2017. - Compliance. a. Report on the degree of implementation of the Inditex's Group Corporate Compliance System. b. New internal regulations: (i) Code of Conduct and Responsible Practices for the USA; and (ii) Diversity and Inclusion Policy. c. Evaluation of the appropriateness of the corporate governance system. - New regulations on the mandatory disclosure of nonfinancial information and diversity (RD-Ley 18/2017) of 24 November. - Disvestment of real estate assets. - IP Litigation. - New EU Regulations on Data Protection (GDPR). - IT Division: Follow-up on the projects of the systems area. - Report on the evaluation of the Committee and the performance of its members. - Schedule of dates and business to be transacted by Inditex's Board of Directors in FY2018. - Provision by external auditors of non-audit services.	- Financial information 3Q2017. - 2018 Audit Plan. - Report of the IA Department on the 3Q2017 results. - Report on the work done in 3Q2017 ty the IA Department. - Code of Conduct and Responsible Practices for the USA. - Diversity and Inclusion Policy. - Report on the evaluation of the appropriateness of the corporate governance system. - Legal report on a sale of real estate transaction. - Report on litigation and other responsibilities of the Legal Area of the IP Department. - Report of the IT Division. - Report on the evaluation of the Audit and Control Committee and the performance of its members. - Schedule of dates and business to be transacted by Inditex's Board of Directors in FY2018. - List of non-audit services.	- 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 Manuel Alonso, member of the IA Department. - Mr Javier Monteoliva Díaz, Head of the Legal Department. - Ms Susana Fernández Martin, Head of the IP Department. - Mr Antonio Trillo Prego, head of the PDC. - Ms Cristina Sánchez-Tembleque, Head of the corporate Data Protection area and Data Protection Officer. - Mr Gabriel Moneo Marina, Chief IT Officer. - Mr Raúl Amigorena Eguiluz, Head of IT Security.

b) Main action lines

During financial year 2017, the main action lines 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 the economic and financial information of Inditex prior to the approval thereof by the Board of Directors.

To this end, before drafting the quarterly, half-yearly or annual financial statements, the Audit and Control Committee also meets with the Management of the Company to review the application of the accounting principles, the estimates made while preparing the financial statements, etc.,

Likewise, the Committee meets with the external auditors in order to review the financial statements of the Company and certain periodic financial information, ensuring that the legal requirements are met and that the generally accepted accounting standards are correctly applied.

The Audit and Control Committee reviewed on 13 March 2017 the results for FY2016. It reviewed FY2017 quarterly results and the pertaining Results Releases and Press

Releases in the meetings held on 12 June (1Q), 18 September (1H) and 11 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 FY2016, were also reviewed. The Committee verified that an unqualified Audit Report was issued. Additionally, the Committee has overseen the Internal Control System on Financial Reporting (ICFR), which is addressed in section F of the Annual Corporate Governance Report for FY2016 approved on 13 March 2017.

B. Effectiveness and independence of statutory auditors

The audit conducted during FY2016 was reviewed at the meeting of the Audit and Control Committee held on 13 March 2017, 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 2017 and auditing of the individual financial statements of certain Group companies, also as at 31 January 2017. 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.

Pursuant to the Procedure to Contract an Auditor for the Provision of Non-Audit Services, approved by the Committee in the meeting held on 18 July 2016, the Audit and Control Committee has assessed and approved in all the meetings held in FY17 the engagement by the Company and Group entities of non-audit services from external auditors.

The Audit and Control Committee approved on 13 March 2017 the report on the independence of the external auditors of the Company for FY2016, which also addressed the provision of additional non-audit services.

Pursuant to Recommendation 6 of the Good Governance Code of Listed Companies, such report was made available to the shareholders on the corporate website (www.inditex.com) upon posting the notice calling the Annual General Meeting.

C. Internal Audit

The Chief Audit Officer and the Deputy Chief Audit Officer attended the meetings of the Audit and Control Committee held in FY2017 and took an active part therein, in the performance of support and advice functions.

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 in the meeting held on 13 March 2018.

D. External auditors

Members of the Audit and Control Committee met with the external auditors in the meetings held on 13 March, 12 June and 18 September 2017, 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 11 December 2017, especially invited to do so by the Audit and Control Committee, to address the audit plan for FY2018.

E. Risks Map

The Audit and Control Committee gave a favourable report to the updated 2017 Risks Map in the meeting held on 18 September 2017.

F. Annual Corporate Governance Report

The Audit and Control Committee approved on 13 March 2017 the Annual Corporate Governance Report for FY2016, drafted as regards its format, contents and structure, in accordance with the provisions of Circular 7/2015 of 22 December of CNMV. The ACGR was submitted by the Committee to the Board of Directors which approved it on 14 March 2017, and subsequently sent to the CNMV as a relevant fact. The Annual Corporate Governance Reprot is available on CNMV website (www.cnmv.es).

G. Inditex's Annual Report

The Committee issued a favourable report on the Annual Report for FY2016 in the meeting held on 12 June 2017. Information on the activities of Inditex and its Group of companies over the last years, and namely during FY2016 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), and has been verified by SGS ICS Ibérica, SA in accordance with ISO 19001. 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.

H. Review of the reports of the Committee of Ethics.

The Audit and Control Committee reviewed and approved the Annual Report of the Committee of Ethics for FY2016 in the meeting held on 13 March 2017, and the Half-yearly report of the Committee of Ethics for the first half of FY2017 in the meeting held on 18 September 2017. Likewise, in the meeting held on 12 September 2017, the Audit and Control Committee acknowledged the Report on the Model of Criminal Risk Prevention issued and approved by the Committee of Ethics on 2 June 2017.

The issues reviewed in such reports include, without limitation, 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 and the resolutions adopted by such Committee; 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 in the area of Corporate Compliance System).

Additionally, the Audit and Control Committee followed-up on the progress of the degree of implementation of the Inditex Group's Model of Corporate Compliance, in the meetings held on 12 June and 11 December 2017.

I. Review of the reports of the Compliance Supervisory Board and the Office of the Chief Compliance Officer

The Audit and Control Committee reviewed in the meetings held on 13 March and 18 September 2017 the quarterly reports prepared by the Office of the Chief Compliance Officer in respect of the enforcement of the Internal Regulations of Conduct regarding Transactions in Securities, and the half-yearly reports issued by the Compliance Supervisory Board in respect of measures taken to promote knowledge and ensure compliance with the provisions of the IRC.

J. Evaluation of the appropriateness of the corporate governance system

In the meeting held on 11 December 2017, the Audit and Control Committee appreciated that the Company's corporate governance system is appropriate, as it considers that it meets its purpose of promoting corporate interests taking into account the lawful interests of the different stakeholders.

K. Corporate Policies

In the meeting held on 18 September 2017, the Audit and Control Committee gave a favourable report to the so called Integrity Policies of the Inditex Group, composed of: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships; and, (iii) the Policy on Dealings with Public Servants. Such Policies were subsequently approved by the Board of Directors on 19 September 2017.

In the meeting held on 11 December 2017, the Audit and Control Committee gave a favourable report to the Diversity and Inclusion Policy of the Inditex Group, which was subsequently approved by the Board of Directors. Likewise, in such meeting, the Audit and Control Committee gave a favourable report to the Code of Conduct for the US and Puerto Rico, that seeks to bring Inditex's corporate conduct policies into line with the regulations and best practices existing in the field in the US. Such Code is inspired by the Code of Conduct and Responsible Practices and implements certain elements thereof.

L. Related-party transactions

In the meeting held on 13 March 2017, the Audit and Control Committee issued and approved the report on related-party transactions carried out by the Inditex Group throughout FY2016.

Pursuant to the provisions of Recommendation 6 of the Good Governance Code of Listed Companies, such report was made available to the shareholders on the corporate website (www.inditex.com) upon posting the notice calling the Annual General Meeting.

M. Report on its activities

The Audit and Control Committee issued the annual report on its activities on 13 June 2017. It was published in the 2016 Annual Report and is available on www.inditex.com.

N. Report on tax policies

Pursuant to the provisions of the Company's tax policy, the Audit and Control Committee acknowledged in the meeting held on 13 March 2017 the tax policies followed throughout FY2016.

For all relevant purposes and pursuant to the provisions of section 229 of the Companies Act, as amended by Act 3/2014 of 3 December for the purposes of improving corporate governance, directors have not disclosed any direct or indirect conflict of interests between their interest or those of any person related to them and the interest of the controlling company. Consequently, despite the fact that this power corresponds to the Audit and Control Committee, this issue has not been included as an item on the agenda of the different meetings held during the year.

ANNUAL REPORT ON THE PROCEEDINGS AND ACTIVITIES OF THE AUDIT AND CONTROL COMMITTEE

The Audit and Control Committee issues on an annual basis a report on its activities during the year. Such report is available on www.inditex.com.

NOMINATION COMMITTEE

REGULATIONS

Article 29 of the Articles of Association, section 16 of the Board of Directors' Regulations, and namely the Nomination Committee's Regulations approved on 9 June 2015, set out the regulations governing the proceedings of the Nomination Committee. The Nomination Committee's Regulations are available on the corporate website.

COMPOSITION

Name	Office	Category	Date of appointment
Mr Emilio Saracho Rodríguez de Torres	Chair	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent	14-07-2015
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Mr Rodrigo Echenique Gordillo	Ordinary Member	Non-executive independent	14-07-2015
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate	14-07-2015

Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Nomination Committee.

The Nomination Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors. At present, four of the directors sitting on the Nomination Committee are independent, which represents 66.66% of all its members.

The Chair of the Nomination Committee, who must be an independent director, shall be elected for a term that does not exceed four years and must be replaced at the expiry of the aforementioned term. He may be re-elected once a period of one year has elapsed since the date of his/her removal. Mr Saracho was appointed Chair of the Nomination Committee on 14 July 2015.

In FY17, no member of the Nomination Committee has been removed, following resignation or otherwise, nor any new member has been appointed.

DUTIES AND POWERS

a) Powers

Section 5 of the above referred Nomination Committee's Regulations sets forth the mission of the Nomination Committee and its powers are set out in sections 6 to 9 thereof. Namely:

- To evaluate the responsibilities, knowledge and experience required of the Board of Directors. For such purposes, it shall define the functions and qualifications required of candidates who must fill each vacancy, and evaluate the time and contribution required for them to effectively discharge their duties;
- To set a representation target for the least represented gender on the Board of Directors and to provide guidance on how to reach such target;
- To ensure that upon filling new vacancies or appointing new directors, selection procedures ensure the nonexistence of any manner of discrimination;
- To table to the Board of Directors the motions on the election of independent directors to be appointed through the co-option procedure, or to be submitted to the General Meeting of Shareholders, as well as the motion for the re-election or removal of said directors by the General Meeting of Shareholders;
- To issue a report regarding the motions to elect the remaining directors prior to their appointment through the co-option procedure or to be submitted to the General Meeting of Shareholders, as well as the motions for their re-election or removal by the General Meeting of Shareholder;
- To issue a report regarding the motions to appoint and to remove senior executives.
- To review and arrange for the succession of the Chairman of the Board of Directors and of the chief executive of the Company and, where appropriate, to raise motions to the Board of Directors in order for such succession to take place in an orderly and planned manner.

b) 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 the 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 would explain their view on certain issues directly linked to 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 expenses. 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 FY2017, 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.

PROCEEDINGS

The Nomination Committee shall meet at least once a year, and each time that its Chair calls it. The Chair of the Nomination Committee shall call it each time that the Board of Directors or the Chairman thereof requests the issuing of a report or the adoption of proposals and in any case, whenever this is suitable for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the call shall be authorised by the signature of the Chair. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary thereof.

ACTIVITIES OF THE NOMINATION COMMITTEE

a) Meetings held, business transacted, reports and attendees

The Nomination Committee held 4 meetings during financial year 2017.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by Nomination Committee during financial year 2017 stands at 100%.

The average duration of each meeting has been of approximately two hours.

The schedule of the meetings held and business transacted by the Nomination Committee between 1 February 2017 and 31 January 2018 is provided below:

Date of meeting	Main business transacted	Reports and Motions tabled to the Board of Directors	Inditex's attendees
12/06/2017	- Explanatory report of the prior analysis of the needs of the Board of Directors for the purposes of the re-election or appointment of directors and on the motion to re-elect Mr José Arnau Sierra as proprietary director. - Annual Report on the Proceedings of the Nomination Committee.	- Explanatory report of the prior analysis of the needs of the Board of Directors for the purposes of re-election or appointment of directors. - Report on the re-election of Mr José Arnau Sierra as proprietary director. - Annual Report on the Proceedings of the Nomination Committee.	- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board
18/07/2017	- Report on the re-election of member and Deputy Chairman of the Executive Committee.	- Report on the re-election of member and Deputy Chairman of the Executive Committee.	- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board
19/09/2017	- 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
12/12/2017	- Report on the evaluation of the proceedings of the Board of Directors, the directors, the Nomination Committee and the performance of its members and of the Executive Chairman.	- Report on the evaluation of the proceedings of the Board of Directors, the directors, the Nomination Committee and the performance of its members, the Executive Chairman, the Lead Independent Director and the Secretary of the Board of Directors.	- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board

b) Main action lines

During FY2017, the most relevant proceedings of the Nomination Committee have focused on the following:

A. Appointments

In the meeting held on 12 June 2017, the Committee gave a favourable report to the motion to re-elect Mr José Arnau Sierra as non-executive proprietary director, which was subsequently submitted by the Board of Directors to the Annual General Meeting.

Likewise, during the meeting held on 18 July 2017, the Nomination Committee gave a favourable report to the motion to re-elect Mr José Arnau Sierra as member and Deputy Chairman of the Executive Committee.

Prior to such re-election, the Committee had approved an explanatory report on the prior analysis of the Board's needs for the purposes of re-election or appointment of directors.

The pertaining reports issued by the Nomination Committee were made available to the shareholders on the corporate website (www.inditex.com) from the date of the notice calling the Annual General Meeting.

B. Evaluation

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 the Programme approved on 2 December 2015, the Nomination Committee proposed in the meeting held on 19 September 2017 the supervision of the "Programme for evaluating the performance of the Board of Directors, the Directors, the Committees and the Executive Chairman", to be tabled to the Board. 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 with best practices in the field of corporate governance, the Nomination Committee approved in the meeting held on 11 December 2017 the report on the evaluation of the proceedings of the Board of Directors, the Directors, the Nomination Committee and on the performance of its members, the Executive Chairman, the Lead Independent Director and the Secretary of the Board. This report was subsequently approved by the Board of Directors in the meeting held on 12 December 2017.

The outcome of the evaluation conducted during FY2017 has been very positive as regards the issues assessed, including the qualification and structure, the duties, the effectiveness and the proceedings, planning and organisation 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 the Directors, the Executive Chairman, the Lead Independent Directors and the Secretary of the Board.

ANNUAL REPORT ON THE PROCEEDINGS AND ACTIVITIES OF THE NOMINATION COMMITTEE

The Nomination Committee issues on an annual basis a report on its activities during the year. Such report is available on www.inditex.com.

REMUNERATION COMMITTEE

REGULATIONS

Article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations, and namely the Remuneration Committee's Regulations approved on 9 June 2015 set out the regulations governing the proceedings of the Remuneration Committee. The Remuneration Committee's Regulations are available on the corporate website.

COMPOSITION

Name	Office	Category	Date of appointment
Mr Rodrigo Echenique Gordillo	Chair	Non-executive independent	14-07-2015
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Non-executive independent	14-07-2015
Bns. Denise Patricia Kingsmill	Ordinary member	Non-executive independent	19-07-2016
Mr José Luis Durán Schulz	Ordinary member	Non-executive independent	14-07-2015
Mr José Arnau Sierra	Ordinary member	Non-executive proprietary	14-07-2015
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate	14-07-2015

Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Remuneration Committee.

The Remunertion Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, the majority of whom must be independent directors. At present, four directors sitting on the Remuneration Committee, entirely made up of non-executive directors, are independent, which represents 66.66% of all its members.

The Chair of the Remuneration Committee, who must be an independent director, shall be elected for a term that does not exceed four years and must be replaced at the expiry of the aforementioned term. He may be re-elected once a period of one year has elapsed since the date of his/her removal. Mr Echenique was appointed Chair of the Remuneration Committee on 14 July 2015. He had previously chaired the defunct Nomination and Remuneration Committee since 15 July 2014.

In FY17, no member of the Remuneration Committee has been removed, following resignation or otherwise, nor any new member has been appointed

DUTIES AND POWERS

a) Powers

Section 5 of the Regulations sets forth the mission of the Remuneration Committee and its powers are set out in section 6 thereof. Namely:

- To propose to the Board of Directors the remuneration policy for directors and general managers or those who carry out senior management duties directly reporting to the Board, the executive committees or the chief executive officers.
- To propose to the Board of Directors the individual remuneration and the remaining terms and conditions of the employment agreements of executive directors, ensuring that they are observed.
- To propose the basic terms and conditions of the contracts with senior executives, including their remuneration and severance pay, where appropriate.
- To propose to the Board of Directors the system and amount of annual remunerations of directors and the individual remuneration of executive directors and the remaining essential terms of their agreements, including any eventual compensation or indemnity which might be determined in case of removal, pursuant to the provisions of the corporate governance system and of the remuneration policy of directors approved by the General Meeting of Shareholders.
- To prepare and submit to the Board of Directors for approval, the Annual Report on Remuneration of Directors and verify the information on remuneration of directors and senior executives included in the corporate documents.
- To verify that the remuneration policy fixed by the Company is observed.
- To ensure that no eventual conflict of interest situation would affect the independence of the external advice given to the Committee.
- To propose to the Board of Directors the cancellation of payment or, if appropriate, the refund of variable

items which make up the remuneration of directors based upon results, where such items have been paid on the basis of information later shown clearly to be inaccurate; likewise, to propose the termination of the relation with the relevant supervisor(s) and the filing of the relevant claims.

b) Main relationships of the Remuneration Committee

A. With the Board of Directors

At the beginning of each meeting of the Board of Directors, the Chair of the Remuneration Committee apprises all Directors 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 Remuneration Committee also sit on the Audit and Control Committee and on the Nomination Committee.

C. With the Executive Chairman and with Senior Executives

For the purposes of allowing the Remuneration Committee to be directly apprised of the 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 would explain their view on certain 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, Lead Independent Director, is the Chair of the Remuneration Committee.

E. With the Human Resources Department

In order to keep the Remuneration Committee duly and permanently informed, the Human Resources Department regularly apprises the Committee of the changes, if any, in the global pay systems, researches on the salary market of Senior Executives, annual pay review and review of the guidelines on salary increase per country, overview of annual increases carried out and global talent management programmes.

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 FY2017, the Committee has been advised by Willis Towers Watson, an independent consultant, regarding the preparation of the Annual Report on the Remuneration of Directors for FY2016.

PROCEEDINGS

The Remuneration Committee shall meet at least once a year, and each time that its Chair calls it. The Chair of the Remuneration Committee shall call it each time that the Board of Directors or the Chairman thereof requests the issuing of a report or the adoption of proposals and in any case, whenever this is suitable for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the call shall be authorised 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.

The deliberations and the resolutions passed by the Committee are recorded in the relevant minutes of the meeting taken by the Secretary thereof.

ACTIVITIES OF THE REMUNERATION COMMITTEE

a) Meetings held, business transacted, reports and attendees

The Remuneration Committee held 5 meetings during financial year 2017.

The level of attendance of its members, whether in person, or by proxy, to the meetings held by Remuneration Committee during financial year 2017 stands at 100%.

The average duration of each meeting has been of approximately two hours.

The schedule of the meetings held and business transacted by the Remuneration Committee between 1 February 2017 and 31 January 2018 is provided below:

Date of meeting	Main business transacted	Reports and motions tabled to the Board of Directors	Attendees
13/03/2017	- Remuneration of the Executive Chairman. - Remuneration of Senior Executives. - Extraordinary Employee Profit-Sharing Plan. - Annual Report on Remuneration of Directors.	- Motion regarding the remuneration of the Executive Chairman. - Motion regarding the remuneration of Senior Executives. - Report on the results of the second period of the Extraordinary Employee Profit-Sharing Plan. - Annual Report on 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 Officer. - Mr Ignacio Fernández Fernández, Chief Financial Officer.
13/06/2017	- 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.
18/07/2017	- Report on the 2014-2017 Long-term Performance Shares Plan.	- Report on the settlement of the second cycle (2014-2017) of the 2013-2017 Long-term Performance Shares 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 Officer. - Mr Ignacio Fernández Fernández, Chief Financial Officer.
18/09/2017	- List of Beneficiaries of the Second Cycle of the 2017-2020 Long-term Incentive Plan addressed to members of management, including the Executive Chairman and other employees of the Inditex Group.	- Report on the beneficiaries of the second cycle (2017-2020) of 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 Officer. - Mr Ignacio Fernández Fernández, Chief Financial Officer.
12/12/2017	- Report on the evaluation of the Remuneration 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. - Ms Begoña López-Cano Ibarreche, Chief Human Resources Director. - Ms Cristina Vega López, member of the HR Department. - Ms Rocío Casal Comendador, member of the HR Department. - Ms Eva Ferreiro, member of the HR Department.

b) Main action lines

During FY2017 the main action lines of the Remuneration Committee have focused on the following:

A. Remuneration of the Executive Chairman

The Remuneration Committee approved in the meeting held on 13 March 2017 the motion regarding the remuneration of the Executive Chairman for the discharge of his executive duties, to be subsequently submitted to the Board of Directors.

B. Annual Report on Remuneration of Directors for FY2016

Pursuant to the regulations then in force and the Recommendations of the Good Governance Code of Listed Companies, and on the advice of external consultant Towers Watson, the Committee approved on 13 March 2017 the Annual Report on Remuneration of Directors for FY2016.

Such report was tabled to the Board of Directors, which approved it on 14 March 2017, and sent it to CNMV as a relevant fact. The Annual Report on Remuneration of Directors for FY2016 is available on CNMV's website (www.cnmv.es).

It was subsequently submitted to an advisory say-on-pay vote at the Annual General Meeting last 18 July 2017 and approved with an aggregate 98.63% of votes for.

C. Remuneration of Senior Executives

The Remuneration Committee gave a favourable report to the remuneration of Senior Executives in the meeting held on 13 March 2017, and submitted it to the Board of Directors, which approved it on 14 March 2017.

D. Long-term Incentive Plan

The Committee acknowledged the settlement of the second cycle (2014-2017) of the 2013-2017 Long-term Performance Shares Plan in the meeting held on 18 July 2017.

Finally, on 19 September 2017, the Remuneration Committee acknowledged the list of beneficiaries of the second cycle (2017-2020) of the 2016-2020 Long-term Incentive Plan.

E. Extraordinary Employee Profit-Sharing Plan

In the meeting held on 13 March 2017, the Remuneration Committee gave a favourable report to the results of the second calculation period of the Extraordinary Plan, and to the extension, on an exceptional basis, and for financial years 2017 and 2018 of the term of such Plan, and resolved to submit it, together with its governing terms, to the Board of Directors, which approved it in the meeting held on 14 March 2017.

ANNUAL REPORT ON THE PROCEEDINGS AND ACTIVITIES OF THE REMUNERATION COMMITTEE

The Remuneration Committee issues on an annual basis a report on its activities during the year. Such report is available on www.inditex.com.

EXECUTIVE COMMITTEE

COMPOSITION

Name	Office	Category
Mr Pablo Isla Álvarez de Tejera	Chairmain	Executive
Mr José Arnau Sierra	Deputy Chairmain	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 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 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 Chairman 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 Chairman 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.

6. REMUNERATION

REMUNERATION OF DIRECTORS

During FY2017, the aggregate remuneration of the Board of Directors amounted to €12,620k.

ANNUAL REPORT ON REMUNERATION OF DIRECTORS

The Board of Directors approved on 14 March 2017 the Annual Report on Remuneration of Directors for FY2016 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 for FY2014 covered the applicable remunerations policy for the three following financial years (the expiry date of such policy being therefore 31 January 2019), 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.

7. SENIOR EXECUTIVES

As at 31 January 2018, 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
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
Mr Antonio Flórez de la Fuente	Director of BERSHKA
Mr Begoña López-Cano Ibarreche	Chief Human Resources Officer
Mr Abel López Cernada	Import, Export and Transport Director
Mr Marcos López García	Capital Markets Director
Mr Juan José López Romero	General Services and Infrastructures Director
Mr Gabriel Moneo Marina	Chief IT Officer
Mr Javier Monteoliva Díaz	Legal Director
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	Director General Adjunto al Presidente y Consejero Delegado *[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 2017 the aggregate remuneration accrued by the senior executives above amounted to €34,426k.

Included in such amount is the sum corresponding to the remuneration accrued by Mr Marco Agnolin, former Director of Bershka, for the period running from the beginning of FY2017 through 31 December 2017, date on which he left office.

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.

8. 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 previously a report has not been issued by the Audit and Control Committee evaluating the transaction from the standpoint of market conditions.

As regards transactions with significant shareholders, the Audit and Control Committee shall examine them also from the standpoint of an equal treatment 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 authorisation 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 on the notes to the annual accounts information on the transactions carried out by the Company or any companies within the Inditex Group with directors and with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out in normal market conditions.

No Board authorisation is required for those related-party transactions that meet at the same time the following terms:

i. they are conducted under contracts with standard terms and conditions which apply en masse to many clients;

ii. they are conducted at prices or rates generally established by the suppliers of the good or service in question; and.

iii. their amount is not in excess of 1% of the Company's annual revenues.

The detail of the transactions carried out by the Inditex Group with related parties, whether natural or legal, and of significant transactions carried out by Inditex with other entities belonging to the same Group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the Company as regards its object and conditions, is provided in section D.2 of the Annual Corporate Governance Report available on the Inditex' website.

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 following situations which may entail a conflict of interest are addressed: the rendering of professional services in competing companies, the use of corporate assets and/or the use of non-public company information for private purposes, taking advantage of business opportunities of the Company or making undue influence of office. On the other hand, the specific questions regarding which Directors must provide information to the Company are covered in the heading "Duties of information of the director" of the Board of Directors' Regulations.

Section 34 of such set of rules also sets out the yardsticks which shall govern the proceedings of all the persons affected by a conflict of interests (prevention, information, abstention and transparency).

Additionally, the Board of Directors' Regulations set forth that the rules of conduct provided therein for the Directors shall apply, to the extent that they are compatible with their specific nature, to the Company's senior executives; namely, and with the due nuances: the duty of confidentiality; the conflicts of interest, in connection with the duty of informing the Company; the use of corporate assets for private purposes; the confidentiality of non-public information; the business opportunities and prohibition to make undue influence of the office.

Likewise, with regard to significant shareholders, the Board of Directors' Regulations provide the rules which apply to "Transactions with directors and significant shareholders".

Among the duties it is entrusted with, it is incumbent on the Audit and Control Committee to report on the transactions which entail or might entail any conflict of 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.

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.

9. 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 non-executive independent directors, meets with the statutory auditors in order to review the Company's annual accounts as well as certain periodic financial information that the Board of Directors must provide to the markets and their supervisory boards, overseeing compliance with the legal requirements and correct application of generally accepted accounting principles in the statement of such annual accounts. In such meetings, any disagreement or difference of opinion existing between the Company's management and the external auditors is put forward, so that the Board of Directors can take the appropriate steps to ensure that the auditors' reports is issued without qualifications. In line with best practices in the corporate governance area, members of the Board of Directors meet with the statutory auditors without any officer of the Company being present.

Furthermore, previously to the stating 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 the financial statements. Such topics are subject to discussion with the external auditors.

The auditors' report on Financial Statements for financial year 2017 has been issued without qualifications.

AUDITORS' INDEPENDENCE

Mechanisms set to preserve the independence of the external auditors are:

- The relationships of the Board of Directors with the statutory auditors of the Company shall be channeled through the Audit and Control Committee.
- The Audit and Control Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the Company of an audit firm incurring in any incompatibility in accordance with the legislation on auditing as well as an audit firm where the fees that it expects to pay them, for all services in all areas, in excess of the limits provided in the laws on auditing.
- The Audit and Control Committee, mostly made up of Independent Directors, proposes to the Board of Directors the appointment and re-election of the statutory auditors, to be submitted to the Annual General Meeting, as well as the terms of their contracts, the scope of their professional mandate and, where appropriate, the termination or non—renewal of their appointment;
- The Audit and Control Committee shall regularly receive from the statutory auditor information on the audit plan and the results of its implementation; it shall follow-up on the recommendations proposed by the auditor and it may request its collaboration should it deem it appropriate.
- Among the functions of the aforementioned Committee is that of liaising with statutory auditors in order to receive information on those matters that could jeopardise their independence and on any other matter related to the carrying out of the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards.
- The Committee shall ask the auditor for a statement on its independence with regard to the Company, or its direct or indirect affiliates, as well as for detailed and separate information on any additional services of any type provided by auditors or any related-party thereto, and the relevant fees, pursuant to the provisions of the law on auditing. Likewise, the Audit and Control Committee shall oversee the application of the internal procedures to ensure quality and protect the independence, implemented by the auditor. The Committee shall oversee and authorise, where appropriate, the hiring of the auditor for the provision of non-audit services.
- The Audit and Control Committee shall issue a report every year, prior to the issue of the auditors' report, expressing an opinion on the independence of external auditors of the Company, and including a reasoned valuation of the provision of each and every additional service other than those covered in the audit agreement.
- The Audit and Control Committee oversees the terms and the enforcement of the agreements entered into with the external auditors of the Company to carry out assignments or tasks other than those covered in the audit agreement.
- The external auditors consult periodically with the Audit and Control Committee, in order to review the annual accounts of the Company that the Board of Directors must provide to the markets and their supervisory boards. On the other hand, the Board of Directors shall meet with the statutory auditors, at least once a year, to be apprised of the work done and of the evolution of the status of accounting and risks of the Company.
- The Company reports in its consolidated annual report and in the Annual Corporate Governance Report on the fees paid to its external auditors for each item other than the auditing of the financial statements.

On the other hand, the Procedure to Contract an Auditor for the Provision of Additional Non-audit Services, approved by the Audit and Control Committee on 18 July 2016, regulates the process that shall be followed so that such Committee may be apprised of and, where appropriate, authorise the agreements executed by the Company and the entities within its Group with external auditors for the provision of services other than auditing, as a mechanism to ensure the due independence of the latter. Additionally, such Procedure lists a number of services that under no circumstances may be provided by external auditors. For the purposes of reinforcing the duty to oversee and establish the independence of Inditex's statutory auditor, the engagement by Inditex's parent company of such non-audit services, as the case may be, from such auditor shall be subject to the prior authorisation of Inditex's Audit and Control Committee.

As regards the mechanisms established to ensure 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 2017.

EXTERNAL AUDIT FEES

	Company	Group	Total
Amount of non-audit assignments (€k)	62	91	153
Amount of non-audit assignments/ aggregate amount billed by the audit firm (in %)	17%	1.4%	2.2%

10.CODE OF CONDUCT AND RESPONSIBLE PRACTICES AND 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 Group's (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" (formerly, the "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.

THE CODE OF CONDUCT AND RESPONSIBLE PRACTICES

The Code of Conduct and Responsible Practices provides 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 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, 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 according to which the operations of the Inditex Group shall be developed under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of the Group shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources

Additionally, the Code includes a number of conduct commitments 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 sensitivity 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 all the stakeholders.

THE COMMITTEE OF ETHICS AND THE WHISTLE BLOWING CHANNEL

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, which 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 basic responsibilities:

- 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 at least, an annual report to review its enforcement.
- To oversee the Whistle Blowing Channel and compliance with the Procedure.

A Whistle Blowing Channel is available to all employees of Inditex, manufacturers, suppliers or third parties with any direct relationship and a lawful business or professional interest, regardless of their tier or geographical or functional location, so that they may report any breach of the Code of Conduct and Responsible Practices, or of the Code of Conduct for Manufacturers and Suppliers they may be aware of, by other employees, manufacturers or third parties engaged in a direct employment, business or professional relationship. Such breach shall be disclosed by means of a report made in good faith. Additionally, the Committee of Ethics may act of its own motion.

In the performance of its duties related to management and supervision of the Whistle Blowing Channel, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background 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 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 employee as a result of bringing complaints in good faith to the Committee.

Upon receipt of any report, the Committee of Ethics verifies first whether it falls under its remit. If such were the case, the Committee of Ethics shall refer such report to the relevant department or area so that it would launch the relevant investigation. If not, the Committee shall order the closing of proceedings.

In light of the conclusions drawn from the relevant investigation, and having heard first the interested party, the Committee of Ethics shall take one or more of the following measures, having considered and weighted them where appropriate, with the relevant department or departments:

- The remedy of the breach;
- The relevant sanctions or actions; and/or;
- The closing of proceedings, where no breach whatsoever has occurred.

Decisions of the Committee of Ethics are binding for the Company and its employees.

The Committee of Ethics submits a report 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 FY2017) 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.

In FY17, the Committee of Ethics has processed 181 cases, 159 of them further to a report and the remaining 22 ex-officio.

The notices received mainly referred to conducts which might infringe the ethical commitments or values covered in the Code of Conduct and Responsible Practices or in the Code of Conduct for Manufacturers and Suppliers, and to requests for clarification regarding the enforcement of this latter Code. All the reports received by the Committee of Ethics were duly attended.

SOCIAL ADVISORY BOARD

The Social Advisory Board is Inditex's advisory body in the area of Sustainability.

Members of Inditex's Social Advisory Board:
Mr Ezequiel Reficco
Ms Cecilia Plañiol Lacalle
Ms Paula Farias Huanqui
Mr Francisco Javier Sardina López
Mr Víctor Viñuales Edo

The Social Advisory Board met three times in 2017:

Meetings held by the Social Advisory Board in 2017:

Date of meeting	Place of meeting	% attendance by members
20-02-17	Madrid (Spain)	100%
06-06-17	Madrid (Spain)	100%
11-12-17	Arteixo (Spain)	100%

Regulations of the Social Advisory Board:

The Board of Directors resolved in December 2002 to create such body, and approved its Regulations, which determine the principles of action, the basic rules governing its organisation and proceedings and the rules of conduct of its members.

The Board of Directors resolved in 2015 to amend the Regulations of the Social Advisory Board 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.

11. COMPLIANCE

Inditex relies on a strong Compliance organisation and management model (hereinafter, the "Compliance Model" or the "Model") that seeks not only to prevent and monitor risks, in case of any potential regulatory non-compliance from its employees, thus limiting or even preventing any manner of liability for the Company, but also to convey an ethical corporate culture to all its stakeholders, to wit, both to its employees, suppliers, manufacturers and to other stakeholders. In order to achieve this goal and in accordance with different internal regulations in force since 2010, Inditex has been establishing a number of policies, procedures and instructions which make up its Compliance Model and reinforce the Company's compliance culture.

STRUCTURE OF THE COMPLIANCE MODEL

Based upon the guidelines provided in the regulatory framework, namely the provisions of the Spanish Criminal Code, as amended in 2010, Inditex prepared in 2012 a structure of (high level) core regulations and a number of organisational documents which constitute the key points of the Company's Compliance Model, or cross-cutting compliance. 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:** it defines the minimum standards for ethical behaviour which must be met by manufacturers and suppliers of the Inditex Group.

Meanwhile, organisational documents are shown below:

a. **The Whistle Blowing Channel Procedure:** it provides the operating rules and main guarantees that govern the processing, investigation and settlement of the reports sent through the Whistle Blowing Channel and the cases seen by the Committee of Ethics.

b. **The Regulations of the Committee of Ethics:** which cover the main duties of the Committee of Ethics.

Additionally, together with the high level regulations and the organisational documents, Inditex has approved a number of cross-cutting compliance regulations which seek to ensure a streamlined disclosure of the Compliance Model and Function:

a. **The Zero Standard:** which describes the process to draft internal regulations (production, approval and internal publication of the regulations issued by the Inditex Group).

b. **The Compliance Policy:** which sets forth the 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:** which implements the provisions of the Compliance Policy, and establishes the organisational measures to prevent, detect and manage Noncompliance Risks events, reinforcing an ethical compliance culture.

OTHER REGULATIONS AND CONTROLS WHICH MAKE UP THE COMPLIANCE MODEL

In addition to the structure described above, several 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, (ii) with the latest regulatory requirements resulting from the Company's business itself.

With regards to the first group of regulations above, the following policies stand out:

a. The Director Selection Policy.

b. The External Financing Policy.

c. The Financial Risk Management Policy.

d. The Enterprise Risk Management Policy.

e. The Corporate Social Responsibility Policy.

f. The Environmental Sustainability Policy.

g. The Tax Policy and Strategy.

h. The Internal Regulations of Conduct regarding Transactions in Securities (IRC).

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 Official Internet and Social Networks Accounts and Profiles.

d. The Policy on Human Rights.

e. The Corporate Citizenship Policy.

f. The Diversity and Inclusion Policy.

g. The Integrity Policies: Policy on Donations and Sponsorships, Policy on Gifts and Business Courtesies and the Policy on Dealings with Public Servants.

h. Anti-money Laundering and Terrorist Financing Policy.

Model of Criminal Risk Prevention: namely, measures to fight corruption and bribery

On the other hand, further to the approval of Act 1/2015 of 30 March that amends the Criminal Code (hereinafter, "Act 1/2015") – which introduced the requirement of appropriate organisation and management models to prevent criminal offences – and of ISO 19600 standard (2014) – which provides the main guidelines to create a compliance model – Inditex reviewed and approved a new Model of Criminal Risk Prevention that supersedes the former one, approved in 2012. At present, such Model comprises both the above referred high level regulations and 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, and namely 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 the 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 organisational measures of the Company in the area.

c. **The Scoping Matrix of Criminal Risks and Controls:** it lists the criminal risks and controls which have been established to prevent the perpetration of criminal offences.

The Model of Criminal Risk Prevention is part of Inditex's cross-cutting and general Compliance Model.

Such Model is subject to a continuous evaluation and improvement process, to bring it into line with the development and growth of the Inditex Group, the statutory requirements, and the recommendations and best practices in the field existing from time to time, and to ensure the effectiveness thereof.

The current setting of Inditex's Model of Criminal Risk Prevention represents an adaptation to the criminal regulations on management and control system that

Inditex was already using, and is aligned with the guidelines provided by the Committee of Sponsoring Organisations of the Treadway Commission (COSO) in its Internal Control-Integrated Framework (2013) report.

In this regard, the Scoping Matrix of Criminal Risks and Controls was updated in 2017. Such review has consisted of identifying, reviewing and assessing the risks inherent in the different business conducted by the Group, and the procedures and controls implemented – focusing its efforts on such areas which represent the highest risk for the Group and taking into account the latest legal development introduced by Act 1/2015.

On the other hand, in order to ensure that all the employees of Inditex, as well as third parties with which it conducts business, comply with the provisions of the main anti-bribery regulations applicable in the markets where the Group is present, the Board of Directors approved in FY2017 the so-called Integrity Policies.

Such Policies endorse the standards set in international standard ISO 37001, on Anti-Bribery Management Systems, and implement certain aspects of the Policy on Criminal Risk Preventions, and intertwine with the ethical values of the Group, which are defined in the Code of Conduct and Responsible Practices and in the Code of Conduct for Manufacturers and Suppliers. The Integrity Policies include:

- **The Policy on Donations and Sponsorships:** which provides the definition of donation and sponsorship, for ease of reference of the recipients of the Policy, and lays down a number of requirements that gifts and sponsorships need to meet in order to be carried out and/or accepted.
- **The Policy on Gifts and Business Courtesies:** which provides the definition of gift and business courtesies, for ease of reference of the recipients of the Policy, and lays down a number of requirements that must be met for the offer and/or acceptance thereof to be valid and compatible with Inditex's conduct policies.
- **The Policy on Dealings with Public Servants**: which (i) provides the definition of bribery and civil servant; (ii) expressly prohibits bribery in the public and private sectors; (iii) covers extortion payments; (iv) expressly prohibits facilitation payments, even where such payments are not prohibited under the laws of the country or territory in question; and; (v) lays down the due diligence processes implemented to ensure that the conduct of third parties associated with Inditex is aligned with the ethical values, regulations and standards of the Company, the applicable regulations in the markets and the existing best practices in the anti-bribery area.

In this regard, in order to mitigate criminal risks inherent in the business conducted by Inditex, namely the offences of public corruption and/or corruption in business, identified in the Scoping Matrix of Criminal Risks and Controls, a number of controls have been implemented, including:

- The communication, regular training and adherence by the employees to the Group's Code of Conduct and Responsible Practices.

  Additionally, the communication and disclosure of the internal regulations associated to the Model of Criminal Risk Prevention of the Group has been reinforced.
- The Policy on Representatives and Proxies of the Companies which make up the Inditex Group, that sets limits to representation powers.

Such Policy is available on INet to all the employees, and has been circulated to such employees who exercise, or are going to exercise representation powers of any company of the Group. Such employees are bound to state in writing their commitment to strictly comply with the Policy.

With regard to the foregoing, a Register of representatives and proxies of the Inditex Group has been put in place, to be aware at all times of those persons authorised to act for and on behalf of each company of the Group, as well as the scope of their authorities.

- The Policy on Corporate Payments: approved, circulated and available on INet. It provides the express prohibition to make payments in cash or with cheque. Any exception to such rule set shall be previously authorised by the Financial Management Department.
- Setting a segregation of functions, by separating profiles in those who can prepare payments and those who can make them.
- The Standard for Procurement Management which relies on (i) a tool for management of orders; and, (ii) an official procedure for the selection and hiring of indirect suppliers and calling for tenders.
- The inclusion in all the agreements covering general supplies and services entered into by Spanish companies, of an anticorruption clause whereby the general contractor expressly and irrevocably undertakes to comply at all times with the regulations on anticorruption, to the extent applicable, including not only provisions applicable because of where they are domiciled, but also any other regulation in force at the place of performance of the agreement.

In keeping with its transparency culture, the Company informs that it does not make any direct or indirect contributions to political parties, foundations nor to any political candidates.

Likewise, Inditex is not registered with any Register of Stakeholders, whether domestic or foreign. Inditex is a member of different organisations, business associations of the industry or specialized ones, whether global, regional or local, including without limitation, the European Retail Round Table, the European Branded Clothing Alliance, Eurocommerce, Ethical Trading Initiative and Action Collaboration Transformation (ACT) Initiative.

Finally, as a sign of Inditex's firm commitment to fighting money laundering and terrorist financing, the following controls should be mentioned: (i) the Procedure for Limiting Payments in Cash at Stores; (ii) the due diligence measures implemented to identify and review business partners, suppliers and other third parties; and, (iii) the Anti-money Laundering and Terrorist Financing Policy, approved by the Board of Directors in the meeting held on 13 March 2018.

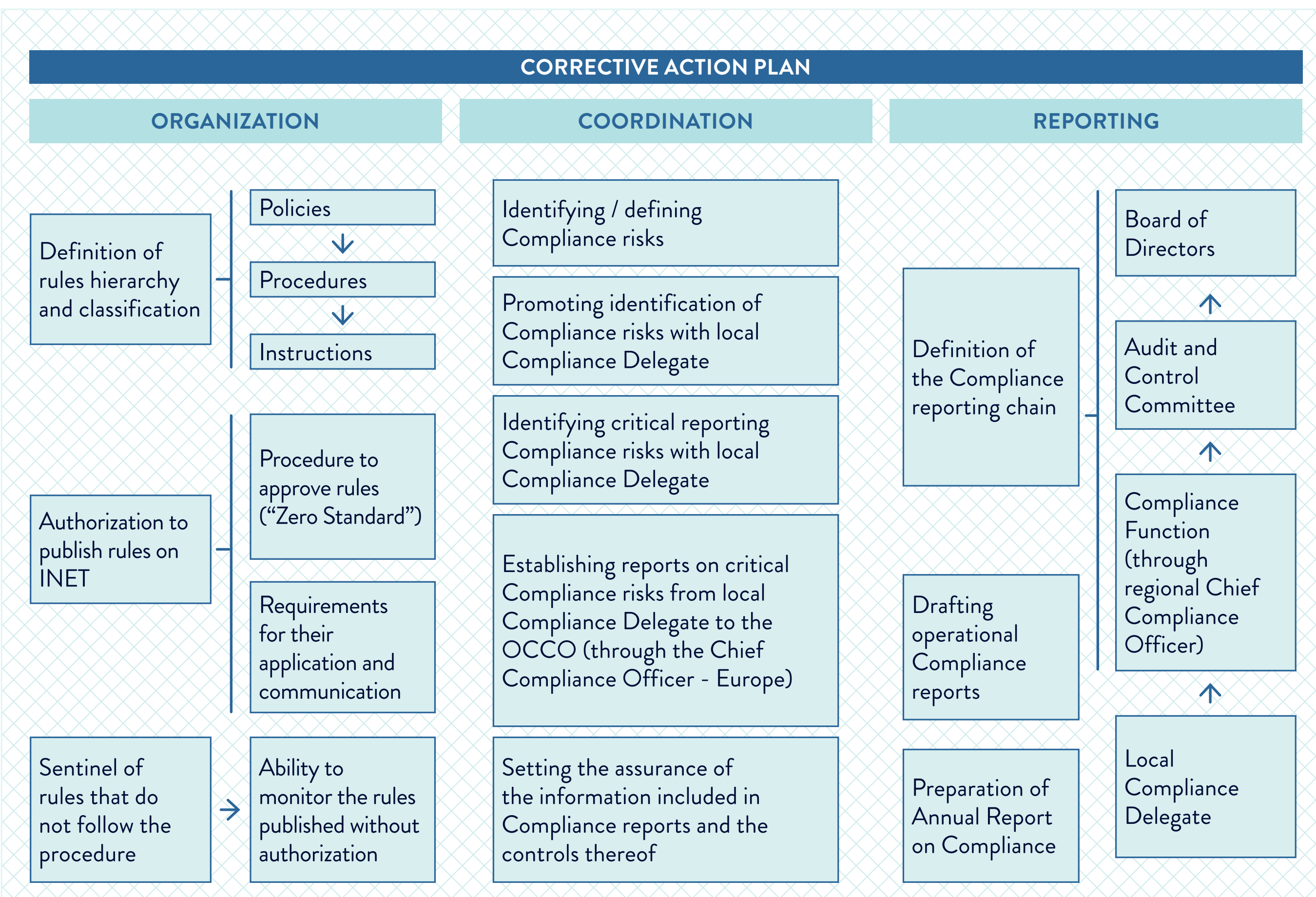
During financial year 2017, the Audit and Control Committee submitted the Model of Criminal Risk Prevention to a reasonable assurance review by an independent third party, in order to establish that the controls included in the Scoping Matrix of Criminal Risks and Control are effective and operative and that the Model complies with the requirements laid down in the Criminal Code and in UNE 19601 standard. The audit firm has issued an unqualified report.

COMPLIANCE FUNCTION

Inditex's Compliance Model is cross-cutting, being a corporate function that serves all the commercial formats of the Inditex Group, as a large number of areas and departments carry out regulatory and ethical compliance duties. In order to organise and coordinate the management of the Model, the Compliance Function has been created, embodied by the Committee of Ethics, which acts as the decision-making body, and the General Counsel's Office – Office of the Chief Compliance Officer (hereinafter, "General Counsel's Office – Office of the Chief Compliance Officer" or "GCO-OCCO"), charged with managing the Compliance Model.

During FY2017 the GCO-OCCO has identified the areas and departments with compliance functions where a high risk level exists, and has worked with them in order to identify the criminal offences and define and implement controls.

The Compliance Function carries out a threefold duty: (i) organising the Company's internal regulations; (ii) coordinating the areas and departments with compliance functions; (iii) internally reporting to the Board of Directors, through the Audit and Control Committee, and externally reporting to the Market and to its stakeholders. This is shown in the graph below:



Zara store employee in Miami (United States)

INFORMATION, AWARENESS-RAISING AND TRAINING

Inditex has implemented a repository of duly arranged easy to find regulations on the relevant Compliance folder available on INet. Such repository allows an appropriate disclosure of the Company's regulations and helps monitor, implement and assess the Compliance Function.

Likewise, the Company's main regulations are also available to the different stakeholders, on the corporate website, and on the website of the suppliers.

On the other hand, Inditex pays special attention to training as a key tool to raise awareness and consolidate its corporate ethical and compliance culture among its employees and stakeholders. To achieve this, appropriate training is provided (both on-site and through the e-learning platform) to its different recipients, which takes into account the activity they carry out at the Company as well as the risks they may be faced with.

The Committee of Ethics has approved in 2017 the 2018 Training Plan on Criminal Compliance as a response to training requirements in the field of compliance, which covers, *inter alia*: (i) the initiatives and different training and awareness-raising actions in the field of Compliance; (ii) the recipients of the Plan, and (iii) the methodology. Such Plan has been prepared based upon the risks identified and prioritized in the updated Scoping Matrix of Criminal Risks and Controls of the Inditex Group. The Compliance Function is charged with coordinating training of the different areas and departments which discharge Compliance duties, and with the joint reporting.

INTERNATIONAL ROLL-OUT OF THE COMPLIANCE MODEL

The international roll-out and implementation of the Compliance Model in all the Group's companies and all the markets where it operates has been encouraged throughout FY2017, with the goal of establishing a global system to detect, prevent and manage non-compliance risks, in line with the Group's growth and expansion. In this regard, the global management of the Compliance Model is led by the Corporate Compliance Function. However, regional compliance officers have been appointed in Europe, Asia and America, charged, with the support of local compliance delegates in each of such geographical areas, with overseeing and ensuring compliance with the Compliance Model within their respective territories.

As part of this international roll-out process, different local policies have been implemented that seek to comply with the legal requirements and the recommendations existing in different jurisdictions. Additionally, a new Code of Conduct for the USA and Puerto Rico has been approved, in line with the regulations in force and the existing best practices in the field in such country.

IV. SUSTAINABILITY BALANCE SHEET

SUSTAINABLE MANAGEMENT: INDICATORS

1. SUMMARY OF INDICATORS

	2017	2016
OUR PEOPLE		
Total number of employees	171,839	162,450
Employees by gender (percentage)		
Men	25%	24%
Women	75%	76%
Employees by activity (percentage)		
Stores	87%	87%
Logistics	5%	5%
Manufacture	1%	1%
Central Services	7%	7%
Number of Nationalities	97	99
Average length of service to the company		
Less than 5 years	70%	69%
Between 5 and 10 years	15%	18%
Over 10 years	15%	13%
Type of contract		
Permanent	73%	80%
Temporary	27%	20%
Type of workday		
Full-time	50%	39%
Part-time	50%	61%
SOCIALLY RESPONSIBLE SUPPLY CHAIN		
Number of product suppliers with purchase (1)	1,824	1,805
Number of A suppliers	661	694
Number of B suppliers	962	917
Number of C suppliers	101	83
Number of CAP suppliers	71	61
Number of PR suppliers	29	50
Number of rejected suppliers	64	76
Number of active suppliers	1,760	1,729
Number of active factories	7,210	6,959
Number of audits	11,247	10,833
Number of pre-assessment audits	2,252	2,302
Number of social audits	4,215	4,011
Number of special audits	2,159	1,794
Number of raceability audits	2,621	2,776
Number of external audits	7,118	7,245
Number of internal audits	4,129	3,638

	2017	2016
EXCELLENCE OF OUR PRODUCTS		
Join Life garments put on sale (in millions)	73.6	44
Number of chemical products regulated by *The List by Inditex* (2)	19,780	19,736
Number of audits in the Programme *Ready to Manufacture*	1,735	1,702
Inspections for the Programme *Picking*	59,687	51,619
Number of analysis conducted on garments in the Programme *Picking*	756,265	619,854
CIRCULARITY AND EFFICIENT USE OF RESOURCES		
Number of stores participating in the Programme *Closing the Loop*	598	394
Tonnes of garments collected through *Closing the Loop*	12,229	7,102
Global relative power consumption (MJ/garment) (3)	4.40	4.83
Generation of renewable energies and purchase of renewable energy (kWh)	734,567	520,678
Emissions of CO_2 per garment placed on the market (g CO_2eq/garment) (4)	315.57	405.83
Products recovered to be sent for recycling (t) (5)	18,421	16,848
CONTRIBUTION TO COMMUNITY WELFARE		
Corporate Community Investment (CCI) (euros)	48,129,552	40,042,744
Number of direct beneficiaries	1,584,446	1,092,941
Number of community organisations supported	409	367
Number of CCI projects performed	594	519
Number of garments donated to social causes	3,673,993	2,083,980
Number of hours spent by employees on CCI activities during working hours	73,457	64,327
Number of Social Board meetings	3	2
TRANSPARENCY AND GOOD GOVERNANCE		
Assessment of Dow Jones Sustainability Index	78/100	80/100
FTSE4Good Assessment	4.8/5	4.6/5
SUSTAINABILITY TEAM		
Total number of people in the Sustainability Team	4,901	5,131
Internal Team	145	135
External Team	4,756	4,996

(1) Supplier A: Complies with Code of Conduct Supplier B: Does not comply with some non-material aspect of the Code of Conduct. Supplier C: Does not comply with some sensitive aspect of the Code of Conduct. Supplier in Corrective Action Plan (CAP): Breaches of the Code of Conduct triggering the immediate implementation of a Corrective Action Plan Supplier PR: Undergoing an auditing process.
(2) Data of the III edition of the programme that started in 2015 and ended in March 2017.
(3) The ratios per garment ((absolute value of the year/number of garments placed on the market during the year) x 1000) include the product units placed on the market through all stores, either owned or franchised.
(4) Includes scope 1 and 2 emissions.
(5) Includes waste generated in the head office, chain head offices, all Inditex plants and logistics centres.

102-7, 102-8, 102-9, 103-3, 203-1, 302-3, 302-5, 305-4, 405-1, 412-1, 414-1, 416-1, AF2, AF8, AF21


Zara store employee at Moscow (Russia)

AWARDS RECEIVED BY THE INDITEX GROUP IN 2017

INDITEX

Awards	Entity	Score / Position
Dow Jones Sustainability Index	DOW JONES	78/100
Financial Times Stock Exchange For Good (FTSE4Good)	FTSE4Good	4.8/5
The Most Innovative Companies	Forbes	70
Global 2000	Forbes	276
MercoEmpresas	merco	1
MercoTalento	merco	1
MercoResponsabilidad and Corporate Governance	merco	3
Sustainability Yearbook	RobecoSAM	Gold
The Gartner Supply Chain Top 25	Gartner	3

INDITEX

Awards	Entity	Score / Position
The World's Most Reputable Companies	Reputation Institute	99
CSR RepTrak®: The World's Best Regarded Companies for CSR	Reputation Institute	99

ZARA

Mention	Entity	Score / Position
Best Global Brands	Interbrand	24
The World's Most Valuable Brands	Forbes	51
BrandZ Top 100. Most Valuable Global Brands	WPP (Millward Brown)	34
Global 500 The World's Most Valuable Brands	BRAND-FINANCE	90

2. INDICATORS OF SOCIALLY RESPONSIBLE SUPPLY CHAIN

2.1. CLUSTERS OF PRODUCT SUPPLIERS - TRACEABILITY

	2017	2016
SPAIN		
Number of suppliers with purchase in the year	198	208
Number of garment factories associated with suppliers with purchase	149	167
Number of factories involved in other processes associated with suppliers with purchase(1)	298	299
Workforce of manufacturers working for Inditex in Spain	10,553	10,928
PORTUGAL		
Number of suppliers with purchase in the year	161	170
Number of garment factories associated with suppliers with purchase	819	868
Number of factories involved in other processes associated with suppliers with purchase(1)	525	489
Workforce of manufacturers working for Inditex in Portugal	49,694	49,714
MOROCCO		
Number of suppliers with purchase in the year	130	121
Number of garment factories associated with suppliers with purchase	237	207
Number of factories involved in other processes associated with suppliers with purchase(1)	73	76
Workforce of manufacturers working for Inditex in Morocco	77,946	73,772
TURKEY		
Number of suppliers with purchase in the year	177	175
Number of garment factories associated with suppliers with purchase	704	732
Number of factories involved in other processes associated with suppliers with purchase(1)	755	695
Workforce of manufacturers working for Inditex in Turkey	213,711	192,173
INDIA		
Number of suppliers with purchase in the year	131	136
Number of garment factories associated with suppliers with purchase	231	224
Number of factories involved in other processes associated with suppliers with purchase(1)	151	170
Workforce of manufacturers working for Inditex in Spain	217,608	200,139
BANGLADESH		
Number of suppliers with purchase in the year	114	94
Number of garment factories associated with suppliers with purchase	166	151
Number of factories involved in other processes associated with suppliers with purchase(1)	130	111
Workers of manufacturers working for Inditex in Bangladesh	541,029	479,859

	2017	2016
VIETNAM		
Number of suppliers with purchase in the year	5	4
Number of garment factories associated with suppliers with purchase	128	132
Number of factories involved in other processes associated with suppliers with purchase(1)	17	2
Workers of manufacturers working for Inditex in Vietnam	151,395	152,101
CAMBODIA		
Number of suppliers with purchase in the year	2	1
Number of garment factories associated with suppliers with purchase	92	99
Number of factories involved in other processes associated with suppliers with purchase(1)	35	26
Workers of manufacturers working for Inditex in Cambodia	126,529	126,843
CHINA		
Number of suppliers with purchase in the year	425	393
Number of garment factories associated with suppliers with purchase	1,396	1,243
Number of factories involved in other processes associated with suppliers with purchase(1)	470	411
Workers of manufacturers working for Inditex in China	406,733	368,428
PAKISTAN		
Number of suppliers with purchase in the year	45	42
Number of garment factories associated with suppliers with purchase	72	68
Number of factories involved in other processes associated with suppliers with purchase(1)	35	39
Workers of manufacturers working for Inditex in Pakistan	161,950	125,316
ARGENTINA (2)		
Number of suppliers with purchase in the year	37	45
Number of garment factories associated with suppliers with purchase	36	41
Number of factories involved in other processes associated with suppliers with purchase(1)	31	42
Workers of manufacturers working for Inditex in Argentina	4,355	5,099
BRAZIL (2)		
Number of suppliers with purchase in the year	12	15
Number of garment factories associated with suppliers with purchase	25	45
Number of factories involved in other processes associated with suppliers with purchase(1)	19	20
Workers of manufacturers working for Inditex in Brazil	11,328	10,712

(1) Includes fabric, cutting, dying and washing, printing and finishing.

(2) All suppliers and active factories of the region are included for these data to be representative.

2.2. WORKER AT THE CENTRE. 2017 REVIEW

PROGRAMME	KPI	Training and awareness	Participation	Improvement of management systems
WORKER PARTICIPATION	Suppliers	135	n.a	n.a
	Factories	n.a	60	22
	Workers	51,644	53,557	10,510
	Countries	Portugal, Vietnam, Morocco, Tunisia and Turkey	Morocco, Tunisia and Vietnam	Bangladesh, Bulgaria, Morocco, Turkey and Tunisia
	Inditex employees	n.a	n.a	n.a
	Others	n.a	n.a	n.a
LIVING WAGES	Suppliers	n.a	n.a	
	Factories	n.a	n.a	13
	Workers	n.a	n.a	5,836
	Countries	n.a	Cambodia, Myanmar, Turkey and Vietnam (ACT) Bangladesh, Bulgaria, Morocco, Portugal, Tunisia, Turkey and Vietnam (GFA)	China, Turkey, India
	Inditex employees	Participation in purchasing practices self-assessment exercise	n.a	n.a
	Others	n.a	n.a.	n.a
RESPONSIBLE PURCHASING PRACTICES	Suppliers	n.a	n.a	n.a
	Factories	n.a	n.a	n.a
	Workers	n.a	n.a	n.a
	Countries	n.a	n.a	n.a
	Inditex employees	1,148 buyers 66,000 employees with access to online training	n.a	n.a
	Others	n.a	n.a	Participation in a responsible purchasing group in ACT
WOMEN EMPOWERMENT	Suppliers	n.a	n.a	
	Factories	1	n.a	34
	Workers	277	n.a	15,482
	Countries	India, Turkey	n.a	India, Morocco
	Inditex employees	n.a	n.a	n.a
	Others	1,210 community members (schoolchildren, parents, agents)	235 young people	16 grievance channels created
OCCUPATIONAL HEALTH AND SAFETY	Suppliers	88	15	101
	Factories	57	7	277
	Workers	41,113	63,881	379,076
	Countries	Morocco, Tunisia, Portugal, India	Bangladesh	Morocco, Tunisia, India, Bangladesh, and China
	Inditex employees	n.a	n.a	n.a
	Others	n.a	n.a	n.a
PROTECTION OF MIGRANTS	Suppliers	90	n.a	n.a
	Factories	n.a	n.a	40
	Workers	27,833	n.a	2,255
	Countries	Turkey and China	n.a	Turkey
	Inditex employees	n.a	n.a	n.a
	Others	Project of Social Security coverage with ETI	n.a	155 individual remediation cases
TRAINING AND AWARENESS	Suppliers	1,122 suppliers trained 754 individual sessions	n.a.	n.a.
	Factories	n.a	n.a	n.a
	Workers	n.a	n.a	n.a
	Countries	n.a	n.a	n.a
	Inditex employees	28 members of the Sustainability team 242 buyers 180 employees from other areas	n.a	n.a
	Others	121 external auditors	n.a	n.a

n/a. not applicable

2.3. STRATEGIC PLAN FOR THE SUPPLY CHAIN 2014 - 2018. 2017 REVIEW

CLASSIFICATION AND PRODUCTION VOLUME OF SUPPLIERS WITH PURCHASE IN 2017 (*)

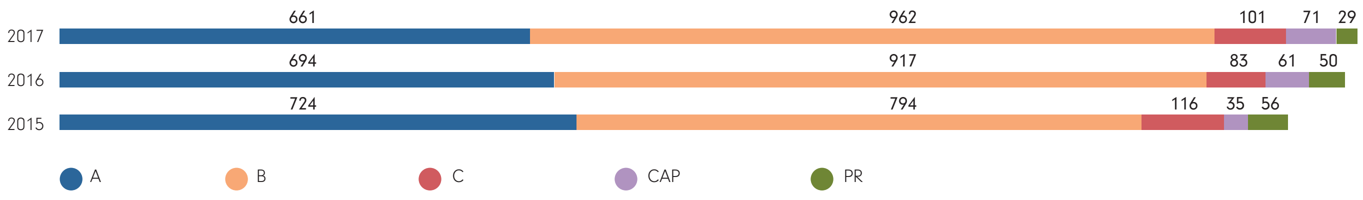
	2017		2016		2017	2016
	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	661	36%	694	38%	37%	40%
B	962	53%	917	51%	58%	55%
C	101	5%	83	5%	2%	1%
Subject to CAP	71	4%	61	3%	2%	3%
PR	29	2%	50	3%	1%	1%
Total	**1,824**	**100%**	**1,805**	**100%**	**100%**	**100%**

CLASSIFICATION AND PRODUCTION VOLUME OF SUPPLIERS WITH PURCHASE IN 2017 BY REGION (*)

	2017		2016		2017	2016
Africa	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	66	44%	63	45%	53%	45%
B	59	39%	59	42%	35%	42%
C	8	5%	6	4%	5%	4%
Subject to CAP	15	10%	10	7%	6%	8%
PR	3	2%	3	2%	1%	1%
Total	**151**	**100%**	**141**	**100%**	**100%**	**100%**
Americas	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	28	58%	44	68%	36%	40%
B	18	38%	17	26%	63%	58%
C	2	4%	1	1%	1%	1%
Subject to CAP	0	0%	3	5%	0%	1%
PR	0	0%	0	0%	0%	0%
Total	**48**	**100%**	**65**	**100%**	**100%**	**100%**
Asia	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	269	27%	253	27%	30%	28%
B	616	63%	598	64%	66%	67%
C	62	6%	57	6%	2%	2%
Subject to CAP	31	3%	21	2%	2%	3%
PR	2	1%	9	1%	0%	0%
Total	**980**	**100%**	**938**	**100%**	**100%**	**100%**
Europe (non EU)	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	62	34%	84	47%	47%	57%
B	85	47%	70	39%	44%	38%
C	15	8%	5	3%	4%	1%
Subject to CAP	15	8%	15	8%	4%	3%
PR	5	3%	5	3%	1%	1%
Total	**182**	**100%**	**179**	**100%**	**100%**	**100%**
European Union	No. of suppliers	% Suppliers	No. of suppliers	% Suppliers	% production	% production
A	236	51%	250	52%	43%	54%
B	184	40%	173	36%	56%	43%
C	14	3%	14	3%	0%	0%
Subject to CAP	10	2%	12	2%	0%	1%
PR	19	4%	33	7%	1%	2%
Total	**463**	**100%**	**482**	**100%**	**100%**	**100%**

(*) Supplier A: Complies with Code of Conduct.
Supplier B: Does not comply with some non-material aspect of the Code of Conduct.
Supplier C: Does not comply with some sensitive aspect of the Code of Conduct.
Supplier Subject to Corrective Action Plan (CAP): Breaches of the Code of Conduct triggering the immediate implementation of a Corrective Action Plan.
Supplier PR: Undergoing an auditing process.

EVOLUTION OF SUPPLIER CLASSIFICATION OVER THE LAST THREE YEARS (*)



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

TOTAL AUDITS PER GEOGRAPHIC AREA 2017

Geographical area	Pre-Assessment	Social	Special (*)	Traceability	Total
Africa	97	265	142	485	989
Americas	19	91	82	664	856
Asia	1,551	2,012	1,700	513	5,776
Europe (non EU)	275	787	163	927	2,152
European Union	310	1,060	72	32	1,474
Total	**2,252**	**4,215**	**2,159**	**2,621**	**11,247**

EXTERNAL AND INTERNAL AUDITS 2017

	Pre-Assessment	Social	Special (*)	Traceability	Total
Internal	29	1,003	1,349	1,748	4,129
External	2,223	3,212	810	873	7,118
Total	**2,252**	**4,215**	**2,159**	**2,621**	**11,247**

CORRECTIVE ACTION PLAN FOR FACTORIES IN 2017

Geographical area	Factories that initiated the improvement process	Factories that improved their compliance	Factories in the process of improvement	% CAPs completed successfully
Africa	59	25	29	83%
Americas	4	2	1	67%
Asia	202	56	98	54%
Europe (non EU)	185	20	102	24%
European Union	64	18	27	49%
TOTAL GENERAL	**514**	**121**	**257**	**47%**

(*) The special audits include, among others, health and safety verifications and competence visits to verify the degree of compliance with the Corrective Action Plans.

Store employee at Zara Home in Shanghai (China)

3. INDICATORS OF THE EXCELLENCE OF OUR PRODUCTS

RESULTS OF THE PICKING PROGRAMME

The Picking Programme allows to validate that our products comply with the health and safety standards of the Group, Clear to Wear (CTW) and Safe to Wear (STW). In 2017, the degree of initial compliance with our CTW and STW standards was 97.6%.

For those initially non complying cases (2.4%), retrieving protocols are applied, so that goods are modified accordingly and limited use substances are removed or improving parameters such as colour fastness in order to comply with the standards.

DEGREE OF INITIAL COMPLIANCE

	2017	2016	2015
CTW - Chemical Substances	99.1%	99.2%	98.9%
CTW - Parameters	98.9%	98.2%	98.7%
CTW	98.0%	97.5%	97.6%
STW - Parameters	99.8%	99.9%	100.0%
STW - Design	99.8%	99.7%	99.9%
STW	99.6%	99.6%	99.9%
CTW + STW	97.6%	97.1%	97.5%

DEGREE OF INITIAL COMPLIANCE PER GEOGRAPHICAL AREA

Africa	2017	2016	2015
CTW	98.40%	98.00%	98.50%
STW	99.00%	99.20%	99.70%
CTW+STW	97.40%	97.30%	98.10%

Americas	2017	2016	2015
CTW	97.70%	98.70%	83.10%
STW	100.00%	100.00%	100.00%
CTW+STW	97.70%	98.70%	83.10%

Asia	2017	2016	2015
CTW	97.70%	97.10%	97.40%
STW	99.80%	99.80%	99.90%
CTW+STW	97.60%	96.90%	97.30%

European Union	2017	2016	2015
CTW	98.70%	98.20%	98.20%
STW	99.30%	99.30%	99.90%
CTW+STW	98.10%	97.50%	98.00%

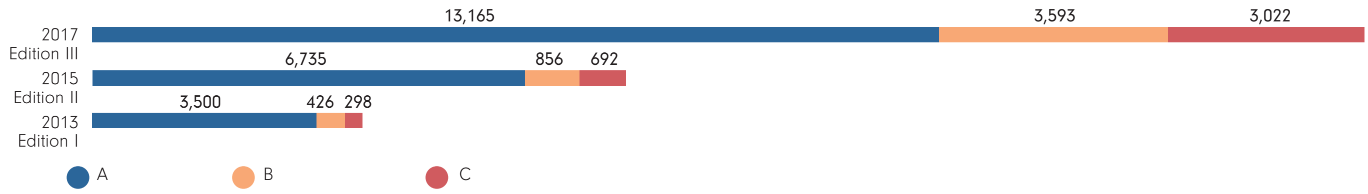
Europe (non EU)	2017	2016	2015
CTW	98.70%	97.30%	91.80%
STW	100.00%	99.00%	100.00%
CTW+STW	98.70%	96.20%	91.80%

PROGRAMME THE LIST, BY INDITEX

The List by Inditex contains a register of chemical products available on the market that are used in the manufacturing processes of textiles and leather. The Third edition of the programme started in 2015 and ended in 2017, with a total of 19,780 chemical products.

Chemical products are grouped by use in dyes and auxiliaries for textiles and leather. 19,736 chemical products registered, and in water and oil repellents, are 44 chemical products are registered, and they are classified according to their degree of compliance with the Clear to Wear standard.

EVOLUTION OF SUBSTANCES REGULATED BY THE LIST, BY INDITEX BY EDITION (*)



(*) Chemical products 'A': Their use is permitted in the production of Inditex without additional analysis of the installations using them.

Chemical products 'B': The use of these products in Inditex's supply chain of Inditex involves performing additional analysis during production, as set out in the Ready To Manufacture Protocol.

Chemical products 'C': These are chemical products which are prohibited in Inditex production.

READY TO MANUFACTURE PROGRAMME

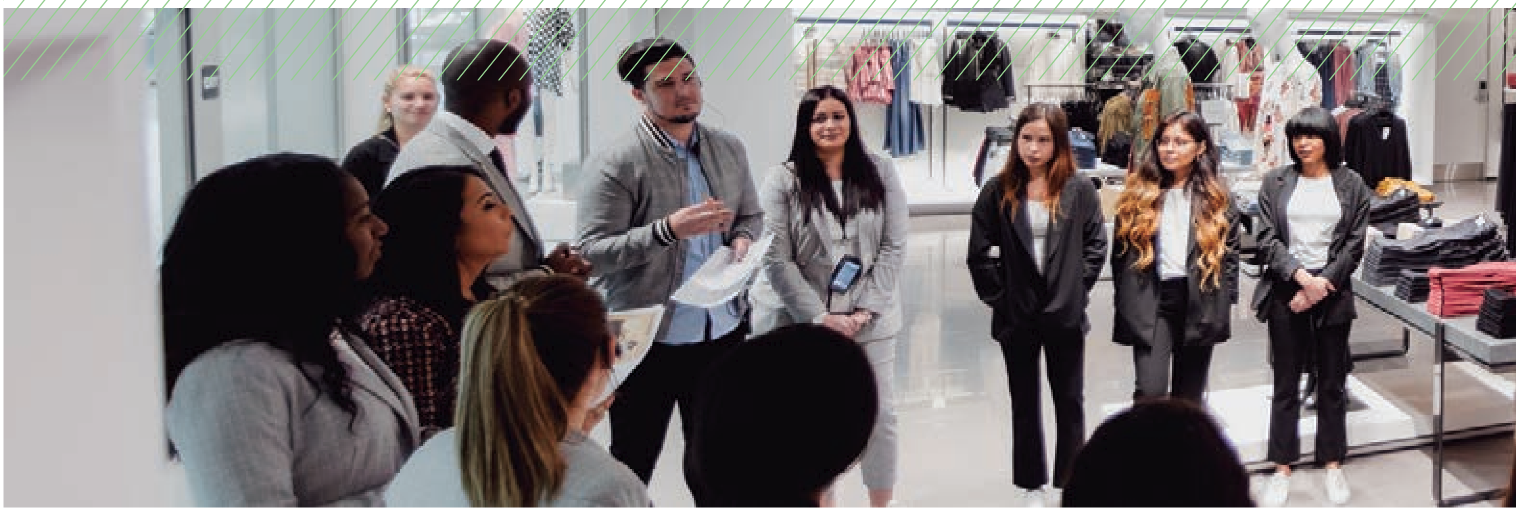
The Ready To Manufacture (RTM) Programme defines a number of rules and requirements applicable to all direct Inditex suppliers, both of textiles and leather, as well as their wet process facilities (dry cleaners, laundries, tanneries and stamping).

To ensure compliance with the Ready To Manufacture code, a supervision and control programme is applied to the facilities involved in our production. In 2017, 1,735 audits were performed.

FACILITIES AUDITED IN THE READY TO MANUFACTURE PROGRAMME BY GEOGRAPHICAL AREA

	Dry cleaners		Laundries		Stamping		Tanneries		Mix	
	2017	2016	2017	2016	2017	2016	2017	2016	2017	2016
Africa	15	10	10	6	4	4	0	0	3	2
Asia	373	299	173	98	138	97	20	17	140	121
European Union	75	72	14	17	68	70	14	17	26	29
Total general	**463**	**381**	**197**	**121**	**210**	**171**	**34**	**34**	**169**	**152**

Mix: These are wet process facilities where more than one manufacturing activity is performed.



4. INDICATORS OF EFFICIENT RESOURCE USE

Inditex's environmental indicators and results obtained during 2017 are given below. These quantitative indicators allow the advances obtained through the management of natural and energy resources during the year to be assessed.

In addition, the data for the purchase of energy of renewable origin and the emissions of Scope 2 have changed from the data reported in the Management Report because it has been identified that there is more energy that comes from renewable sources.

4.1. SCOPE OF THE INDICATORS

The environmental indicators system encompasses the data obtained between 1 February 2017 and 31 January 2018.

The data is shown in absolute and relative terms, with the latter being calculated based on the garments placed on the market and the level of net sales, for the purpose of representing the efficiency reached after the company activities and continuous improvement derived from the management.

The scope of the indicators includes the facilities of the Inditex group, specifically:

- The Inditex headquarters and the headquarters of all brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe and Tempe, all located in Spain.
- All Group factories, all located in Spain.
- All Group logistics centres.
- All own and franchised stores of the Group in the world.

International offices are not included within the scope. Indicators where the scope is different are given together with the relevant data.

4.2. FACTORS USED IN THE CALCULATION

For the greenhouse gas calculations, the indications of the *Intergovernmental Panel on Climate Change, IPCC (Guidelines for National Greenhouse Gas Inventories, 2006) and the World Resources Institute GHG Protocol* (2015) are followed. The emission factors used are as follows:

- Natural gas: 0.2021 Kg CO_2eq/kWh.
- Diesel: 2.6853 Kg CO_2eq/litre.

The emission factors applied to natural gas and diesel come from the *GHG Protocol* tool for the calculation of emissions derived from stationary combustion, version 4.1 of the *World Resources Institute (WRI)*, 2015. For the To calculate emissions for electricity consumption, the emission factor for the energy mix of each market where Inditex is present has been used. The database used corresponds to the tool of *GHG Protocol* of calculation of emissions derived from the electricity purchased, version 4.9 of the *World Resources Institute (WRI), 2017*.

- Conversion factors:
  - 1 tonne of diesel = 1.035 equivalent tonnes of oil (tep.).

Zara store employees, Miami (United States)

· Diesel density = 0.832 kg/litre at 15ºC (Joint Research Centre, 2007).

· 1 tep = 41.868 GJ.

· 1 GJ = 277.728 KWh.

4.3. CALCULATION OF RELATIVE INDICATORS

The calculation of relative indicators is performed according to the following formulae:

- Ratio per garment = (absolute value of the year/number of garments placed on the market in the year) x 1000

GARMENTS PLACED ON THE MARKET*

(*) The product units placed on the market through all stores,, either own or franchised, are included.

- Ratio per accounting sales = (absolute value of the year/€) x 1000**

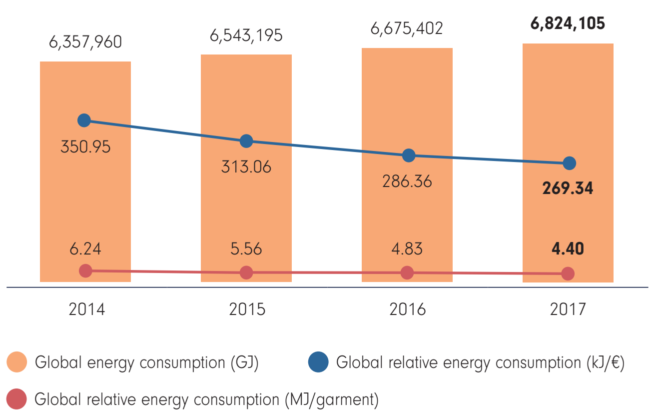
(**) Includes sales made by our stores and to franchises.

4.4. CALCULATIONS OF ENVIRONMENTAL INDICATORS

4.4.1. ENERGY CONSUMPTION

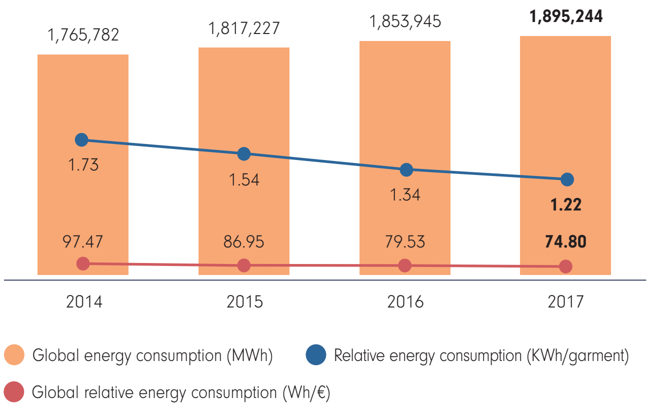
This indicator gathers all energy consumed in our own factories, offices, logistics centres and Group stores across the world. The energy used comes mainly from the supply network and, to a lesser extent, the consumption of natural gas and diesel.

GLOBAL ENERGY CONSUMPTION (GJ)*



(*) The energy consumption of logistics centres has been estimated for January 2018.

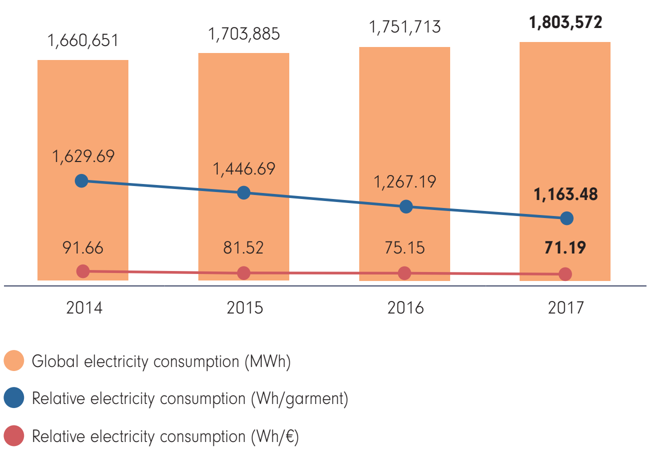
GLOBAL ENERGY CONSUMPTION (MWh)*



(*) The energy consumption of logistics centres has been estimated as at January 2018.

The energy consumed is expressed in Gigajoules (GJ) and Megawatts (MWh). The graphs show that this consumption follows a slightly growth trend in absolute terms. However, a marked reduction of 9% is seen in the relative values for garments and of 6% for sales as compared to 2016.

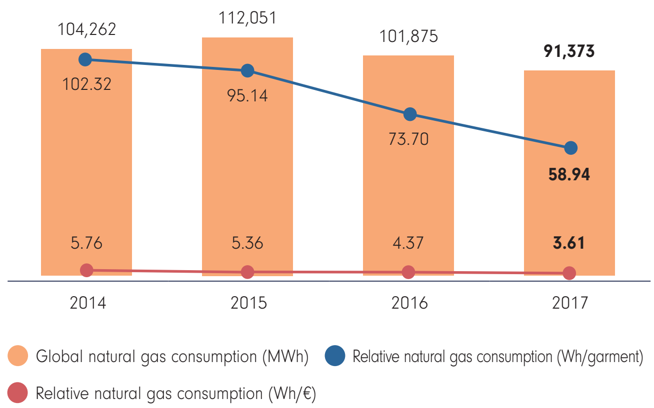
GLOBAL NETWORK ELECTRICAL ENERGY CONSUMPTION (MWh)*



(*) The electricity consumption of the logistics centres has been estimated as at January 2018.

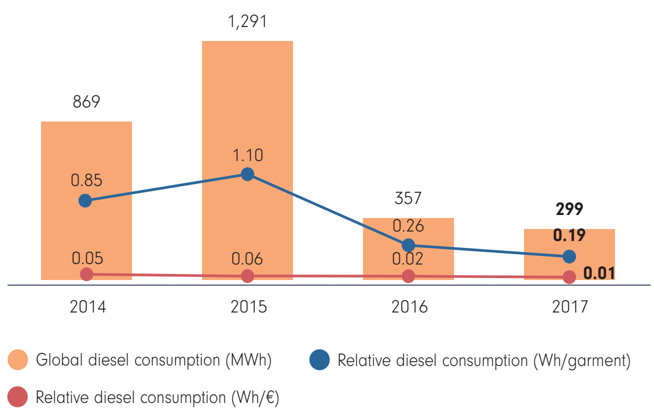
In the case of electricity consumption, we have achieved a reduction of 8% per garment and 5% based on sales. In addition, it must be noted that the purchase of energy of certified renewable origin has continued to grow, reaching a total of 733,867 MWh that has been consumed in our facilities in Spain, Germany, Austria, Brazil, Poland, Switzerland, Portugal, The Netherlands, Turkey, Belgium, Luxembourg and in our LEED stores in the US, France, Italy, Switzerland and India.

GLOBAL NATURAL GAS CONSUMPTION (MWh)*



(*) The natural gas consumption of logistics centres has been estimated as at January 2018.

GLOBAL DIESEL CONSUMPTION (MWh)*



(*) The diesel consumption of logistics centres has been estimated as at January 2018.

During 2017 we moved sharply towards achieving our ambitious goal for 2025, where we commit to 80% of our energy needs coming from renewable sources.

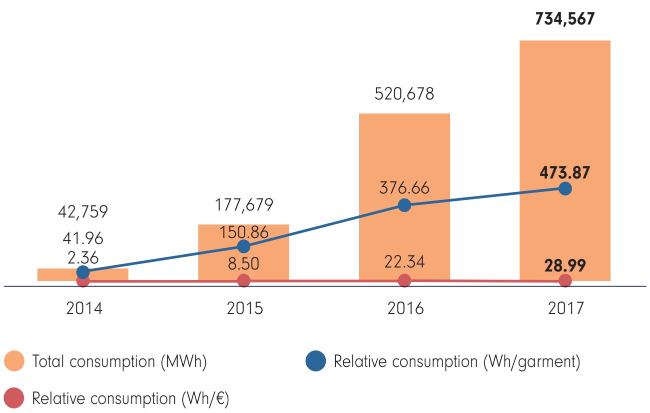
We are thus working in energy transition matters, reducing our needs for natural gas and diesel consumption, increasing the purchase of energy from a certified renewable origin, so we also move forwards with the reduction of our greenhouse gas emissions.

In addition, we invest in our own renewable energy generation facilities when technically feasible, which provides our solar thermal, photovoltaic and wind energy, as well as facilities for the use of geothermal resources.

The combination of both actions has allowed 41% of the Group's energy needs in 2017 to be covered by clean energy; this has involved a total consumption of 734,567 MWh obtained sustainably.

At Inditex we have co-generation and tri-generation systems, that together with the purchase of renewable energies and those generated at our renewable facilities, has allowed us to reach a total power consumption of 753,315 MWh.

ELECTRICITY CONSUMPTION COMES FROM RENEWABLE SOURCES (MWh) *

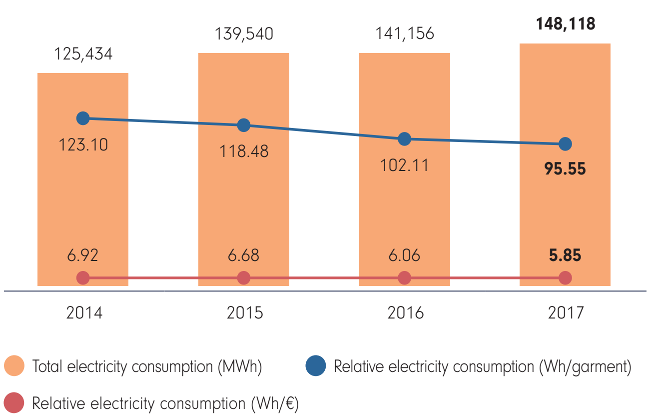


(*) In the case of Spain, Austria, Switzerland, The Netherlands, Turkey, Belgium, Luxembourg and LEED stores in the US, France, Italy, Switzerland and India, the period of the data is the calendar year instead of the tax year (time period established in this report).

OWN LOGISTICS CENTRES, OWN OFFICES AND OWN FACTORIES.

Our buildings are built according to our eco-efficiency criteria. Their daily management promotes best practices in our employees, which together with the implementation of the Efficiency Plan, allows control of the consumption of resources to be obtained and measures to reduce them applied.

ELECTRICITY CONSUMPTION AT OUR OWN LOGISTICS CENTRES, OFFICES AND FACTORIES (MWh)*



(*) The electricity consumption of the logistics centres has been estimated as at January 2018.

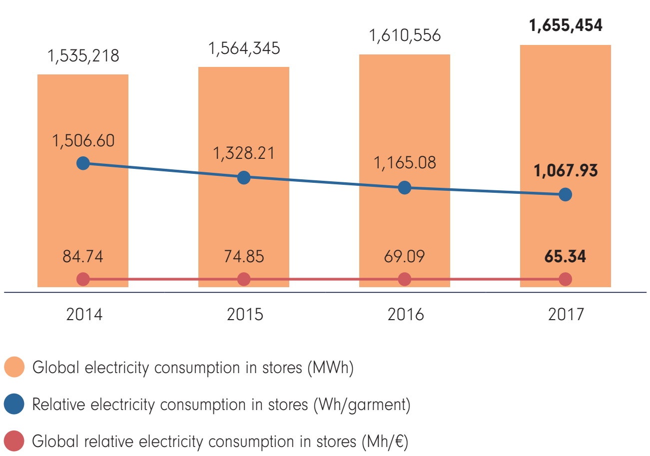
Thanks to these measures, as shown in the above graph, we have obtained a 6% reduction in electricity consumption per garment placed on the market and a 3% reduction from sales, compared to 2016. The measures implemented include mainly the renewal of old equipment, the replacement of fluorescent lamps by high-efficiency LED bulbs and lithium ion batteries, thus reducing power requirements.

OWN STORES

The application of measures set out in the Manual of Eco-Efficient Store across new store openings and renovations, has allowed us to reach a total of 5,068 eco-efficient stores in 2017, which means nearly 80% of the total of our own Group stores.

This year we continued to connect our stores to Inditex's centralised management platform, which allows efficiency to be improved in real time. At the end of 2017, we reached 2,981 stores all over the world. Thanks to all these sustainability and energy efficiency measures implemented, an 8% reduction has been achieved in electricity consumption per garment placed on the market, despite the increased number of store openings and the increased surface area of our facilities. On the other hand, compared with sales, it has decreased by 5% since the previous year.

ESTIMATED ELECTRICITY CONSUMPTION IN OWN STORES (MWh)*



(*) Electricity consumption has been calculated from real data of the central monitoring platform. To estimate average consumption, data from 1,222 stores have been considered, and 100% of them were eco-efficient. The goal is that 100% of our own stores will be eco-efficient by 2020.

We have reduced our greenhouse gas emissions by 29% over the past four years

4.4.2. GREENHOUSE GAS EMISSIONS OF INDITEX

The Group's Greenhouse Gas (GHG) emissions are calculated and reported following the international guidelines of the Intergovernmental Panel on Climate Change, IPCC *(Guidelines for National Greenhouse Gas Inventories, 2006)* and the World Resources Institute *(GHG Protocol, 2015)*. To calculate emissions for electricity consumption, the emission factor for the energy mix of each market where Inditex is present has been used. The database used corresponds to the *GHG Protocol tool for stationary combustion. V. 4.1 (World Resources Institute (WRI), 2015) and the GHG Protocol tool from purchased electricity. V. 4.9 (World Resources Institute (WRI), 2017)*. The inventory of GHG emissions of the Inditex Group includes direct and indirect emissions from 1 February 2017 to 31 January 2018.

The data history is given below based on each scope considered by GHG Protocol:

SCOPE 1 AND 2 EMISSIONS.

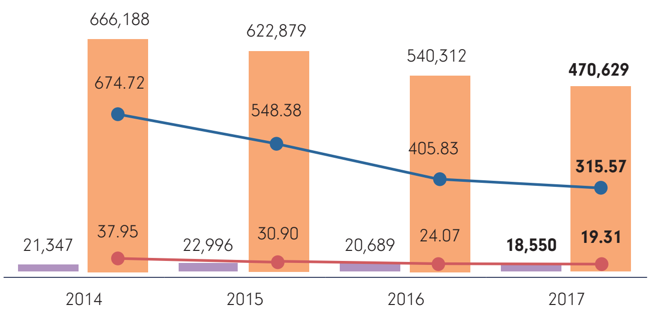
- **Scope 1:** Direct emissions. These are the GHG associated with sources that are under the direct control of the Inditex Group. Includes:
  - Emissions from the production of heat and electricity at our own facilities detailed at the start of the chapter. Emissions associated with occasional leaks of HFC and PFC gases from air conditioning units are not included.
  - Emissions from the use of own vehicles.
- **Scope 2:** Indirect emissions. They are associated with the generation of electricity acquired by Inditex Group. For their calculation, GHG emissions have been accounted for in association to all own facilities, defined at the beginning of the chapter. Electricity acquired in international offices is excluded.

	2014	2015	2016	2017
Scope 1 (t CO_2eq)	21,347	22,996	20,689	18,550
Scope 2 (1) (t CO_2eq)	666,188	622,879	540,312	470,629
g CO_2eq per garment placed on the market (2)	674.72	548.38	405.83	315.57
g CO_2eq per sales (€) (2)	37.95	30.90	24.07	19.31

(1) The Scope 2 data is calculated by the market-based method following the GHG Protocol guide for calculating Scope 2, World Resources Institute (WRI), 2015. Due to the emission factors used, the data provided is consistent with the data calculated by the located-based method.

(2) The efficiency ratio includes the emissions associated with the Group operations (Scope 1 and 2).

GHG SCOPE 1 AND 2 EMISSIONS*



The actions implemented for the promotion of energy efficiency, together with the purchase of over 733,867 MWh of electricity from certified renewable origins, has allowed us to reduce GHG emissions in absolute terms. In relative terms, we reduced our emissions by 22% per garment, as well as 20% from the sales compared to 2016.

SCOPE 3 EMISSIONS

- **Scope 3:** Additional scope includes indirect emissions associated with the production chain of goods and services, produced outside the organisation. Emissions associated with the transport of products from our suppliers to our logistics centres (upstream) and from these to stores (downstream), both performed by external logistics operations (air, sea, land transport), as well as the emissions associated with electricity consumption in franchised stores.

For the purpose of improving our efficiency associated with distribution and logistics operations, we have continued to improve the efficiency of our fleet and included measures to optimise packing and packaging to thus reduce emissions associated with transport. In the case of indirect emissions from our franchised stores, we saw a slight increase in them, derived from the growth of the franchised commercial surface area.

	2014	2015	2016	2017
Scope 3 - Downstream *transport* (t CO_2eq)	596,316	672,307	825,294	921,405
Scope 3 - Upstream *transport* (t CO_2eq)	n.a.	428,258	549,913	639,039
Scope 3 - Franchised stores (t CO_2eq)*	113,094	94,262	103,923	121,171

n.a.: Not available

(*) Electricity consumption has been calculated using real data from the central monitoring platform. To estimate mean consumption, data from 1,222 stores was been considered, and 100% of them were eco-efficient.

The transport calculation is based on the weight of the product delivered and the number of kilometres by each mode of transport. The following emission factors are used, proposed by the *GHG Protocol for mobile combustion V.2.6.* tool. *(World Resources Institute (WRI), 2015).*

- Kg of CO_2 /tonnes and km truck (load above 33 t)= 0.08678
- Kg of CH_4 /tonnes and km truck (load above 33 t)= 2.3973*10-6
- Kg of N_2O /tonnes and km truck (load above 33 t)= 1.8494*10-6
- Kg of CO_2 /tonnes and km short flight (< 463 Km)= 1.96073
- Kg of CH_4 /tonnes and km short flight (< 463 Km)= 2.8562*10-5
- Kg of N_2 /tonnes and km short flight (< 463 Km)= 3.2809*10-5
- Kg of CO_2 /tonnes and km mid distance flight (from 463 to 1108 Km)= 1.47389
- Kg of CH_4 /tonnes and km mid distance flight (from 463 to 1108 Km)= 2.8562*10-5
- Kg of N_2O /tonnes and km mid distance flight (from 463 to 1108 Km)= 3.2809*10-5
- Kg of CO_2 /tonnes and km long flight (< 1108 Km)= 0.61324
- Kg of CH_4 /tonnes and km long flight (< 1108 Km)= 2.8562*10-5
- Kg of N_2O /tonnes and km long flight (< 1108 Km)= 3.2809*10-5
- Kg of CO_2 /tonnes and km ship= 0.0079
- Kg of CH_4 /tonnes and km ship= 2.8083*10-6
- Kg of N_2 /tonnes and km ship= 9.5892*10-7

4.4.3. INDITEX ZERO WASTE TO LANDFILL

Continuing with our Sustainable Strategic Plan, we work to achieve that in 2025, through the integration of circular economy in our business model, none of the waste from our activities is send to landfill. We have different tools, such as the Waste Minimisation Plan or the Manual for the Management of Waste from Stores, which allow waste to be managed more efficiently at our centres. In addition, we promote actions for reduction at source and improvement of recycling through projects to train our employees.

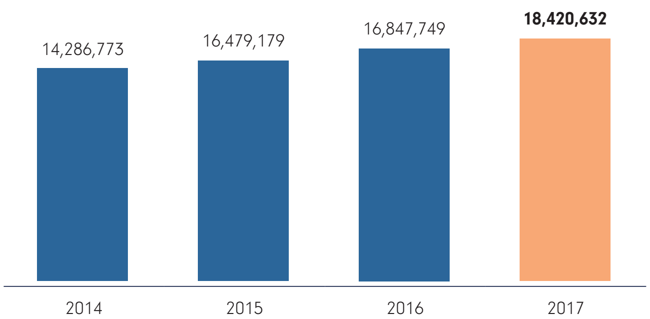
Therefore, we continue working to improve projects such as the *Closing the Loop* or the Green to Pack Programmes, that continue improving efficiency in our deliveries, allow waste to be reduced and give them a second life.

The waste generation data provided below reference the waste generated in our headquartes brand's offices, all Inditex factories and logistics centres. Waste generated in stores is not included.

EVOLUTION OF PRODUCTS RECOVERED TO BE SENT TO RECYCLING (KG)

In Inditex, legally authorised managers collect and manage all products generated. This is sent to recycling (such as paper and cardboard, plastics, metal, other textiles, etc.) or are handled in a manner which allows recovery. In 2017, 88% of our waste was managed so that it is not harmful to the environment.

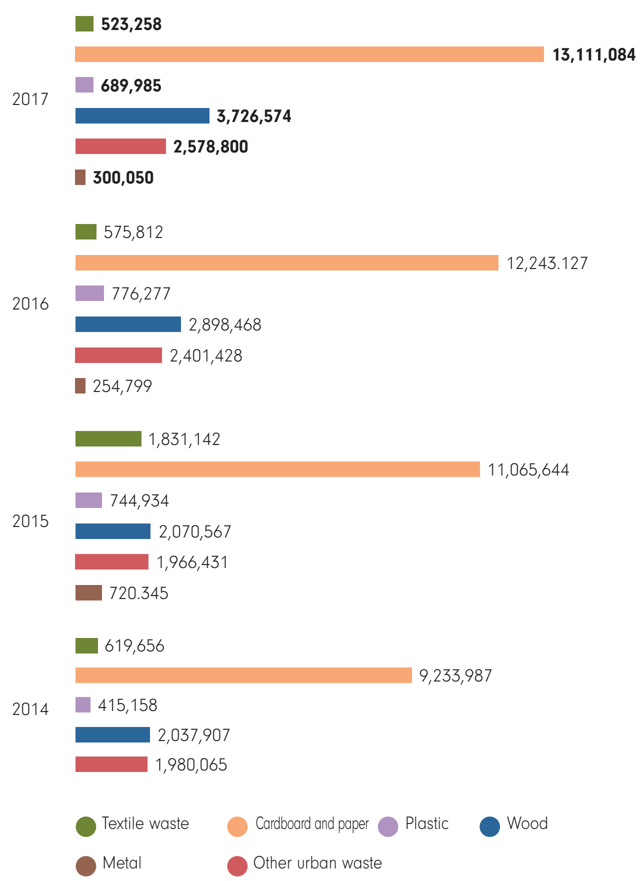
PRODUCTS RECOVERED TO BE SENT TO RECYCLING (KG)



ANNUAL GENERATION OF URBAN OR SIMILAR WASTE

We classify our waste according to the European Waste List (EWL) and its transposition into national and regional regulation. The main waste is cardboard and paper, plastic, wood, metal and other textiles, which is managed by legally authorised managers who send it to recycling. The increased generation of this waste is due to the expansion of the Group's logistics capacity, in addition to the current facilities being maintained and the improvement in the separation at source process.

ABSOLUTE DATA (kg)



EVOLUTION OF THE MAIN HAZARDOUS WASTE

Thanks to separation at source and subsequent delivery to a legally authorised manager, during 2017, we managed recycle over 80% of our hazardous waste which was valued, and suitably processed for recovery. This avoids our hazardous waste being sent to landfill and reduces the need to obtain new raw materials.

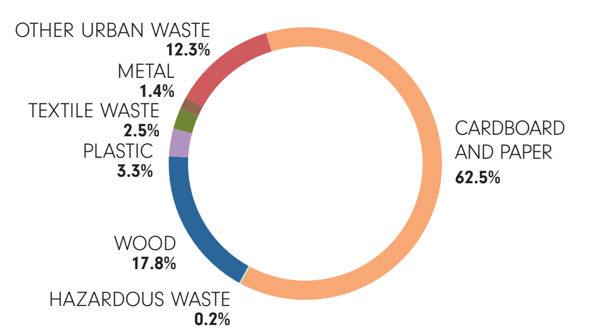
The generation of the main hazardous waste is given below

Type of waste (kg)	Final processing	2014	2015	2016	2017
Batteries	Recycling	5,597	9,532	7,945	6,580
Waste electronics	Recycling	6,901	10,094	9,776	10,149
Fluorescents	Gas extraction and recycling	3,183	5,387	26,000	6,207
Used mineral oil	Recycling	8,302	15,080	8,242	5,083
Contaminated absorbents	Energy recovery and controlled disposal	4,262	2,786	4,969	5,818
Contaminated plastic containers	Recycling	1,578	1,366	1,521	1,740

DESTINATION OF WASTE BY TYPE AND PROCESSING

According to our Waste Minimisation Plan and thanks to the effort and commitment of our employees, the waste generated by Inditex is separated at source and collected and managed by legally authorised managers who send the waste to recycling (for paper and cardboard, wood, plastics, metal and other textiles, mainly) and other appropriate processing which allows to recovery and environmentally suitable management.

PERCENTAGE OF WASTE GENERATED IN WEIGHT



Associated with our products, we place packing and packaging materials (cardboard and plastic bags, labels, protective elements) on the market that must be adequately managed by authorised managers. Therefore, Inditex adheres to the Packing and Packaging Management Integrated Systems available in the markets where it operates. This means that every Inditex brand pays an authorised not-for-profit managing entity in each country (for instance, in Spain, Ecoembes) the cost involved in the collection and management of waste generated by the stores, ensuring that they are recycled suitably.

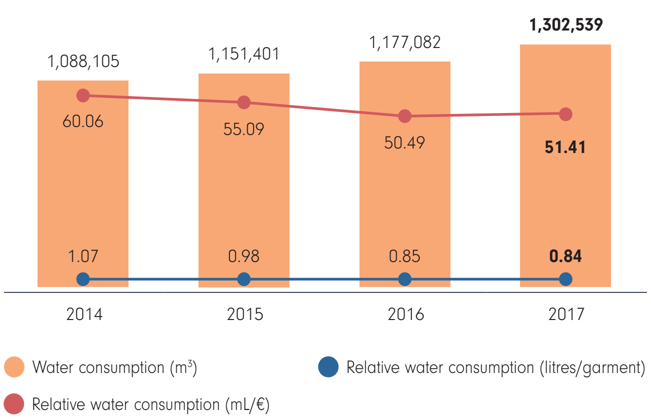
As there is no specific collection and management system for textiles globally, it is not possible to assess the volume generated and its suitable management worldwide. Inditex contributes to the creation of a channel which allows the reuse and recycling of products through our *Closing the Loop* programme.

4.4.4. WATER CONSUMPTION IN OFFICES, INDITEX FACTORIES, LOGISTICS CENTRES AND OWNED STORES

To obtain water consumption we directly measure and assess the bills of suppliers (public supply networks) of our offices, Inditex factories, logistics centres and owned stores.

This year we have been able to continue our decreasing trend in relative water consumption per garment by 1%, thanks to the efficiency and water saving measures undertaken at our centres. With regard to relative water consumption per sale, a slight increase of 2% is seen compared to 2016. Both increases seen in absolute and relative terms per sale is due to company growth.

WATER CONSUMPTION (m^3)*



(*) The expense of water in all our brands' own stores during the second half has been estimated from the data of the first half multiplied by two.

(*) The water consumption of logistics centres has been estimated as at January 2018.

Authorised public supply networks provide water to all centres and is used both for consumption and for processes. The highest water consumption is domestic, mainly for cleaning and bathrooms, ensuring its discharge into municipal wastewater systems.

Meanwhile, in industry, water is mainly for the generation of steam and closed-circle industrial refrigeration, where recirculation systems are used. Refrigeration systems are closed cycle as there are no production processes where water is consumed. This allows the estimate that the water discharged is equal to water consumed. Wastewater discharges from all facilities are into sewage networks, always with the required administrative permissions and ensuring compliance with current regulations through periodic analysis. Inditex has no impact on protected habitats.

5. INDICATORS OF CONTRIBUTION TO COMMUNITY WELFARE

	2017	2016	Variation
Corporate Community Investment (CCI) (in euros)	48,129,552	40,042,744	20%
Corporate Community Investment (CCI) / Net profit	1.43%	1.14%	25.53%

FORM OF CONTRIBUTION	2017 (in euros)	2017 (in %)	2016 (in euros)	2016 (in %)	Variation	
Cash	31,563,507	65%	27,980,509	70%	13%	
Time	2,204,859	5%	1,929,798	5%	14%	% management costs included
In kind	13,812,547	29%	9,584,482	24%	44%	
Management costs	548,639	1%	547,955	1%	0%	
TOTAL	48,129,552	100%	40,042,744	100%	20%	

DRIVER FOR CONTRIBUTION	2017 (in euros)	2017 (in %)	2016 (in euros)	2016 (in %)	Variation	
Charitable gifts	3,263,743	7%	3,395,686	9%	-4%	
Community Investment	37,020,063	78%	29,245,004	74%	27%	% management costs excluded
Commercial initiatives in the community	7,297,107	15%	6,854,099	17%	6%	
TOTAL	47,580,913	100%	39,494,789	100%	20%	

ISSUE ADDRESSED	2017 (in euros)	2017 (in %)	2016 (in euros)	2016 (in %)	Variation	
Education	7,727,769	16%	6,396,302	16%	21%	
Health	3,725,615	8%	1,964,536	5%	90%	
Economic development	1,735,233	4%	1,246,446	3%	39%	
Environment	2,653,158	6%	2,368,334	6%	12%	% management costs excluded
Arts and Culture	870,516	2%	1,069,238	3%	-19%	
Social welfare	20,180,975	42%	15,768,106	40%	28%	
Emergency relief	10,687,647	22%	10,681,827	27%	0%	
TOTAL	47,580,913	100%	39,494,789	100%	20%	

LOCATION OF ACTIVITY	2017 (in euros)	2017 (in %)	2016 (in euros)	2016 (in %)	Variation	
Spain	20,893,381	44%	18,230,407	46%	15%	
Europe (excluding Spain)	5,356,042	11%	5,364,428	14%	0%	
Americas	11,387,545	24%	10,459,233	26%	9%	% management costs excluded
Africa	1,215,654	3%	822,485	2%	48%	
Asia	8,282,973	17%	4,429,605	11%	87%	
Australia	445,318	1%	188,631	1%	136%	
TOTAL	47,580,913	100%	39,494,789	100%	20%	

SDG	2017 (in euros)	2017 (in %)	2016 (in euros)	2016 (in %)	Variation	
1. End of poverty	1,459,180	3.1%	1,373,014	3.5%	6%	% costs of management excluded
2. Zero hunger	221,255	0.5%	498,408	1.3%	-56%	
3. Health and well-being	6,778,230	14.2%	4,467,632	11.3%	52%	
4. Quality education	6,228,674	13.1%	4,755,360	12.0%	31%	
5. Gender equality	1,744,451	3.7	1,086,758	2.8%	61%	
6. Clean water and sanitation	812,227	1.7%	869,033	2.2%	-7%	
7. Affordable and clean energy	135,237	0.3%	70,850	0.2%	91%	
8. Decent work and economic growth	9,857,883	20.7%	7,433,487	18.8%	33%	
9. Industry, innovation and infrastructure	950,353	2.0%	1,069,291	2.7%	-11%	
10. Reducing inequality	8,630,758	18.1%	6,784,429	17.2%	27%	
11. Sustainable cities and communities	1,225,581	2.6%	1,608,358	4.1%	-24%	
12. Responsible production and consumption	7,453,651	15.7%	6,673,675	16.9%	12%	
13. Climate action	109,290	0.2%	65,514	0.2%	67%	
14. Underwater life	215,708	0.4%	453,811	1.1%	-52%	
15. Life of terrestrial ecosystems	153,172	0.3%	492,714	1.2%	-69%	
16. Peace, justice and strong institutions	470,933	1.0%	590,613	1.5%	-20%	
17. Partnerships to achieve goals	1,134,331	2.4%	1.201.842	3.0%	-6%	
TOTAL	**47,580,913**	**100.0%**	**39,494,789**	**100.0%**	**20%**	

IMPACT INDICATORS	2017 (nº of people)	2017 (in %)	2016 (nº of people)	2016 (in %)	Variation
Number of direct beneficiaries for which impact has been measured	**1,527,237**		**571,577**		**167%**
Depth of impact (number of beneficiaries that):					
Made a connection as a result of the initiative	89,846	6%	63,692	11%	41%
Made an improvement as a result of the initiative	993,661	65%	415,059	73%	139%
Made a transformation as a result of the initiative	443,730	29%	92,826	16%	378%
Type of impact (number of beneficiaries that):					
Experienced a positive change in their behaviour or attitude	604,199	40%	227,878	40%	165%
Developed new skills or an increase in their personal effectiveness	56,312	4%	77,561	14%	-27%
Experienced a direct positive impact on their quality of life	1,377,413	90%	452,681	79%	204%

OUTPUT INDICATORS	2017	2016	Variation
Number of hours spent by employees on CCI activities during working hours	73,457	64,327	14%
Number of CCI projects performed	594	519	14%
Number of garments donated to social causes	3,673,993	2,083,980	76%
Number of direct beneficiaries	1,584,446	1,093,401	45%
Number of community organisations supported	409	367	11%
No. of children with access to education	30,461	46,406	-34%
No. of people receiving professional training	27,311	38,096	-28%
No. of migrants, refugees and displaced persons assisted	306,702	185,262	66%
No. of people receiving medical care	867,671	255,078	240%
No. of jobs created among beneficiaries of CCI projects	12,200	14,290	-15%

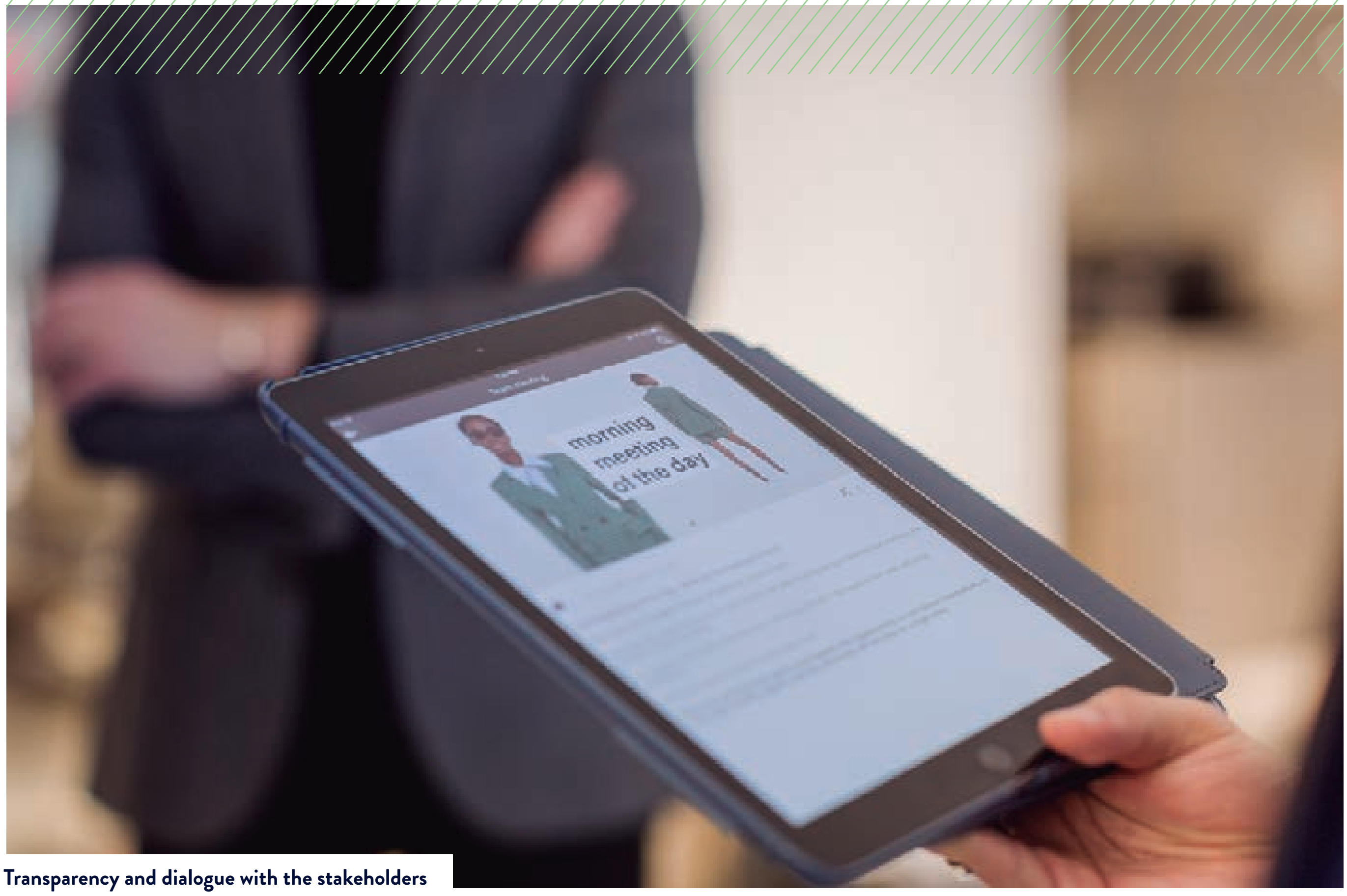
SOCIAL CASH FLOW (in millions of euros)	2017	2016
Net cash received for the sale of products and services	25,336	23,311
Flow received from financial investments	26	21
Cash received for the sale of assets	381	n.a.
Total value added flow	**25,743**	**23,332**
Distribution of value added flow		
Remuneration to employees for services	3,961	3,643
Tax on profits paid	1,029	798
Return of financial debt	-47	53
Dividends delivered to shareholders	2,127	1,871
Corporate Community Investment	48	40
Cash retained for future growth	759	833
Payments made outside the Group for the purchase of goods, raw materials and services	16,088	14,649
Payments made for investments in new productive assets	1,778	1,445
Total distribution of value added flow	**25,743**	**23,332**

SUSTAINABLE DEVELOPMENT GOALS IN INDITEX'S STRATEGY

SUSTAINABLE DEVELOPMENT GOAL	Targets	PRIORITIES	Main related indicator or content	Pages
	1.2	Contribution to community welfare	GRI 203-2	170-184
	2.1	Contribution to community welfare	**GRI 203-2**	170-184
	2.4	Contribution to community welfare	**GRI 203-2**	170-184
	3.3	Our people	GRI 403-2	64
	3.8	Contribution to community welfare	GRI 203-2	170-184
	3.9	Socially responsible supply chain	**Workers benefiting from health and safety programmes**	98-101
	3.9	Circularity and efficient use of resources	GRI 305-1	248
	3.9	Excellence of our products	GRI 306-1	251
	4.4 and 4.5	Our people	GRI 404-1	58
	4.4 and 4.5	Contribution to community welfare	**GRI 203-2**	170-184
	5.1	Our people	GRI 405-1	52, 60, 61, 236
	5.1	Socially responsible supply chain	GRI 406-1	111, 113
	5.1	Corporate governance	GRI 405-1	204
	5.2	Socially responsible supply chain	GRI 414-2	111,113
	5.4	Contribution to community welfare	GRI 203-2	170-184
	5.5	Corporate governance	GRI 102-22	201-205
	6.3	Excellence of our products	GRI 306-1	251
	6.3	Circularity and efficient use of resources	GRI 303-3	251
	6.4	Circularity and efficient use of resources	GRI 303-1	251
	6.4	Contribution to community welfare	**GRI 203-2**	170-184
	7.2	Circularity and efficient use of resources	GRI 302-1	245-247
	7.2	Contribution to community welfare	**GRI 203-2**	170-184
	7.3	Circularity and efficient use of resources	GRI 302-4	245-247
	7.3	Excellence of our products	GRI 302-5	236, 245-247

- Indicators selected based on the Guide: Business Reporting on the SDGs: An Analysis of Goals and Targets.
- Indicators established by Inditex corresponding to contents present in the GRI standards.
- Internal indicators established by Inditex.

SUSTAINABLE DEVELOPMENT GOAL	Targets	PRIORITIES	Main related indicator or content	Pages
	8.5	Our people	GRI 102-28	208
	8.5	Socially responsible supply chain	Workers involved in Workers at the Centre programmes	239
	8.5	Contribution to community welfare	GRI 203-2	170-184
	8.5	Corporate governance	Policies formalising Inditex's commitment to decent work	227-228
	8.6	Our people	GRI 401-1	372
	8.6	Contribution to community welfare	GRI 203-2	170-184
	8.7	Socially responsible supply chain	GRI 408-1	111-113
	8.7	Socially responsible supply chain	GRI 409-1	111-113
	8.7	Contribution to community welfare	GRI 203-2	170-184
	8.8	Socially responsible supply chain	GRI 407-1	111-113
	9.2	Tax transparency	GRI 201-1	253
	9.4	Contribution to community welfare	GRI 203-1	168,169,252,253
	9.4	Excellence of our products	Number of facilities involved in the Ready to Manufacture Programme	243
	9.4	Circularity and efficient use of resources	Eco-efficient stores	144,145
	10.2	Contribution to community welfare	GRI 203-2	170-184
	10.3	Our people	GRI 102-8	50,51,61,236
	10.7	Socially responsible supply chain	Workers benefiting from protection of migrants programmes	102,103
	11.2	Contribution to community welfare	GRI 203-1	168,169,252,253
	12.2	Innovation in supply chain management	Identification of suppliers and manufacturers	71,73
	12.2	Socially responsible supply chain	Suppliers trained	104,105
	12.2	Our people	Number of internal people dedicated to sustainability	236
	12.2	Excellence of our products	GRI 301-2	122
	12.2	Circularity and efficient use of resources	GRI 302-2	249
	12.2	Contribution to community welfare	GRI 203-2	170-184
	12.4	Excellence of our products	Chemical substances regulated in The List, by Inditex	243
	12.4	Circularity and efficient use of resources	GRI 306-1	251
	12.5	Excellence of our products	GRI 301-2	122
	12.5	Circularity and efficient use of resources	GRI 306-2	249, 250
	12.8	Excellence of our products	GRI 417-1	119
	12.8	Our clients	Number of enquiries received through the different customer service channels	45
	13.1	Excellence of our products	GRI 305-5	144
	13.1	Contribution to community welfare	GRI 203-2	170-184
	14.3	Circularity and efficient use of resources	GRI 305-1	248
	14.3	Contribution to community welfare	GRI 203-2	170-184
	15.1	Excellence of our products	GRI 304-2	123
	15.2	Circularity and efficient use of resources	GRI 305-2	248
	15.2	Contribution to community welfare	GRI 203-2	170-184
	16.3	Contribution to community welfare	GRI 203-2	170-184
	16.5	Corporate governance	GRI 205-1	107, 227,228
	16.7	Corporate governance	GRI 102-24	205,206, 217-219
	16.7	Creating value for the shareholders	Number of requests attended by the Shareholders Office	190
	17.16	Socially responsible supply chain	Cooperation relationships with international entities	80,84,87
	17.17	Contribution to community welfare	GRI 203-2	170-184
	17.17	Socially responsible supply chain	Public-private partnerships	83
	17.17	Corporate governance	Meetings of the Social Advisory Board	229
	17.17	Contribution to community welfare	GRI 203-2	170-184



Transparency and dialogue with the stakeholders

TOOLS FOR DIALOGUE WITH STAKEHOLDERS

The transparent and open manner in which we reach out to our stakeholders is designed to deliver sustainable value creation and is vital to tackling the challenges and opportunities that arise in the course of doing business.

Inditex regularly reviews its stakeholder map as part of a process that involves several areas. Once identified, it classifies and prioritises its stakeholders in a manner that is consistent with its business model. On the basis of this prioritisation, we develop the strategy for engaging with each stakeholder group and put in place the tools for doing so. These tools are reviewed and updated constantly. To ensure that dialogue with our stakeholders is constant and smooth, it is crucial that the tools and channels match the needs of each stakeholder group and are available to all of the individuals and/or organisations that comprise them.

Below are the specific tools used by Inditex to engage in dialogue with each stakeholder group. Note that there are additional tools that are common to all stakeholder groups (not shown in the table), such as the Annual Report and the company's corporate website (www.inditex.com).

STAKEHOLDER	DIALOGUE TOOLS	FREQUENCY	OBJECTIVES	MAIN COMMITMENT	EXAMPLES OF STAKEHOLDERS
OUR PEOPLE	- Ethics Committee - UNI Global Union Agreement - Internal training and promotion - Internal communications - Volunteer programme	- On demand - Constant - Constant - Constant - Constant	- Motivation of the human team - Strengthen the commitment to the Code of Conduct and Responsible Practices	- Respect for Human and labour Rights - Fair and decent treatment	- Store employees - Office employees - Logistics centres employees - Trade unions
CLIENTS	- Specialised customer care teams - Brick-and-mortar and online stores - Social networks - Product quality, health and safety team	- On demand - Constant - Constant - Constant	- Quick response to customer demands - Customer care segmented by countries and services which allow more customised service	- Provide latest-trend on ethical and responsible products - Offer the best service and customer care through all of our channels - Protection of privacy and personal data	- Store and online customer - Potential customer
SUPPLIERS	- Clusters of suppliers - Ethics Committee - Commercial and sustainability teams - Global Framework Agreement with IndustriALL	- Constant - On demand - Constant - Constant	- Ensure compliance with the Code of Conduct for Manufacturers and Suppliers	- Promotion and protection of Fundamental Human and labour Rights - Promotion of sustainable production environments	- Direct suppliers - Manufacturers - Workers - Trade unions
COMMUNITY	- Social Advisory Board - Cooperation with NGOs - Sponsorship and Patronage Committee	- Biannual - Constant - Biannual	- Achieve maximum reach and impact in the programmes developed	- Contribution to social and economic development - Commitment to improving global welfare	- NGOs - Governments and public administrations - Academic institutions - Civil society - Media
SHAREHOLDERS	- General Shareholders' Meeting - Sustainability indexes - Investors relations	- Annual - Annual - Constant	- Consolidation of sustainability indexes - Corporate transparency	- Social interest and common interest of all shareholders - Promotion of informed participation	- Institutional investors - Private investors
ENVIRONMENT	- Social Advisory Board - Commitments with NGOs - Environmental sustainability teams	- Biannual - Constant - Constant	- Apply the Strategic Environmental Plan	- Respect for the environment - Protection of biodiversity - Sustainable management of resources	- Environmental protection organisations - Governments

BALANCE OF MATERIAL TOPICS

Material topics	GRI standards	Content	Boundary*	Implication**
OUR CLIENTS				
Commitment to costumers	GRI 103: Management approach 2016	103-1 to 103-3		
Purchasing habits	GRI 103: Management approach 2016	103-1 to 103-3		
Integration of sales channels	GRI 103: Management approach 2016	103-1 to 103-3		
Cyber-security and data protection	GRI 103: Management approach 2016 GRI 418: Customer Privacy 2016	103-1 to 103-3 418-1		
OUR PEOPLE				
Labour practices	GRI 103: Management approach 2016 GRI 401: Employment 2016 GRI 402: Labor/management relations 2016 GRI 403: Occupational health and safety 2016 GRI 407: Freedom of association and collective bargaining 2016	103-1 to 103-3 401-1 to 401-3 402-1 403-1 to 403-4 407-1		
Attracting and retaining talent	GRI 103: Management approach 2016 GRI 401: Employment 2016	103-1 to 103-3 401-1 to 401-3		
Human capital development	GRI 103: Management approach 2016 GRI 404: Training and education 2016	103-1 to 103-3 404-1 to 404-3		
Diversity and integration	GRI 103: Management approach 2016 GRI 405: Diversity and equal opportunity 2016 GRI 406: Non-discrimination 2016	103-1 to 103-3 405-1 to 405-2 406-1		
INNOVATION IN THE MANAGEMENT OF THE SUPPLY CHAIN				
Transparency and traceability of the supply chain	GRI 103: Management approach 2016	103-1 to 103-3		
SOCIALLY RESPONSIBLE SUPPLY CHAIN				
Respecting labour rights in the supply chain	GRI 103: Management approach 2016 GRI 408: Child labor 2016 GRI 409: Forced or compulsory labour 2016 GRI 412: Human rights assessment 2016 GRI 414: Social assessment of suppliers 2016	103-1 to 103-3 408-1 409-1 412-1 to 412-2 414-1 to 414-2		
Responsible purchasing practices	GRI 103: Management approach 2016	103-1 to 103-3		
Health and safety in suppliers and manufacturers	GRI 103: Management approach 2016 GRI 414: Supplier social assessment 2016	103-1 to 103-3 414-1 to 414-2		

Within the organisation | Outside the organisation | Within and outside the organisation | Direct | Indirect

(*) Indicates where the impact occurs, within the organisation, outside it or both.

(**) Indicates the organization's involvement with the impact.

Direct: The organisation is directly linked to the impact.

Indirect: The organisation is linked to the impact through its business relations.

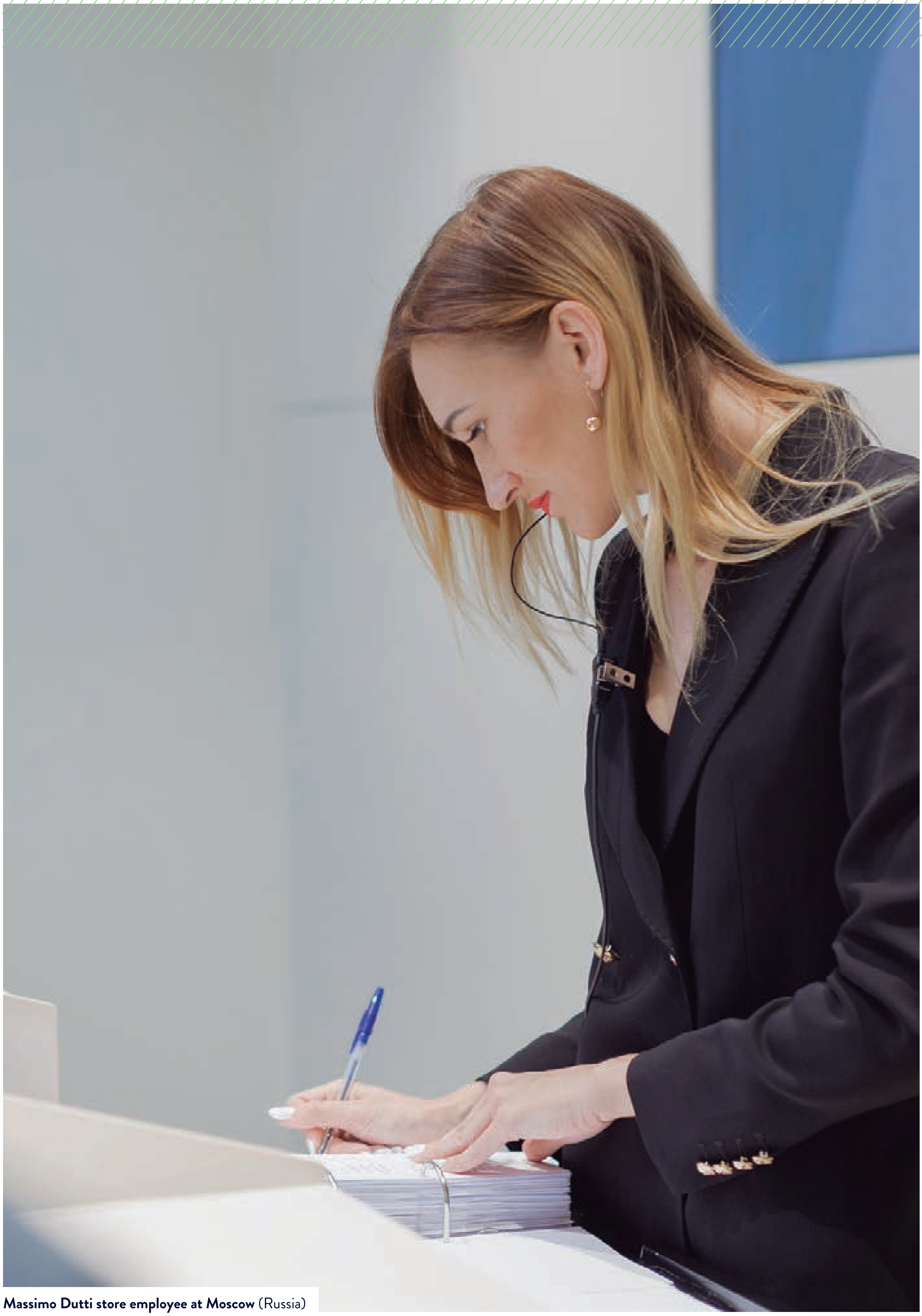
102-44, 102-46, 102-47, 103-1

Material topics	GRI standards	Content	Boundary*	Implication**
EXCELLENCE OF OUR PRODUCTS				
Sustainable products	GRI 103: Management approach 2016 GRI 301: Materials 2016	103-1 to 103-3 301-1 to 301-3		
Protection of biodiversity	GRI 103: Management approach 2016 GRI 304: Biodiversity 2016	103-1 to 103-3 304-1 to 304-4		
Animal welfare	GRI 103: Management approach 2016 GRI 304: Biodiversity	103-1 to 103-3 304-1 to 304-4		
Management of chemicals and sustainable processes in manufacture	GRI 103: Management approach 2016 GRI 306: Effluents and waste 2016 GRI 308: Supplier Environmental Assessment 2016	103-1 to 103-3 306-1 to 306-5 308-1 to 308-2		
Product quality, health and safety	GRI 103: Management approach 2016 GRI 416: Customer Health Safety 2016	103-1 to 103-3 416-1 to 416-2		
Product information and labelling	GRI 103: Management approach 2016 GRI 417: Marketing and labelling 2016	103-1 to 103-3 417-1 to 417-3		
CIRCULARITY AND EFFICIENT USE OF RESOURCES				
Circularity	GRI 103: Management approach 2016 GRI 301: Materials 2016 GRI 306: Effluents and wastes 2016	103-1 to 103-3 301-1 to 301-3 306-1 to 306-5		
Energy and climate change	GRI 103: Management approach 2016 GRI 302: Energy 2016 GRI 305: Emissions 2016	103-1 to 103-3 302-1 to 302-5 305-1 to 305-7		
Use of water	GRI 103: Management approach 2016 GRI 303: Water 2016 GRI 306: Effluents and wastes 2016	103-1 to 103-3 303-1 to 303-3 306-1, 306-3, 306-5		
Packaging	GRI 103: Management approach 2016 GRI 301: Materials 2016	103-1 to 103-3 301-1 to 301-3		
TAX TRANSPARENCY				
Socioeconomic impact on society	GRI 103: Management approach 2016 GRI 201: Economic performance 2016 GRI 203: Indirect economic impacts 2016	103-1 to 103-3 201-1 to 201-4 203-1 to 203-2		
Transparency and tax contribution	GRI 103: Management approach 2016 GRI 203: Indirect economic impacts 2016	103-1 to 103-3 203-2		
CONTRIBUTION TO COMMUNITY WELFARE				
Corporate Community Investment	GRI 103: Management approach 2016 GRI 203: Indirect economic impacts 2016 GRI 413: Local communities 2016	103-1 to 103-3 203-1 to 203-2 413-1 to 413-2		
Relationship with stakeholders	GRI 103: Management approach 2016	103-1 to 103-3		
CREATING VALUE FOR THE SHAREHOLDERS				
Regulatory compliance and responsible practices	GRI 103: Management approach 2016 GRI 206: Anti-competitive behaviour GRI 307: Environmental compliance 2016 GRI 419: Socioeconomic compliance 2016	103-1 to 103-3 206-1 307-1 419-1		
CORPORATE GOVERNANCE				
Corporate governance	GRI 103: Management approach 2016 GRI 415: Public Policy 2016	103-1 to 103-3 415-1		
Risk management and control systems	GRI 103: Management approach 2016	103-1 to 103-3		
Corruption and bribery	GRI 103: Management approach 2016 GRI 205: Anti-corruption 2016 GRI 415: Public policy 2016 GRI 419: Socioeconomic compliance 2016	103-1 to 103-3 205-1 to 205-3 415-1 419-1		

The following organizations, among others, have benn consulted for the definition of material topics in 2017:

Inditex Social Advisory Board, AECA, Baptist World Aid, Caritas Española, Centre for Business and Public Sector Ethics de Cambridge, COGAMI (Confederacion Galega de Persoas con Discapacidade), Cruz Roja Española, Every Mother Counts, Fundación Seres. Sociedad y Empresa Responsable , Medicus Mundi, University of Santiago de Compostela, The Humane Society of the United States,the International Labour Organization (ILO) Oxfam Intermón, Sustainable Apparel Coalition, Sustainalytics.

V. ANNUAL ACCOUNTS



Massimo Dutti store employee at Moscow (Russia)

ECONOMIC AND FINANCIAL REPORT

INDITEX GROUP CONSOLIDATED ANNUAL ACCOUNTS AT 31 JANUARY 2018

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15004 A Coruña España

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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

Opinion

We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 January 2018, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2017").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 January 2018, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469. Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

<table>
<tr><th colspan="2">Measurement of inventories</th></tr>
<tr><th>Description</th><th>Procedures applied in the audit</th></tr>
<tr><td>
As indicated in Note 12, the value of the Group's inventories at year-end was EUR 2,685 million, representing 13.3% of the Group's total assets. These inventories relate mainly to finished goods and are distributed among the various points of sale, distribution centres and other warehouses managed by the Group. Given the nature of the business of Inditex, a very high volume of stock- keeping units (SKUs) is designed and put on sale over the course of the year; these SKUs rotate based on the season and customer tastes and demand, generating, therefore, a high volume of movements of inventories.
We identified this matter as key in our audit, due to the importance of the judgements and assumptions applied by the Group to determine the cost and recoverable amount of each SKU and the complexity of the logistics activities carried on by the Group in order to manage its products, which give rise to numerous SKU movements between various different locations.
</td><td>
In response to this key matter, our audit included, among others, the following procedures:

An assessment of the consistency of the accounting principles and rules applied by the Group to measure its inventories at 31 January 2018 with the applicable regulatory financial reporting framework.
An assessment of the design, implementation and operational effectiveness of the key controls in place in the inventory management and measurement process, with the involvement of our IT experts in performing the tests on automatic controls applied to the relevant software involved in the process.
For a representative sample, verification that the finished goods inventories were correctly measured, using a recomposition of the measurement of those inventories based on the cost of acquiring them from suppliers and considering the costs directly attributable to such goods.
Assessment of the key estimates used by Group management to determine the net realisable value and the consistency thereof with Group policies and actual historical and other information, such as sales and returns after the reporting date.
Assessment of consolidated Notes to the financial statements disclosure compliance with the regulatory financial reporting framework.

The results of the procedures performed in relation to the analysis of the accounting principles and rules and estimates applied by the Group, to the assessment of the key controls in place in the measurement process, to the disclosures included in the consolidated notes to the financial statements and to the performance of specific substantive tests were satisfactory.
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Impairment of non-current assets (stores)	
Description	**Procedures applied in the audit**
As indicated in the Note 13, at 31 January 2018, the Group's property, plant and equipment amounted to EUR 7,644 million and related mainly to investments made in stores operated by the Group and to the value of the investments in corporate non-current assets (logistics centres, offices, etc.). Under EU-IFRSs, the Group must perform an impairment test on its portfolio of stores when there are indications of potential impairment or reversals thereof. The definition of indications that the stores' non-current assets may have suffered impairment and the performance of an impairment test thereon were identified as key in our audit, since management's assessment of possible impairment is a complex process that includes a significant level of estimates, judgements and assumptions. The main assumptions used by the Group were as follows: - determination of the cash-generating units; - the income and expense growth rates by country and cash-generating unit; - the specific discount rates used in each country; - the estimated terms of the leases of the stores operated under leases; and - the tax rates to be applied to the cash flows generated.	In response to this key matter, our audit included, among others, the following procedures: - An assessment of whether the methodology established by management to identify indications of impairment and the quantification thereof for each cash- generating unit are appropriate, comparing their consistency with the applicable financial reporting framework. - An assessment of the design, implementation and operational effectiveness of the relevant controls implemented by the Group to ensure the accuracy of the estimation of impairment and the completeness of its recognition for accounting purposes. - Involvement in the audit team of valuation experts to evaluate the methodologies and assumptions used by the Group, in particular those permitting the calculation of the discount rates in the various geographical areas. - Analysis of the consistency and reasonableness of the assumptions used by Group management in the impairment tests, including, inter alia, a detailed review of the sensitivity tests in which management stresses those assumptions considered key. - Based on a representative sample of cash-generating units, a review of the correctness and accuracy of the calculations performed to determine the recoverable amount of the aforementioned cash-generating units. - Assessment of consolidated Notes to the financial statements disclosure compliance with the regulatory financial reporting framework. The results of the procedures performed in relation to the analysis of the methodology, criteria and assumptions applied by the Group, to the assessment of the key controls in place in the process for calculating and recognising the impairment of stores, to the disclosures included in the consolidated notes to the financial statements and to the performance of specific substantive tests on the calculations made were satisfactory.

IT systems	
Description	**Procedures applied in the audit**
The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Group to a high dependency on the IT system and its correct functioning. In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing. Due to their importance and the audit effort required, knowledge, evaluation and validation of the general financial reporting system controls, including controls relating to software maintenance and development, physical and logical security and system operations) were considered a key matter in our audit.	In response to this key matter, our work included the following procedures in which our audit team IT specialists were involved: - Identification of relevant IT items and software in the financial information preparation process. - Obtainment of the required understanding of the IT systems involved in the financial information preparation process and assessment of the level of internal control over the systems. Our understanding focused, among others, on the existence of an IT security policy and written procedures in relation to IT processes; on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT software. - An assessment of the design, implementation and operational effectiveness of general IT controls relating to security, management of changes and operations and maintenance of the software we considered relevant. - An assessment of the design, implementation and operational effectiveness of the key automatic controls operating in certain especially significant business cycles, such as sales, inventories, accounting closing and consolidation. The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the accompanying consolidated financial statements.

Other Information: Consolidated Directors' Report

The *Other information* comprises only the consolidated directors' report for 2017, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of review:

a) A specific level applicable to the non-financial statement and to some of the information included in the Annual Corporate Governance Report, as defined in article 35.2.b) of Spanish Audit Law 22/2015, which consists of solely checking that the aforementioned information has been provided in the directors' report and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on wheather the aforementioned information is consistent with the financial statements, based on the knowledge of the Group obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this part of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we have checked that the information described in section a) above is provided in the consolidated directors' report and that the other information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2017 and its content and presentantion are in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Control Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's Audit and Control Committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

Report on Other Legal and Regulatory Requirements

Additional Report to the Parent's Audit and Control Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's Audit and Control Committee dated 13 March 2018.

Engagement Period

The Parent's Annual General Meeting held on 18 July 2017 appointed us as auditors for a period of one year from the year ended 31 January 2017.

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 January 2013.

DELOITTE, S.L.
Inscrita en el R.O.A.C. Nº S0692

Germán de la Fuente
Inscrito en el R.O.A.C. Nº 15.976

13 March 2018

Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.
- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's Audit and Control Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's Audit and Control Committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the Parent's Audit and Control Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

1. CONSOLIDATED INCOME STATEMENT

(Amounts in millions of euros)	(Notes)	2017	2016
Net sales	(3)	25,336	23,311
Cost of sales	(4)	(11,076)	(10,032)
GROSS PROFIT		**14,260**	**13,279**
		56.3%	57.0%
Operating expenses	(5)	(8,944)	(8,176)
Other losses and income. net	(6)	(38)	(20)
GROSS OPERATING PROFIT (EBITDA)		**5,277**	**5,083**
Amortization and depreciation	(7)	(963)	(1,063)
NET OPERATING PROFIT (EBIT)		**4,314**	**4,021**
Financial results	(8)	(5)	10
Results of companies accounted for using the equity method	(16)	42	48
PROFIT BEFORE TAXES		**4,351**	**4,078**
Income tax	(23)	(979)	(917)
NET PROFIT		**3,372**	**3,161**
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**5**	**4**
NET PROFIT ATTRIBUTABLE TO THE PARENT		**3,368**	**3,157**
BASIC AND DILUTED EARNINGS PER SHARE. euros	**(9)**	**1.082**	**1.014**

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in millions of euros)	(Notes)	2017	2016
Net profit		**3,372**	**3,161**
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognise directly in equity:			
Translation differences related to financial statements of foreign operations		(395)	70
Cash flow hedges			
Profit	(25)	6	25
Loss	(25)	(31)	(8)
Tax effect		(2)	(4)
Total		**(423)**	**83**
Transfers to profit or loss:			
Cash flow hedges			
Profit	(25)	(17)	(36)
Loss	(25)	-	-
Tax effect		4	10
Total		**(13)**	**(26)**
Total comprehensive income for the year		**2,936**	**3,218**
Total comprehensive income attributable to:			
Equity holders of the Parent		**2,931**	**3,214**
Non-controlling interests		**5**	**4**
Total comprehensive income for the year		**2,936**	**3,218**

3. CONSOLIDATED BALANCE SHEET

(Amounts in millions of euros)	(Notes)	31/01/18	31/01/17
ASSETS			
NON-CURRENT ASSETS		**10,084**	**9,723**
Rights over leased assets	(14)	457	505
Other intangible assets	(14)	255	211
Goodwill	(15)	207	196
Property. plant and equipment	(13)	7,644	7,283
Investment property		21	21
Financial investments	(16)	237	231
Other non-current assets	(17)	520	554
Deferred tax assets	(23)	744	722
CURRENT ASSETS		**10,147**	**9,898**
Inventories	(12)	2,685	2,549
Trade and other receivables	(11)	778	861
Income tax receivable	(23)	110	107
Other current assets		160	141
Other financial assets	(25)	12	87
Current financial investments	(19)	1,472	2,037
Cash and cash equivalents	(19)	4,931	4,116
TOTAL ASSETS		**20,231**	**19,621**
EQUITY AND LIABILITIES			
EQUITY		**13,522**	**12,752**
Equity attributable to the Parent		13,497	12,713
Equity attributable to non-controlling interests		25	38
NON-CURRENT LIABILITIES		**1,536**	**1,419**
Provisions	(20)	259	242
Other non-current liabilities	(21)	1,005	920
Financial debt	(19)	4	-
Deferred tax liabilities	(23)	268	257
CURRENT LIABILITIES		**5,173**	**5,451**
Financial debt	(19)	12	62
Other financial liabilities	(25)	105	64
Income tax payable	(23)	151	230
Trade and other payables	(18)	4,906	5,095
TOTAL EQUITY AND LIABILITIES		**20,231**	**19,621**

4. CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in millions of euros)	(Notes)	2017	2016
Profit before taxes and non-controlling interest		**4,351**	**4,078**
Adjustments to profit-			
Amortisation and depreciation	(7)	963	1,063
Foreign exchange translation differences		(75)	(11)
Provisions for impairment		91	52
Results from companies consolidated by equity method	(16)	(42)	(48)
Other		151	69
Income tax		**(1,029)**	**(798)**
Funds from operations		**4,411**	**4,406**
Variation in assets and liabilities			
Inventories		(293)	(389)
Receivables and other current assets		216	(177)
Current payables		(372)	291
Changes in working capital		**(449)**	**(275)**
Cash flows from operating activities		**3,961**	**4,131**
Payments relating to investments in intangible assets		(183)	(173)
Payments relating to investments in property, plant and equipment		(1,589)	(1,259)
Collections relating to divestments of property, plant and equipment		381	-
Payments relating to investment in companies		(30)	-
Collections relating to investment in other financial investments		44	27
Payments relating to investment in other financial investments		(24)	(13)
Payments relating to investment in other assets	(17)	(25)	(53)
Collections relating to investment in other assets	(17)	29	24
Changes in current financial investments		565	(951)
Cash flows from investing activities		**(833)**	**(2,396)**
Collections relating to non-current financial debt		3	-
Payments relating to non-current financial debt		(3)	-
Payments relating to acquisitions of treasury shares		(12)	(35)
Changes relating to current financial debt		(47)	53
Dividends		(2,127)	(1,871)
Cash flows used in financing activities		**(2,186)**	**(1,853)**
Net increase in cash and cash equivalents		943	(118)
Cash and cash equivalents at the beginning of the year	(19)	4,116	4,226
Effect of exchange rate fluctuations on cash and cash equivalents		(128)	8
Cash and cash equivalents at the end of the year	**(19)**	**4,931**	**4,116**

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Equity attributable to the Parent										
(Amounts in millions 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 2016	**94**	**20**	**11,526**	**78**	**131**	**(73)**	**(393)**	**28**	**11,410**	**41**	**11,451**
Profit for the year	-	-	3,157	-	-	-	-	-	3,157	4	3,161
Distribute results	-	-	(56)	-	56	-	-	-	-	-	-
Distribute dividends	-	-	28	-	(28)	-	-	-	-	-	-
Transfers	-	-	(83)	-	-	-	83	-	-	-	-
Other movements	-	-	(15)	-	2	-	-	-	(13)	(3)	(17)
Other comprehensive income for the year	-	-	-	-	-	-	70	(13)	57	-	57
Translation differences related to foreign operations	-	-	-	-	-	-	70	-	70	-	70
Cash flow hedges	-	-	-	-	-	-	-	(13)	(13)	-	(13)
Operations with equity holders or owners	-	-	(1,882)	(2)	-	(14)	-	-	(1,897)	(3)	(1,900)
Treasury shares	-	-	-	-	-	(35)	-	-	(35)	-	(35)
Share-based collections	-	-	-	17	-	-	-	-	17	-	17
Share-based payments	-	-	(14)	(19)	-	21	-	-	(12)	-	(12)
Dividends	-	-	(1,868)	-	-	-	-	-	(1,868)	(3)	(1,871)
Balance at 31 January 2017	**94**	**20**	**12,675**	**76**	**161**	**(87)**	**(240)**	**15**	**12,713**	**38**	**12,752**
Balance at 1 February 2017	**94**	**20**	**12,675**	**76**	**161**	**(87)**	**(240)**	**15**	**12,713**	**38**	**12,752**
Profit for the year	-	-	3,368	-	-	-	-	-	3,368	5	3,372
Distribute results	-	-	(48)	-	48	-	-	-	-	-	-
Distribute dividends	-	-	23	-	(23)	-	-	-	-	-	-
Transfers	-	-	(102)	-	-	-	102	-	-	-	-
Other movements	-	-	(19)	-	(2)	-	-	-	(21)	(2)	(23)
Other comprehensive income for the year	-	-	-	-	-	-	(395)	(41)	(436)	-	(436)
Translation differences related to foreign operations	-	-	-	-	-	-	(395)	-	(395)	-	(395)
Cash flow hedges	-	-	-	-	-	-	-	(41)	(41)	-	(41)
Operations with equity holders or owners	-	-	(2,151)	14	-	10	-	-	(2,128)	(15)	(2,143)
Treasury shares	-	-	-	-	-	(12)	-	-	(12)	-	(12)
Share-based oollections	-	-	-	32	-	-	-	-	32	-	32
Share-based payments	-	-	(20)	(19)	-	22	-	-	(17)	-	(17)
Acquisition of minority interest	-	-	(14)	-	-	-	-	-	(14)	(5)	(19)
Dividends	-	-	(2,117)	-	-	-	-	-	(2,117)	(10)	(2,127)
Balance at 31 January 2018	**94**	**20**	**13,747**	**90**	**183**	**(77)**	**(533)**	**(26)**	**13,497**	**25**	**13,523**

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 6.33). In the event of a discrepancy, the Spanish-language version prevails.

6. NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE INDITEX GROUP AS AT 31 JANUARY 2018

The consolidated annual accounts of the Inditex Group for 2017 were prepared by the Board of Directors on 13 March 2018 and will be submitted for approval at the corresponding Annual General Meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2016 were approved by the shareholders at the Annual General Meeting held on 18 July 2017.

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 with the other provisions of the applicable regulatory financial reporting framework.

Inditex's financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2017 will hereinafter be referred to as "2016", the twelve-month period ended 31 January 2018 as "2017", and so on.

The consolidated annual accounts are presented in euros, since the euro is the Group's functional currency.

Unless otherwise stated, the amounts shown in these consolidated annual accounts are expressed in millions of euros.

The separate annual accounts of the Parent (Inditex) for 2017 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 2018, 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 2017 were prepared on the basis of the accounting records of Inditex and of the other Group companies.

The Group uses certain performance measures additional to those defined in 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 sales and the cost of sales. Notes 3 and 4 contain detailed information on the items included in these line items in the consolidated income statement. The percentage gross profit is calculated as the gross profit in absolute terms as a percentage of net sales.

- Gross operating profit (EBITDA): earnings before interest, the result of companies accounted for using the equity method, taxes and depreciation and 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 depreciation and amortization.

Other alternative measures of performance are as follows:

- Return on capital employed (ROCE): defined as EBIT divided by average capital employed in the year (average of equity attributable to the Parent plus net financial debt for the year). The average capital employed considered for the ROCE calculation by concept relates to the non-current assets, excluding the deferred tax assets, of the concept.

- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent divided by average shareholders' equity for the year.

In preparing the consolidated annual accounts as at 31 January 2018 estimates were made in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.

- The determination of inventory costs.

- The useful life of the property, plant and equipment, intangible assets and investment property.

- The fair value of certain assets, mainly financial instruments.

- The assumptions used in the actuarial calculation of pension and other obligations to employees.

- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.

- The term of leases.

- The amount of the future minimum non-cancellable operating lease payments.
- The recovery of deferred tax assets.

These estimates were made using the best information available at 31 January 2018 and 2017. However, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with IAS 8.

In preparing these consolidated annual accounts the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

The basis of consolidation and accounting policies applied are disclosed in Note 2.

6.1. ACTIVITY AND DESCRIPTION OF THE GROUP

Industria de Diseño Textil, S.A. ("Inditex", "the Group", "the Group Inditex", "the Company" or "the Parent"), with registered office in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the Parent of a global group of companies present in 5 continents, in both hemispheres, north and south.

Inditex is listed on all the four Spanish stock exchanges.

Its activity consists on offering the latest fashion trends (clothing, footwear, accessories and household textile products) at attractive prices, in due time and with high quality and sustainability standards.

Inditex offers creative fashion based on customer expectations thanks to its fully integrated online and store business.

Inditex carries out its activity through various retail concepts such as Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each concept is carried out through a store and online model, managed directly by companies over which Inditex exercises control through the ownership of all or the majority of the share capital and of the voting rights, with the exception of certain countries where, for various reasons, the activity is performed through franchises.

Certain franchise agreements entered into by the Group include purchase options which, if exercised, would essentially enable the Group to have access to the lease rights over the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed since the signing of the franchise agreement.

The Group holds joint ownership interests in the entities making up the Tempe Group. Based on an analysis of the contractual arrangements giving it joint control, the Group classified its ownership interest in the Tempe Group as a joint venture. The interest in the Tempe Group was accounted for using the equity method.

The Group does not have any other significant non-controlling interests.

The quickness of the product's useful lifecycle, from the design to the sale, would not be possible without the integration and flexibility that characterize all the phases of the value chain: design, production, logistics, stores, online and clients.

Commercial and design teams have a clear customer orientation. Inditex listens and transmits the demands of the clients both in stores and online to the teams (first directly, then through automated information systems, until reaching the digital information) and use this information to react quickly, manufacturing the desired items in very short lead times, in order to make them available for sale as soon as possible.

The manufacturing and supply have been designed with a mixed model that allows to adapt the production to the market pull. During the 2017 business year, 57% of the factories in which the Company has manufactured its items are in geographical proximity (countries such as Spain, Portugal, Morocco and Turkey) and the remaining 43% are long distance. In this way, Inditex maintains the ability to adapt the internal or supplier production to the change of trends in each commercial campaign.

The Group's logistics system allows continuous deliveries to stores and online throughout the season, from the logistic centres of each of the retail concepts. This system essentially operates through centralized logistics centres for each of the concepts, from which the stock is distributed to all the stores and online worldwide.

The people who populate our Company enable the sustained and sustainable development of this model, a diverse group of professionals of 97 different nationalities, characterized by their creative talent, their passion for fashion, teamwork, entrepreneurial spirit, permanent innovation and responsible efforts.

The goal of the Group is to offer fashionable products that meet with the most demanding sustainability, health and safety standards. All on the basis of respect and promoting human rights, transparency and ongoing dialogue with our stakeholders.

At 31 January 2018, the various Group concepts had stores in operation with the following geographical distribution:

Number of stores	Company managed	Franchises	Total
Spain	1,647	41	1,688
Rest of Europe	3,216	140	3,356
Americas	625	180	805
Rest of the World	932	694	1,626
Total	**6,420**	**1,055**	**7,475**

At 31 January 2017, the geographical distribution of stores was as follows:

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**

The majority of company-managed store premises are held under operating leases.

Information on the main terms of the leases is provided in Note 24.

6.2. SELECTED ACCOUNTING POLICIES

6.2.1. BASIS OF CONSOLIDATION

i) Subsidiaries

Subsidiaries are entities over which the Parent has control and, therefore, the power to govern their financial and operating policies (see Note 1). Subsidiaries are consolidated by aggregating the total amount of their assets, liabilities, income, expenses and cash flows, after making the adjustments and eliminations relating to intra-Group transactions. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the effective acquisition date. A detail of the subsidiaries is provided in Appendix I.

For business combinations subsequent to the IFRS-EU transition 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.

ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual arrangement. As indicated in Note 1, on the basis of the analysis performed of the contractual arrangements, the Group classified these interests as joint ventures. Pursuant to IFRS 11, Joint Arrangements, these entities are accounted for using the equity method in the consolidated annual accounts.

iii) Harmonization of criteria

Each of the companies included in the scope of consolidation prepares its annual accounts and other accounting records in accordance with the corresponding accounting standards, based on the legislation in force in the country of origin. Where these recognition and measurement criteria differ from those adopted by the Inditex Group in preparing its consolidated annual accounts, they are adjusted in order to present the consolidated annual accounts using uniform accounting policies.

iv) Intra-Group eliminations

All intra-Group receivables, payables and transactions, and any intra-Group gains or losses not yet realised vis-à-vis third parties, are eliminated in the consolidation process.

v) Translation of annual accounts denominated in foreign currencies

The annual accounts of companies with a functional currency other than the euro 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 economies

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 that 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 scope of consolidation

Appendix I lists all the companies included in the scope of consolidation. The detail of the main changes in the scope of consolidation in 2017 is as follows:

Companies incorporated:

Companies incorporated:
Limited Liability Company "OYSHO BLR"
Limited Liability Company "STRADIVARIUS BLR"
Limited Liability Company "ZARA HOME BLR"
Limited Liability Company "PULL AND BEAR BLR"
Limited Liability Company"BK GARMENTS BLR"
Limited Liability Company "MASSIMO DUTTI BLR"
Limited Liability Company "ZARA BLR"
Uterqüe Fashion RO S.R.L.
Lelystad Platform, B.V.
Oysho Suisse SÀRL
Zara Home Ceska Republica, SRO
Oysho Ceska Republica, SRO

Companies acquired
Zara S, TRGOVSKO PODJETJE D.O.O.
Bershka S, TRGOVSKO PODJETJE D.O.O.
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.
Stradivarius S, TRGOVSKO PODJETJE D.O.O.

The inclusions in the consolidated Group referred to above did not have a material impact on equity in the consolidated annual accounts for 2017.

6.2.2. ACCOUNTING POLICIES

Standards effective for application in reporting periods beginning on or after 1 January 2017

In 2017 the following standards and/or interpretations became effective for application in the European Union in reporting periods beginning on or after 1 January 2017:

- Amendments to IAS 7, Statement of Cash Flows, which introduces additional requirements in relation to financing activities in the statement of cash flows.
- Amendments to IAS 12, Income Taxes clarifies the principles for the recognition of deferred tax assets for unrealised losses.

The adoption of these amendments did not have an impact on the Group's consolidated annual accounts for 2017.

Also, in 2017 the following standards became effective for their use in reporting periods beginning on or after 1 January 2017, although they have not yet been approved for use in the European Union:

- Improvements to IFRSs, 2014-2016 cycle, clarifications in relation to the scope of IFRS-12, Disclosure of Interests in Other Entities and its interaction with IFRS-5, Non-current Assets Held for Sale and Discontinued Operations.

However, these amendments are not expected to have a significant impact on the Group's consolidated annual accounts when they are approved for use in the European Union.

Standards issued and approved for use in the European Union

IFRS 15, Revenue from Contracts with Customers

IFRS 15 is the comprehensive standard on the recognition of revenue from contracts with customers, which will supersede the following standards and interpretations: IAS 18, Revenue; IAS 11, Construction Contracts; IFRIC 13, Customer Loyalty Programmes; IFRIC 15, Agreements for the Construction of Real Estate; IFRIC 18, Transfers of Assets from Customers; and SIC-31, Revenue-Barter Transactions Involving Advertising Services. This standard is applicable for annual reporting periods beginning on or after 1 January 2018.

The new requirements could give rise to changes in the Group's current revenue profile, since the revenue must be recognized in such a way as to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. Specifically, the standard establishes a revenue recognition approach based on five steps:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

The Group's revenue arises substantially in full from retail sales through stores and online and sales to franchises (see Note 3). 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, the allocation of the transaction price to the various performance obligations in each contract, or the timing of recognition of the revenue in the statement of profit or loss as a result of applying IFRS 15 does not differ from those provided for in the current standard IAS 18, although IFRS 15 will require that more extensive disclosures be provided in relation to the Group's revenue-producing transactions.

Therefore, if the Group applied IFRS 15 in preparing the consolidated annual accounts for 2017 it would not have had a significant effect on them.

The Group intends to apply IFRS 15 retrospectively, without restating the comparative information, from 1 February 2018 onwards.

IFRS 9, Financial Instruments

IFRS 9 will supersede the current IAS 39 from 1 January 2018, with respect to which there are very significant differences in relation to the classification and measurement of financial instruments, the financial asset impairment model and hedge accounting.

· 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, in general, measured at their amortised cost. When these debt instruments are held in a business model whose objective is achieved by both collecting contractual cash flows (payments of principal and interest) and selling financial assets, they are measured at fair value through other comprehensive income. All other debt and equity instruments are measured at fair value through profit or loss. However, entities may make an election to present in the statement of comprehensive income subsequent changes in the fair value of certain investments in equity instruments and, in general, in this case only dividends will be recognized in profit or loss.

· 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.

· Changes in the contractual cash flows of a financial liability not leading to the derecognition of the financial liability must be recognized as a change in estimate of the contractual cash flows of the liability, maintaining the original effective interest rate and adjusting its carrying amount, with the related modification gain or loss being recognized in profit or loss.

· In relation to impairment losses on financial assets, IFRS 9 introduces a model based on the expected credit loss, as opposed to the model in IAS 39 which is based on incurred credit losses. Under this model the expected credit loss will be recognized, together with any changes in those expected credit losses at each reporting date.

· IFRS 9 provides a greater degree of flexibility in terms of the types of transactions that qualify for hedge accounting, specifically by broadening the types of instruments that fulfil the criteria to be designated as hedging instruments and the types of risk components of non-financial items that qualify for hedge accounting. Also, the effectiveness test has been replaced with the "economic relationship" principle. Retrospective assessment of hedge effectiveness is no longer necessary.

The standard must be applied in annual reporting periods beginning on or after 1 January 2018, except for the requirements related to hedge accounting, application of which is optional. Group management intends to apply IFRS 9 in full from 1 February 2018 onwards without restating comparative period information.

Management performed a preliminary analysis of the impact of IFRS 9 on the consolidated annual accounts based on the Group's financial assets and liabilities at 31 January 2018:

- Classification and measurement of financial instruments: As regards the financial assets, the Group's investment policy (see Note 19) states that the general objective of the Group's business model in relation to financial assets is to safeguard the principal by mitigating the risk of loss of invested capital arising from risks of any kind. Therefore, the objective of the Group's business model is to collect the contractual cash flows of the financial assets that are exclusively principal and interest. Accordingly, the Group's financial assets within the scope of IFRS 9 will be classified as financial assets measured at amortised cost, except for deposits, which will be measured at their fair value.

  Consequently, the classification and measurement of financial assets under IFRS 9 does not differ significantly from the current classification and measurement of financial assets under IAS 39 and, therefore, the application of IFRS 9 will not have a significant impact on the classification and measurement of financial assets.

  Financial liabilities will continue to be measured on the same basis as under the current IAS 39 and, therefore, IFRS 9 will not have a significant impact on the classification and measurement of financial liabilities.

- The Group has not renegotiated its financial liabilities and, therefore, this part of IFRS 9 will not have any impact on the consolidated annual accounts.

- Impairment: For financial assets within the scope of this expected credit loss model, Group management considers that the credit risk related to its fixed-income securities classified as held-for sale financial assets is low, or that it has not increased significantly since the date of initial recognition and, accordingly, the 12-month expected credit losses will be recognized. The Group has defined its own methodology for determining counterparty credit risk in order to determine the expected credit loss for financial assets.

  Despite applying this methodology, the amount of impairment arising from estimated credit losses does not differ significantly from the amount of impairment arising from incurred credit losses provided for in IAS 39 used as the basis for preparing these consolidated annual accounts.

- Hedge accounting: Based on the accounting hedges defined at 31 January 2018, the analysis conducted by Group management regarding the application of IFRS 9 in relation to hedge accounting shows that the hedging relationships defined (see Note 2.2-o) continue to meet the requirements for being treated as such. No hedging relationships have been defined that had not been defined as such under IAS 39. The Group intends to apply the new hedging rules contained in IFRS 9 from 1 February 2018 onwards.

IFRS 16, Leases

IFRS 16 will become effective in 2019 and will supersede IAS 17 and the current associated interpretations. The main new feature of IFRS 16 is that it introduces a single lessee accounting model in which all leases (with certain very limited exceptions due to the low value of the leased asset or in the case of short-term leases) will be recognized in the balance sheet with an impact similar to that of the existing finance leases (recognition of depreciation of the right-of-use asset and interest on the amortised cost of the lease liability will be recognized in the statement of financial position).

Management is assessing the total effect that application of IFRS 16 will have on the Group's consolidated annual accounts. IAS 17 does not require the recognition of any right-of-use asset or liability for future payments under these leases; however, certain information is disclosed, such as operating lease obligations, in Note 24 to the consolidated annual accounts. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16 and, therefore, the Group will recognise a right-of-use asset and the related liability unless they qualify as low-value or short-term leases.

Since most of the Group's stores (see Note 1) are located in commercial premises leased under operating leases (see Note 24), the application of IFRS 16 will have a material impact on the Group's consolidated annual accounts. At the date of preparation of these consolidated annual accounts the Group was quantifying the potential impact of applying IFRS 16 and, therefore, it is not possible to provide a reasonable estimate of the financial effect until that process has been completed.

The Group does not intend to anticipate this standard and, at the date of these consolidated annual accounts, no decision had yet been made as to the option that will be applied at the date of transition.

Other standards and amendments approved for use in the European Union

- Amendments to IFRS 4, Insurance Contracts: provide entities within the scope of IFRS 4 with the option of applying IFRS 9 or the temporary exemption therefrom. Mandatorily applicable for annual periods beginning on or after 1 January 2018. No impact as the Group is not within the scope of this standard.
- Annual Improvements to IFRSs 2014–2016 Cycle, establishing clarifications to IFRS 12, Disclosure of Interests in Other Entities.

Standards issued but not yet approved for use in the European Union

At the date of preparation of these consolidated annual accounts the following standards and/or amendments to standards with a potential impact on the Group had been issued by the IASB but had not yet been approved for use in the European Union:

- IFRS-17, Insurance Contracts supersedes IFRS 4 and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued to ensure that entities provide relevant and reliable information that gives a basis for users of the information to assess the effect that insurance contracts have on the annual accounts. Effective for annual periods beginning on or after 1 January 2021.
- IFRIC 22, Foreign Currency Transactions and Advance Consideration. This interpretation 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. Effective for annual periods beginning on or after 1 January 2018.
- IFRIC 23, Uncertainty over Income Tax Treatments. This interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over whether the relevant taxation authority will accept a tax treatment used by an entity. Effective for annual periods beginning on or after 1 January 2019.
- Amendments to IFRS 2 relating to certain specific parts of the standard. Effective for annual periods beginning on or after 1 January 2018.
- Amendments to IAS 40 clarifying the circumstances for the transfer of a property to, or from, investment property. Effective for annual periods beginning on or after 1 January 2018.
- Amendments to IFRS 9, Financial Instruments, Prepayment Features with Negative Compensation. Effective for annual periods beginning on or after 1 January 2019.
- Amendments to IAS 28, Investments in Associates and Joint Ventures, which clarify that IFRS 9 should be applied to long-term interests in an associate or joint venture to which the equity method is not applied. Effective for annual periods beginning on or after 1 January 2019.
- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture regarding clarification in relation to the gain or loss resulting from such transactions involving a business or assets. No set date for mandatory application.
- Amendments to IAS 19, Plan Amendment, Curtailment or Settlement Under the proposed amendments, when there is a change in a defined benefit plan (due to an amendment, curtailment or settlement), an entity is required to use updated assumptions in order to determine the current service cost and net interest for the remainder of the reporting period after the change to the plan. Effective for annual periods beginning on or after 1 January 2019.

The Group is analyzing the impact of the new standards and/or amendments to the existing ones, but they are not expected to have a significant effect on the consolidated annual accounts as at the date of their approval for use in the European Union.

a) Translation of foreign currency balances and transactions

Foreign currency transactions are translated to euros by applying the exchange rates prevailing at the date of the transaction. 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 result.

In presenting the consolidated statement of cash flows, cash flows arising from transactions in a foreign currency are translated to euros by applying the exchange rates at the date of the cash flow. The effect of exchange rate changes on cash and cash equivalents denominated in foreign currency is presented separately in the consolidated statement of cash flows under "Effect of Exchange Rate Changes on Cash and Cash Equivalents".

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost, including any additional costs incurred until the assets are ready for their intended use, less accumulated depreciation and any impairment losses or write-downs that have to be recognized (see Note 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 to 50 years
Fixtures, furniture and machinery (*)	8 to 15 years
Other property, plant and equipment	4 to 13 years

(*) In the case of assets located in leased premises, the depreciation rate is adapted to the estimated term of the lease if this is 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 recognized in profit or loss as they are incurred.

c) Rights over leased assets

These rights, known as leasehold assignment rights, access premiums or tenancy right waivers, relate to the amounts paid for lease rights over premises for access to commercial premises, in which the acquirer and the new lessee are subrogated to the rights and obligations of the transferor and former lessee under the previous lease.

Since these rights arose as a result of an acquisition for consideration, they were recognized as assets in the accompanying consolidated balance sheet.

These assets are recognized initially at acquisition cost and are subsequently measured at cost less accumulated amortization and any accumulated impairment losses. They are amortised on a straight- line basis over the term of the lease, except when, for legal reasons, the rights do not lose value, in which case they are determined to be intangible assets with indefinite useful lives and are therefore systematically tested for impairment.

In order to assess the possible existence of impairment of these assets, the Group uses the procedures described in Note 2.2-g, Impairment of non-current assets.

d) Other intangible assets

- Intellectual property: intellectual property is charged for the amounts paid for the acquisition of title to or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Group. It is amortised on a straight-line basis over a maximum period of ten years.

- Computer software: software is stated at cost and is amortised on a straight-line basis over a five-year period.

- Industrial designs: these items are reflected at their production cost, which includes the cost of samples, staff costs and other directly or indirectly attributable costs, and are amortised on a straight-line basis over an estimated useful life of two years.

The Group reviews the residual values and useful lives of its intangible assets at each reporting date. Any change in the initially established estimates would be accounted for as a change in an accounting estimate.

e) Financial investments

Investments in companies over which the Group does not exercise significant influence are stated at cost net of any impairment losses that have to be 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 2.2-g).

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 live, might have become impaired, in order to determine whether their recoverable amount is lower than their carrying amount (impairment loss). In the case of goodwill and intangible assets with indefinite useful lives the impairment tests are performed at least once a year or more frequently if there are indications of impairment.

Impairment of non-current assets (property, plant and equipment and intangible assets) other than goodwill 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, principally an analysis of commercial premises that have passed the initial period of consolidation determined by the Group for the generation of profits and which are incurring operating losses, as well as operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full. This methodology is applied to all the stores, except for those which, because of their importance, are considered to generate flows at a higher aggregation level (retail concept-country). The operating profit is defined as total sales revenue less all the directly attributable expenses required to generate that revenue.

For those cash-generating units (CGUs) that are scheduled to be closed, an impairment loss is recognized using the same methodology.

The recoverable amount of assets is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the expected future cash flows for the period in which these assets are expected to generate revenue, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset, and other factors that market participants would consider in pricing the future cash flows to be derived from the asset.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Based on the actual management of operations, the Group has defined each of the commercial premises in which it carries out its activities (stores) as basic cash-generating units, although these basic units can be aggregated at retail concept-country level, or even at the level of all the companies located in a given country or all the companies corresponding to a given concept (concept level). Group assets which are not clearly assignable under this structure (for example industrial or logistics assets) are treated separately in a manner consistent with this general policy but considering their specific nature. In this case, the aforementioned indicator of impairment is applied at a higher aggregation level (retail concept-country, country or concept) and if it is necessary to calculate the impairment, all the cash flows generated at that aggregation level must be capable of ensuring the recovery of all the assets associated therewith.

The Group uses the budgets and business plans, which generally cover a period of three years, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are based are estimated sales growth in comparable stores and the evolution of the operating expenses and gross profit of each of the cash-generating units, based on experience and knowledge of the trends in each of the markets in which the Group operates and on the macroeconomic indicators that reflect the current and foreseeable economic situation for each market.

The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases for the commercial premises or without any time limit in the case of company-managed premises (perpetual income). Where the growth rates exceed the industry or country rates, the latter reflect Group's best estimates regarding the business performance, based on its understanding of each market.

The discount rate applied is usually a pre-tax measure based on the risk-free rate for ten-year bonds issued by the governments in the relevant markets (or similar instruments, if no ten-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:

	2017 Average	2016 Average
Spain	5.45%	5.39%
Rest of Europe	6.23%	6.58%
Americas	8.49%	9.20%
Asia and rest of the world	6.98%	6.66%

The results obtained from the 2017 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 14 to the consolidated annual accounts relating to property, plant and equipment and rights over leased assets and other intangible assets.

The related charge for the period amounting to EUR 125 million (see Notes 7, 13 and 14) is due primarily to the impairment corresponding to the closures scheduled for 2018.

Impairment losses reversed in the period amounting to EUR 12 million (see Notes 7, 13 and 14) correspond to those CGUs for which impairment had been recognized in prior years and for which, due to their earnings performance, the calculation for the year shows that the estimated flows make it possible to recover the value of the assets associated with the CGUs and, consequently, the impairment losses recognized in prior years are fully or partially reversed.

Also, the Group analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.

- 5% reduction in future cash flows.

These sensitivity analyses, performed separately for each of the aforementioned assumptions, disclosed the potential existence of additional asset impairment amounting to EUR 2 million and EUR 2 million, respectively (EUR 2 million and EUR 1 million, respectively, in 2016).

Impairment of goodwill

Goodwill acquired through a business combination is allocated to the group of basic cash-generating units aggregated at concept-country level, for the purpose of performing the related impairment tests. This aggregation is made on the basis of:

- The degree of independence of the cash flows in each case.

- How the Group monitors the economic performance of its operations, and the model with which its operations are conducted.

- The degree to which the CGUs are subject to the same macroeconomic circumstances.

- The level with which the goodwill would be naturally associated on the basis of the business model.

In any case, this aggregation is never larger than an operating segment, as defined in IFRS 8.

Each year, or more often if there are indications of impairment, an impairment test is performed, using the methodology described in the preceding point, unless, if the CGU in question is an acquired company, the cash flow analysis is performed considering a period of five years, after which perpetual income is projected using a perpetuity growth rate of 2% with respect to the growth of the preceding period. The impairment tests for 2017 and 2016 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, disclosed the potential existence of additional asset impairment amounting to EUR 7 million, EUR 4 million and EUR 0 million, respectively (no additional impairment in 2016).

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 "Depreciation and Amortization Charge" 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 amortised cost using 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 consolidated income statement.

i) Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value.

The cost of inventories comprises all costs of purchase and costs of conversion, as well as design, logistics and transport costs and any directly allocable costs incurred in bringing the inventories to their present location and condition.

The costs of conversion comprise the costs directly related to the units of production and a systematically calculated portion of indirect, variable and fixed costs incurred during the conversion process.

Cost is calculated on a FIFO basis and includes the cost of materials consumed, labour and manufacturing expenses.

The cost of inventories is adjusted through "Cost of Sales" in the consolidated income statement when cost exceeds net realisable value. Net realisable value is understood to be:

- Raw materials and other supplies: replacement cost. However, raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be disposed of at or above production cost.

- Finished goods for sale: estimated selling price in the normal course of business.

- Goods in progress: the estimated selling price for the corresponding finished goods, less estimated costs of completion.

j) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, on initial investment. Investments which mature in less than three months from the acquisition date are also included.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognized in the consolidated balance sheet as financial liabilities relating to bank borrowings.

k) Current financial investments

Current financial assets 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 2018.

The staff costs incurred in the year are determined based on the best estimate of the degree to which the conditions giving entitlement to payment have been met and the period that has elapsed since the commencement of the vesting period for each of the obligations.

The staff costs incurred in relation to the beneficiaries of the plans referred to in Note 26 to the consolidated annual accounts are recognized with a credit to liability and equity accounts in the period in which the costs 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 will no longer be required to settle the obligation, the provision is reversed. The provision is reversed against the consolidated income statement item where the corresponding expense was 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.

On the other hand, contingent liabilities are possible obligations that arise as a result of past events, whose future materialization is conditioned by whether or not one or more future events beyond the control of the Group occur. Unlike provisions, contingent liabilities are not recognized in the consolidated balance sheet, but are disclosed in the accompanying Notes to the annual accounts, unless the possibility of an outflow in settlement is considered to be remote.

The Group guarantees the debts of certain companies in the Netherlands, pursuant to the provisions of Article 403.1, Book 2, Part 9 of the Civil Code of the Netherlands.

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 amortised 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 statement of profit or loss 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 2 instruments

The Group assigns the assets and liabilities associated with its OTC derivative positions to this level and measures them using observable market inputs.

The Group does not have financial instruments included in the Level 1 or 3.

Accordingly, the fair value of the hedging instruments arranged by the Group is calculated as follows:

Foreign currency forwards

Fair value measurement:

Foreign currency forwards are basically measured by comparing the contract strike price (agreed delivery price) with the market forward rate for the maturity of the contract. Once the estimated future settlement of the contract has been obtained based on the aforementioned comparison (in euros), the settlement is discounted using the risk free zero coupon yield curve (or the interbank yield curve). This risk free valuation is subsequently adjusted to include each party's credit risk, both the risk corresponding to the counterparty (Credit Value Adjustment ("CVA") or counterparty default risk) and own risk (Debit Value Adjustment ("DVA") or own default risk).

The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs. The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

Cross-currency swaps

Fair value measurement:

- Cross currency swaps are basically measured by discounting the future cash flows of each leg of the derivative (swap) with the corresponding risk free yield curve (in the applicable currency). Subsequently, the present value of the leg that is not denominated in euros is translated to euros (using the current spot exchange rate) and the risk free value is calculated as the difference between the present value of the receiving leg and the present value of the paying leg. The discount curves are adjusted for the cross currency (basis) swap corresponding to the currency pair.
- The risk free portion is then adjusted to include the credit risk adjustment: both the CVA (Credit Value Adjustment - counterparty default risk) and the DVA (Debit Value Adjustment - own default risk).
- The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs.
- The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

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 behaviour 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. At year-end the effect of the provision for expected sales returns on the accompanying consolidated income statement is not material.

Sales of goods to franchisees 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 "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 in force 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 realised or the liability is settled, based on tax rates and tax laws that are in force at the balance sheet date, and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are 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 utilised. 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 realise 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 realisation 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 2017 and 2016 is as follows:

	2017	2016
Net sales in company-managed stores and online	23,128	21,244
Net sales to franchises	1,990	1,839
Other sales and services rendered	218	228
Total	**25,336**	**23,311**

6.4. COST OF SALES

The detail of this line item in 2017 and 2016 is as follows:

	2017	2016
Raw materials and consumables	11,212	10,386
Change in inventories	(219)	(406)
Change in provisions	83	52
Total	**11,076**	**10,032**

Raw materials and consumables include mainly amounts relating to the acquisition from or production by third parties of products held for sale or conversion, and other direct expenses related to the acquisition of goods (see Note 2.2-i).

6.5. OPERATING EXPENSES

The detail of "Operating expenses" and of the changes therein is as follows:

	2017	2016
Personnel expenses	3,961	3,643
Operating leases (Note 24)	2,358	2,221
Other operating expenses	2,625	2,312
Total	**8,944**	**8,176**

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2018 is as follows:

	Gender		
Categories:	**W**	**M**	**Total**
Manufacturing and logistics	4,645	5,908	10,553
Central services	7,315	4,427	11,743
Stores	117,395	32,148	149,543
Total	**129,355**	**42,483**	**171,839**

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**

Lease expenses relate mainly to the rental, through operating leases, of the commercial premises in which the Group carries on its business activities. This line item also includes lease incentives, which are recognized in profit or loss. Note 24 provides more detailed information on the main terms of these leases, together with the related future minimum payment obligations.

The detail of "Other Operating Expenses" is as follows:

Other operating expenses	**2017**	**2016**
Indirect Selling Expenses	1,266	1,061
Administrative Expenses	492	432
Maintenance, Repairs and Utilities	443	418
Other	423	402
Total	**2,625**	**2,312**

"Indirect Selling Expenses" includes mainly expenses relating to store operations, commissions on credit, debit card payments and logistics. "Administrative Expenses" includes all kinds of professional services, "Maintenance, Repairs and Utilities" includes maintenance and utilities expenses and "Other" includes mainly travel, communications and other operating expenses.

6.6. OTHER LOSSES AND INCOME, NET

This heading includes extraordinary staff costs incurred in the year and the changes in the prices of the debts 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 there is a description of the main cross put and call options on those investments:

a) Subsidiary domiciled in Mexico

The Group holds a call option on 5% of the share capital of Bershka México, S.A. de C.V. owned by a non-controlling shareholder. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

b) Subsidiary domiciled in South Korea

The Group holds a call option on 20% of the share capital of Zara Retail Korea, Ltd. This ownership interest is held by Lotte Shopping Co., Ltd., which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

c) Subsidiary domiciled in South Africa

The Group holds a call option on 10% of the share capital of ITX Fashion Retail South Africa (Proprietary), LTD. This ownership interest is held by Peter Vundla Retail (Propietary), LTD, which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

d) Subsidiary domiciled in Australia

The Group holds a call option on 10% of the share capital of Group Zara Australia, PTY. LTD. The 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 non- controlling shareholder's share of the equity of the investee when the call option is exercized.

6.7. AMORTIZATION AND DEPRECIATION

The detail of "Amortization and depreciation Charge" is as follows:

	2017	2016
Amortization and depreciation charge (Notes 13 and 14)	1,108	968
Variation in impairment losses (Notes 13 and 14)	114	36
Profit/(loss) on assets (Notes 13 and 14)	(257)	70
Other	(2)	(12)
Total	**963**	**1,063**

6.8. FINANCIAL RESULTS

The detail of "Financial Results" in the consolidated income statement for 2017 and 2016 is as follows:

	2017	2016
Finance income	26	21
Foreign exchange gains	29	17
Total income	**55**	**38**
Finance costs	(10)	(8)
Foreign exchange losses	(49)	(21)
Total expenses	**(59)**	**(28)**
Total	**(5)**	**10**

Finance income and costs comprise mainly the interest accrued on the Group's financial assets and liabilities during the year (see Note 19). Net foreign exchange differences are due principally to fluctuations in the currencies with which the Group operates (see Note 25) between the time when income, expenses and asset acquisitions or disposals are recognized and when the corresponding assets or liabilities are realized or settled or translated in accordance with the applicable accounting principles.

6.9. EARNINGS PER SHARE

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group (see Note 22), which totalled 3,113,218,213 in 2017 and 3,113,647,003 in 2016.

Diluted earnings per share are calculated based on the profit for the year attributable to the holders of equity instruments of the Company and the weighted average number of ordinary shares outstanding, after adjustment for the dilutive effects of potential ordinary shares.

At the end of 2017 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 concepts targeted at different sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units are influenced mainly by the particular commercial concept to which the units belong. The internal structure of the Inditex Group, the business decision-making process and the system for communicating information to the Board of Directors and Group management are organised by commercial concept and geographical area.

The key business indicators, understood to be those which form part of the segment information reported periodically to the Board of Directors and management of the Group and which are used in the decision- making process, are sales and operating profit by segment.

The segment liabilities, financial results and taxes are not disclosed as they do not form part of the key business indicators defined above or of the segment information reported periodically to the Board of Directors and management of the Group.

The Inditex Group segment information is as follows:

FY 2017	ZARA	Bershka	Other	Inter-segment	Total
Sales to third parties	16,721	2,228	6,491	(104)	25,336
Segment EBIT	3,027	354	948	(14)	4,314
Amortization and depreciation	450	110	389	15	963
Segment total assets	15,420	993	3,818		20,231
ROCE	30%	57%	38%		33%
Number of stores	2,251	1,098	4,126		7,475

FY 2016	ZARA	Bershka	Other	Inter-segment	Total
Sales to third parties	15,483	2,013	5,908	(94)	23,311
Segment EBIT	2,764	333	923	1	4,021
Amortization and depreciation	659	88	316	(1)	1,063
Segment total assets	15,074	938	3,610		19,621
ROCE	30%	58%	40%		33%
Number of stores	2,213	1,081	3,998		7,292

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 depreciation and amortization charge 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 allocated to each of the segments based on distribution criteria considered reasonable by Group management. Transactions between the various segments are carried out on an arm's length basis.

Total segment assets relate to "Total Assets" in the consolidated balance sheet.

The ROCE is calculated as defined in the initial Note to these consolidated annual accounts.

Zara was the first concept created by the Inditex Group and its positioning is based on a fashion offering featuring a wide range of products.

Bershka targets the younger consumers and its aim is to offer the latest fashion at affordable prices.

Geographical reporting

In the presentation of information by geographical segment, revenue is based on the geographical location of customers and segment non-current assets are based on the geographical location of assets. Segment non-current assets do not include deferred tax assets neither financial instruments.

	Net Sales		Non-current assets	
	2017	2016	31/01/18	31/01/17
Spain	4,424	4,251	3,056	2,806
Rest of Europe	11,954	10,796	3,458	3,188
Americas	3,877	3,484	1,421	1,495
Asia and rest of the world	5,081	4,779	884	958
Total	**25,336**	**23,311**	**8,820**	**8,447**

6.11. TRADE AND OTHER RECEIVABLES

The detail of this line item at 31 January 2018 and 2017 is as follows:

	31/01/18	31/01/2017
Trade receivables	202	232
Receivables due to sales to franchises	231	233
Public entities	198	278
Other current receivables	147	118
Total	**778**	**861**

Trade receivables are mainly customer debit/credit card payments pending collection.

Part of the Group's activity is carried on through franchised stores (see Note 1). Sales to franchisees are made under agreed collection terms, which are partially guaranteed as described in Note 25.

Balances receivable from public authorities comprise VAT and other taxes and duties incurred by Group companies in the countries in which they operate.

Other current receivables include items such as rental incentives due from shopping centre developers (see Note 24) and outstanding balances from sundry operations.

6.12. INVENTORIES

The detail of this line item at 31 January 2018 and 2017 is as follows:

	31/01/18	31/01/17
Raw materials and consumables	101	96
Goods in process	28	33
Finished goods for sale	2,556	2,420
Total	**2,685**	**2,549**

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 01/02/2016	1,873	8,864	479	510	11,726
Acquisitions	7	1,215	106	211	1,539
Disposals	(4)	(443)	(53)	-	(500)
Transfers	274	65	58	(399)	(1)
Foreign exchange translation differences	10	92	8	(1)	109
Balance at 31/01/2017	**2,161**	**9,792**	**599**	**321**	**12,872**
Balance at 01/02/2017	2,161	9,792	599	321	12,872
Acquisitions	45	1,390	109	279	1,822
Disposals (Note 7)	(62)	(593)	(26)	-	(681)
Transfers	16	174	13	(204)	-
Foreign exchange translation differences	(80)	(337)	(18)	(9)	(444)
Balance at 31/01/2018	**2,080**	**10,425**	**677**	**387**	**13,568**
Depreciation					
Balance at 01/02/2016	305	4,522	229	-	5,055
Depreciation charge for the year	39	720	73	-	832
Disposals	(1)	(381)	(27)	-	(409)
Transfers	-	(1)	-	-	(1)
Foreign exchange translation differences	1	20	3	-	24
Balance at 31/01/2017	**343**	**4,880**	**278**	**-**	**5,501**
Balance at 01/02/2017	343	4,880	278	-	5,501
Depreciation charge for the year (Note 7)	36	844	86	-	966
Disposals (Note 7)	(19)	(490)	(21)	-	(530)
Transfers	1	(1)	-	-	-
Foreign exchange translation differences	(7)	(131)	(10)	-	(148)
Balance at 31/01/2018	**354**	**5,101**	**334**	**-**	**5,789**
Impairment losses (Note 2.2-g)					
Balance at 01/02/2016	2	71	1	-	74
Charge for the year	-	47	2	-	49
Amounts charged to profit or loss	-	(15)	-	-	(16)
Disposals	-	(15)	-	-	(15)
Transfers	-	(5)	-	-	(5)
Foreign exchange translation differences	-	1	-	-	1
Balance at 31/01/2017	**2**	**84**	**2**	**-**	**88**
Balance at 01/02/2017	2	84	2	-	88
Charge for the year (Note 7)	-	104	6	-	110
Amounts charged to profit or loss (Note 7)	-	(10)	-	-	(11)
Disposals (Note 7)	-	(41)	(1)	-	(42)
Transfers	(1)	(5)	-	-	(6)
Foreign exchange translation differences	-	(3)	-	-	(3)
Balance at 31/01/2018	**1**	**129**	**6**	**-**	**136**
Carrying amount					
Balance at 31/01/2017	**1,816**	**4,828**	**318**	**321**	**7,283**
Balance at 31/01/2018	**1,725**	**5,196**	**336**	**387**	**7,644**

"Fixtures, Furniture and Machinery" includes mainly assets related to stores.

"Other Items of Property, Plant and Equipment" includes, *inter alia*, information technology equipment and motor vehicles.

Disposals comprise mainly assets related to the commercial premises at which the Group carries out its commercial activities.

In 2017, 15 properties were sold for a net amount of EUR 356 million. The gain on this transaction is included in the "Profit/ (loss) on assets" line item, as are the losses incurred on closures or refurbishments carried out in 2017 (see Note 7, Amortization and depreciation).

The cash flow associated with the sale is presented under "Collections Relating to Divestments of Property, Plant and equipment" in the consolidated statement of cash flows.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of EUR 2,117 million and EUR 1,949 million at 31 January 2018 and 31 January 2017, respectively.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2-g).

Through its corporate risk management policy, the Group identifies, assesses and controls damage and liability-related risks to which the Group companies are exposed. It does this by compiling and measuring the main risks of damage, loss of profits and liability affecting the Group and implements prevention and protection policies aimed at reducing, to the extent possible, the frequency and intensity of these risks.

Likewise, standard measurement criteria are established at corporate level which enables the different risks to which the Group is exposed to be quantified, measured and insured.

Lastly, the Group takes out insurance policies through corporate insurance programmes to protect its assets from the various risks, and establishes suitable limits, excesses and conditions in view of the nature of the assets and the financial dimension of the Group.

6.14. RIGHTS OVER LEASED ASSETS AND OTHER INTANGIBLE ASSETS

"Rights over Leased Assets" include amounts paid in respect of leasehold assignment, access premiums or tenancy right waivers and indemnities in order to lease commercial premises.

The payments for these rights are attributable to the leased assets and the related cost is allocated to profit or loss in accordance with the terms and conditions of the leases over the lease term.

At 31 January 2018, "Rights over leased assets" included items with an indefinite useful life amounting to EUR 132 million (EUR 134 million at 31 January 2017). The useful life of these assets is reviewed at year-end and no events or circumstances altering this indefinite useful life assessment were identified. The Group does not have any other intangible assets with an indefinite useful life.

"Other Intangible Assets" includes basically amounts paid for the registration and use of Group brand names, industrial designs of items of clothing, footwear, accessories and household goods created during the year, and the cost of software applications.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2-g).

The detail of "Other Intangible Assets" in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	Rights over leased assets	Patents and similar intangibles	Software	Other intangible assets	Total
Cost					
Balance at 01/02/2016	1,008	28	121	174	1,331
Acquisitions	51	2	48	77	178
Disposals	(33)	-	-	(78)	(111)
Transfers	(1)	-	6	(6)	(1)
Foreign exchange translation differences	(2)	-	-	-	(1)
Balance at 31/01/2017	**1,024**	**30**	**175**	**167**	**1,396**
Balance at 01/02/2017	1,024	30	175	167	1,396
Acquisitions	25	3	67	84	179
Disposals (Note 7)	(51)	-	(1)	(68)	(120)
Transfers	-	-	-	-	-
Foreign exchange translation differences	(17)	-	-	-	(18)
Balance at 31/01/2018	**981**	**33**	**240**	**183**	**1,437**
Amortization					
Balance at 01/02/2016	495	17	47	68	627
Amortization charge for the year	41	3	24	68	136
Disposals	(25)	-	-	(66)	(92)
Transfers	-	-	-	-	-
Foreign exchange translation differences	(2)	-	-	-	(2)
Balance at 31/01/2017	**508**	**20**	**71**	**70**	**669**
Balance at 01/02/2017	508	20	71	70	669
Amortization charge for the year (Note 7)	38	2	26	76	142
Disposals (Note 7)	(38)	-	(1)	(64)	(103)
Transfers	-	-	-	-	-
Foreign exchange translation differences	(6)	-	-	-	(6)
Balance at 31/01/2018	**502**	**22**	**96**	**82**	**703**
Impairment losses (Note 2. 2-g)					
Balance at 01/02/2016	9	-	-	-	9
Impairment charge for the year	5	-	-	-	5
Amounts charge to profit or loss	(2)	-	-	-	(2)
Disposals	(1)	-	-	-	(1)
Transfers	-	-	-	-	-
Foreign exchange translation differences	-	-	-	-	-
Balance at 31/01/2017	**12**	**-**	**-**	**-**	**12**
Balance at 01/02/2017	12	-	-	-	12
Impairment charge for the year (Note 7)	15	-	-	-	15
Amounts charge to profit or loss (Note 7)	(1)	-	-	-	(1)
Disposals (Note 7)	(2)	-	-	-	(2)
Transfers	(1)	-	-	-	(1)
Foreign exchange translation differences	-	-	-	-	-
Balance at 31/01/2018	**22**	**-**	**-**	**-**	**23**
Carrying amount					
Balance at 31/01/2017	**505**	**10**	**103**	**97**	**716**
Balance at 31/01/2018	**457**	**11**	**144**	**101**	**712**

The Group capitalized EUR 67 million in 2017 (EUR 48 million in 2016) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized EUR 84 million (EUR 77 million in 2016) in respect of the development of industrial designs and other intangibles associated with the Group's activity that meet the requirements for capitalization under IAS 38.

6.15. GOODWILL

The detail of this line item in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	2017	2016
Opening balance	196	193
Acquisitions	11	-
Foreign exchange translation differences	-	2
Closing balance	**207**	**196**

Investee	2017	2016
Stradivarius España, S.A.	53	53
Italco Moda Italiana, LDA.	51	51
Zara Polska, S.p. Zo.o.	35	34
Massimo Dutti Benelux, N.V.	20	20
BCN Diseños, S.A. de C.V.	10	10
Zao Zara CIS	10	10
Rest	28	17
Closing balance	**207**	**196**

The goodwill arising from the acquisition or termination of franchise contracts corresponds to the amount of the intangible assets that did not meet the requirements established in IFRS 3 for separate recognition. These requirements related essentially to the capacity of the assets to generate future cash flows.

The recovery of the goodwill is adequately guaranteed through the profitability of the acquired companies, whose future cash flows support the carrying amount of goodwill at year-end (see Note 2.2-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 2.2- g).

6.16. FINANCIAL INVESTMENTS

The detail of this line item in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	Loans and other credit facilities	Investments accounted for using the equity method	Others	Total
Balance at 01/02/2016	7	175	2	184
Acquisitions	14	48	-	62
Disposals	(1)	(27)	-	(29)
Transfers	12	-	-	12
Foreign exchange translation differences	(1)	3	-	2
Balance at 31/01/2017	**31**	**198**	**2**	**231**
Balance at 01/02/2017	31	198	2	231
Acquisitions	24	42	-	67
Disposals	(22)	(21)	-	(43)
Transfers	(11)	-	-	(11)
Foreign exchange translation	(1)	(5)	-	(7)
Balance at 31/01/2018	**21**	**214**	**2**	**237**

The carrying amount of the ownership interest in the Tempe Group in the accompanying consolidated balance sheet does not differ significantly from the value of the Group's share of the net assets of the Tempe Group (see Note 27).

There are no significant restrictions of any kind on the Tempe Group's ability to transfer funds to the Group in the form of cash dividends or the repayment of loans or advances granted by the Group.

6.17. OTHER NON-CURRENT ASSETS

The detail of this line item in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	Guarantees	Other	Total
Balance at 01/02/2016	461	62	524
Acquisitions	37	16	53
Disposals	(24)	-	(24)
Profit/(Loss) for the year	(1)	(4)	(5)
Transfers	(1)	(1)	(2)
Foreign exchange translation differences	10	(2)	8
Balance at 31/01/2017	**483**	**71**	**554**
Balance at 01/02/2017	483	71	554
Acquisitions	20	5	25
Disposals	(28)	(1)	(29)
Profit/(Loss) for the year	-	(4)	(4)
Transfers	-	(7)	(7)
Foreign exchange translation differences	(17)	(1)	(19)
Balance at 31/01/2018	**457**	**62**	**520**

The guarantees and deposits relate mainly to security deposits paid to owners of leased commercial premises to ensure compliance with the conditions stipulated in the leases (see Note 24), and to amounts paid to secure compliance with contracts in force.

These amounts are recognized at their repayment value, which coincides with the consideration transferred.

6.18. TRADE AND OTHER PAYABLES

The detail of this line item in the consolidated balance sheets at 31 January 2018 and 2017 is as follows:

	31/01/2018	31/01/2017
Trade payables	3,577	3,471
Personnel	354	377
Public entities	469	757
Other current payables	505	490
Total	**4,906**	**5,095**

The following table shows the information on the average period of payment to suppliers required by Law 15/2010, of 5 July:

	Current period 2017	Current period 2016
	Days	**Days**
Average period of payment to suppliers:	35.84	35.56
Ratio of transactions settled:	35.84	35.64
Ratio of transactions not yet settled:	35.78	34.42
	Amount	**Amount**
Total payments made (in million of euros):	3,245	2,918
Total payments outstanding (in million of euros):	222	199

This information relates to suppliers and creditors of Group companies domiciled in Spain.

6.19. NET FINANCIAL POSITION

The detail of the Group's net financial position is as follows:

	31/01/2018	31/01/2017
Cash in hand and at banks	1,925	1,807
Short-term deposits	2,938	2,125
Fixed-income securities	68	184
Total cash and cash equivalents	**4,931**	**4,116**
Current financial investments	1,472	2,037
Current financial debt	(12)	(62)
Non-current financial debt	(4)	-
Net financial position	**6,387**	**6,090**

"Cash on Hand and at Banks" includes cash on hand and in demand deposits at banks. "Short-Term Deposit" and "Fixed-Income Securities" include term deposits and units in money market investment funds that use unitholders' contributions to acquire fixed-income securities with maturities of less than three months that have a high credit rating, are highly liquid and convertible to known amounts of cash, and are subject to an insignificant risk of changes in value. All the balances under this line item are unrestricted as to their use and there are no guarantees or pledges attached to them.

"Current Financial Investments" on the asset side of the consolidated balance sheet relates mainly to investments in money market investment funds and fixed-income securities, with maturities ranging from three to twelve months, all of which have high credit ratings and are highly liquid.

The detail of the Group's bank borrowings and obligations under finance leases is as follows:

31/01/2018	Current	Non-current	Total
Loans	11	1	12
Finance leases	1	2	3
	12	**4**	**16**

31/01/2017	Current	Non-current	Total
Loans	61	-	61
Finance leases	-	-	1
	62	**-**	**62**

At 31 January 2018, the Group had a limit of EUR 5,377 million on its drawable financing facilities (EUR 4,246 million at 31 January 2017). 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:

	31/01/2018	31/01/2017
Euro	4	-
Turkish lira	7	2
British pound	-	54
Chinese yen	-	1
South Korean WON	-	4
Indian Rupee	5	-
	16	**62**

The maturity schedule of the Group's bank borrowings at 31 January 2018 and 2017 was as follows:

	31/01/2018	31/01/2017
Less than one year	12	62
Between one and five years	4	-
	16	**62**

6.20. PROVISIONS

The detail of this line item in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	Pensions and similar obligations with personnel	Liability	Other provisions	Total
Balance at 01/02/2016	33	57	55	145
Provisions recorded during the year	20	53	19	92
Disposals	(1)	(3)	(2)	(6)
Transfers	3	5	-	8
Foreign exchange translation differences	-	1	2	3
Balance at 31/01/2017	**55**	**112**	**75**	**242**
Balance at 01/02/2017	55	112	75	242
Provisions recorded during the year	40	8	9	56
Disposals	(3)	(26)	(2)	(31)
Transfers	2	-	-	2
Foreign exchange translation differences	(2)	(1)	(7)	(10)
Balance at 31/01/2018	**92**	**93**	**74**	**259**

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 2018. The estimated average payment period for the amounts provisioned is between three and five years.

Provision for liabilities

The amounts shown here correspond to present obligations due to legal claims or constructive obligations arising from past events which will probably result in an outflow of resources and can be reliably estimated. At the date of preparation of these consolidated annual accounts there were no legal proceedings the final outcome of which could significantly affect the Group's equity position.

In estimating the amounts provisioned at year-end, the Group used the following hypotheses and assumptions:

- Maximum amount of the contingency
- Foreseeable evolution and factors on which the contingency depends

The estimated average payment period for the amounts provisioned depends largely on the local legislation of each of the markets in which the Group operates. An analysis is performed each year of the portion that will foreseeably have to be paid the following year and the related amount is transferred to current payables.

The Directors of Inditex consider that the provisions recorded in the consolidated balance sheet adequately cover the risks relating to litigation, arbitration and other contingencies and do not expect any liabilities additional to those recognized to arise therefrom.

6.21. OTHER NON-CURRENT LIABILITIES

The detail of this line item in the consolidated balance sheet and of the changes therein in 2017 and 2016 is as follows:

	Lease incentives	Other	Total
Balance at 01/02/2016	731	74	805
Acquisitions	165	-	165
Changes through profit or loss	14	21	34
Disposals	(3)	-	(3)
Transfers	(81)	(10)	(91)
Foreign exchange translation differences	11	-	11
Balance at 31/01/2017	**836**	**84**	**920**
Balance at 01/02/2017	836	84	920
Acquisitions	217	1	218
Changes through profit or loss	18	16	34
Disposals	(2)	-	(2)
Transfers	(99)	(12)	(112)
Foreign exchange translation differences	(53)	-	(53)
Balance at 31/01/2018	**917**	**89**	**1,005**

6.22. CAPITAL AND RESERVES

Share capital

At 31 January 2018 and 2017, the Parent's share capital amounted to EUR 94 million, and was divided into 3,116,652,000 fully subscribed and paid shares of EUR 0.03 par value each. All the shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2018 and 2017 amounted to EUR 20 million, while retained earnings amounted to EUR 3,918 million and EUR 3,667 million, respectively. The Parent's legal reserve, amounting to EUR 19 million, was recognized in compliance with Article 274 of the Spanish Companies Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that sufficient other reserves are not available for this purpose, the reserve must be replenished with future profits. At 31 January 2018 and 2017, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2018 include restricted reserves amounting to EUR 467 million (EUR 433 million at 31 January 2017) whose distribution is limited due to domestic legal requirements (basically bylaw reserves).

INDITEX shares are listed on the four Spanish stock exchanges. The shares are represented by book entries. Notwithstanding the above, pursuant to Article 497 of the Spanish Companies Act, in 2017 Inditex contracted Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) to provide the daily share ownership notification service. As per the Parent's shareholder register, as well as the information provided by the shareholder Rosp Corunna Participaciones Empresariales, S.L. to Inditex, and also per the public information registered at the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly owned, at 31 January 2018 and 2017, 59.362% and 59.359% respectively of the Parent's share capital (see Note 29). At 31 January 2018 and 2017, Pontegadea Inversiones, S.L. held 50.010% of the shares of INDITEX.

Dividends

The dividends paid by the Parent in 2017 and 2016 amounted to EUR 2,117 million and EUR 1,868 million, respectively. These amounts correspond to payments of EUR 0.68 per share in 2017 and EUR 0.60 per share in 2016.

The distribution of profit proposed by the Board of Directors is shown in Note 28.

Treasury shares

The Annual General Shareholders´ Meeting held on 16 July 2013 approved the 2013-2017 Long-Term Share-Based Incentive Plan, which was already accrued and settled (see Note 27 to the annual accounts for 2016), and authorized the Board of Directors to derivatively acquire treasury shares to cater for that plan. Similarly, the shareholders at the Annual General Shareholders´ Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this Plan.

At 31 January 2017, the Parent owned a total of 3,610,755 treasury shares, representing 0.116% of the share capital.

On the other hand, in order for the Parent 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 Parent acquired shares until it reached a total of 4,004,029, representing 0.13% of the share capital.

In 2017 settlement of the second cycle (2014-2017) of the 2013-2017 Long-Term Share-Based Incentive Plan took place, with the corresponding shares being delivered to the beneficiaries of the aforementioned second cycle of the Plan. At 31 January 2018, the Parent owned 2,950,143 treasury shares, representing 0.095% of the share capital.

6.23. 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.	Kiddy's Class España, S.A.	Stear, S.A.
Bershka Diseño, S.L.	Lefties España, S.A.	Stradivarius Diseño, S.L.
Bershka Logística, S.A.	Lefties Logística, S.A.	Stradivarius España, S.A.
Born, S.A.	Massimo Dutti Diseño, S.L.	Stradivarius Logística S.A
Choolet, S.A.	Massimo Dutti Logística, S.A.	Tordera Logística, S.L.
Comditel, S.A.	Massimo Dutti, S.A.	Trisko, S.A.
Confecciones Fíos, S.A.	Nikole, S.A.	Uterqüe Diseño, S.L.
Confecciones Goa, S.A.	Nikole Diseño, S.L.	Uterqüe España, S.A.
Denllo, S.A.	Oysho España, S.A.	Uterqüe Logística, S.A.
Fashion Logistics Forwarders, S.A.	Oysho Diseño S.L	Uterqüe, S.A.
Fashion Retail, S.A.	Oysho Logística, S.A.	Zara Diseño, S.L.
Fibracolor, S.A.	Plataforma Cabanillas, S.A.	Zara España, S.A.
Glencare, S.A.	Plataforma Europa, S.A.	Zara Home Diseño, S.L.
Goa Invest S.A,	Plataforma Logística León, S.A.	Zara Home España, S.A.
Grupo Massimo Dutti, S.A.	Plataforma Logística Meco, S.A.	Zara Home Logística, S.A.
Hampton, S.A.	Pull & Bear Diseño, S.L.	Zara Logística, S.A.
Inditex, S.A.	Pull & Bear España, S.A.	Zara, S.A.
Inditex Logística, S.A.	Pull & Bear Logística, S.A.	Zintura S.A.
Invercarpro, S.A.	Samlor, 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 "Current Income Tax Payable" in the consolidated balance sheet corresponds to the provision for income tax relating to the profit for 2017, net of withholdings and pre-payments made during the period. "

Trade and Other Payables" includes the liability relating to the other applicable taxes.

The balance of "Current Income Tax Assets" in the consolidated balance sheet corresponds essentially to income tax 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 for the period.

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 and other tax charges arising from compliance with the legislation that governs income tax. 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:

	2017	2016
Current taxes	984	995
Deferred taxes	(5)	(78)

The reconciliation of the income tax expense that would result from applying the standard tax rate in force in Spain to the profit before tax and the income tax expense recognized in the consolidated income statement for 2017 and 2016 is as follows:

	2017	2016
Consolidated accounting profit for the year before taxes	4,351	4,078
Tax expense at tax rate in force in the country of the Parent	1,088	1,020
Net permanent differences	(145)	(175)
Effect of application of different tax rates	(45)	(74)
Adjustments to prior year's taxes	23	38
Tax withholdings and other adjustments	78	117
Adjustments to deferred tax assets and liabilities	10	5
Tax withholdings and tax benefits	(30)	(14)
Income tax expense	**979**	**917**

The permanent differences correspond mainly to non-deductible expenses and taxable income relating to the contribution of rights to use certain assets to a subsidiary.

The consolidated Group companies availed themselves of tax benefits provided for in the tax legislation prevailing in each country amounting to EUR 30 million at 31 January 2018 (31 January 2017: EUR 14 million). These tax benefits relate mainly to tax credits for investments, double taxation tax credits 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 as at 31 January 2018 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:	2017	2016
Provisions	116	105
Non-current assets	144	143
Lease incentives	53	48
Valuation adjustments	56	48
Tax losses	79	101
Intra-Group transactions	179	181
Other	115	96
Total	**744**	**722**

Deferred tax liabilities arising from:	2017	2016
Leases	-	1
Intra-Group transactions	126	134
Non-current assets	60	52
Valuation adjustments	22	32
Other	59	39
Total	**268**	**257**

These balances were determined using the tax rates that, based on enacted tax laws, will be in force in the period when they are expected to reverse, and in some cases these tax rates may differ from the tax rates in force in the present year.

The expense for deferred income tax was adjusted for the difference between the balances calculated at the tax rate in force at the end of the present year and those calculated at the new tax rates at which they will reverse.

The changes in deferred tax assets and liabilities in 2017 and 2016 were as follows:

Deferred tax assets	2017	2016
Opening balance	722	693
Charge/Credit to profit or loss	33	30
Charge/Credit to equity	(11)	1
Transfers	-	(3)
Closing balance	**744**	**722**

Deferred tax liabilities	2017	2016
Opening balance	257	285
Charge/Credit to profit or loss	13	(43)
Charge/Credit to equity	(2)	18
Transfers	-	(3)
Closing balance	**268**	**257**

At 31 January 2018, the Group had tax losses of EUR 372 million (EUR 416 million at 31 January 2017) 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 EUR 79 million at 31 January 2018 (31 January 2017: EUR 101 million). The Group, based on the methodology established for verifying the existence of indications of impairment on its non-current assets (see Note 2.2-g), constructs the assumptions for analysing 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 EUR 28 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 Italy and the US. 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 that 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.

6.24. OPERATING LEASES

Most of the commercial premises at which the Group carries on its retail distribution activities are leased from third parties. These leases are classified as operating leases because they do not transfer the risks and rewards incidental to ownership of the underlying assets, since:

- ownership of the asset is not transferred to the lessee by the end of the lease term;
- the lessee does not have an option to purchase the leased asset;
- the leases have an initial term of between 10 and 15 years, which is shorter than the estimated useful life of assets of this nature (see Note 2.2-c);
- at the inception of the lease, the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

Due, *inter alia*, to the presence of the Group in various countries, the resulting variety of legislation governing leases and the diverse nature and economic status of the owners, its leases are regulated by a broad range of clauses.

In many cases the leases simply establish a fixed lease payment, normally made on a monthly basis and, which may be adjusted in accordance with rent revision rules, including most notably, among others, revisions in line with inflation on the basis of price indices correcting the amounts paid for the effect of inflation and periodic rent revisions to bring the amounts paid into line with market prices. In other cases the amounts payable to the lessor are determined as a percentage of the sales obtained by the Group in the leased premises. These variable lease payments or contingent rent may be instrumented through advance rental payments, have guaranteed minimum amounts or certain specific calculation rules attached. Occasionally, escalating rental payments or rent-free grace periods are agreed, which means cash outflows can be reduced at the start of the lease, even if the expense is recognized on a straight-line basis (see Note 2.2-q).

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 14) and are generally amortized over the term of the lease.

On certain occasions, shopping centre developers or the owners of leased premises make contributions towards the establishment of the Group's business in their premises. These contributions are treated as lease incentives (see Note 21) and are recognized in the income statement on a straight-line basis over the lease term.

There is also a wide variety of different lease terms, although they generally have an initial term of between 10 and 15 years. Also, in most cases the lessee has the power to renew the lease and extend the related lease term.

Often, legislation or the leases themselves acknowledge the right of the lessee to terminate the lease. Most leases provide for the option for the Group of terminating the lease within five years on average, it being possible to terminate the contractual relationship after this period provided that the previously agreed-upon notice (e.g. three months) is duly served. Clauses that allow for the termination of leases at any time during their term are also common, only requiring advance notice within the agreed term. Some leases combine the minimum term obligations with get-out clauses that may only be exercised at certain times during the term of the lease (e.g. every three or five years). In other less frequent cases, however, the Group is obliged to see out the full term of the lease.

The detail of the operating lease expense is as follows:

	2017	2016
Minimum payments	1,913	1,820
Contingent rents	446	401
	2,358	**2,221**
Sublease income	4	5

The breakdown of the future minimum lease payments under non-cancellable operating leases is as follows:

Lease payments 2017

Less than one year	One to five years	Over five years
1,453	**2,386**	**1,092**

Lease payments 2016

Less than one year	One to five years	Over five years
1,385	**2,358**	**1,239**

6.25. FINANCIAL RISK MANAGEMENT POLICY AND FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT POLICY

The Group's activities are exposed to various financial risks: market risk (foreign currency risk and interest rate risk) and other risks (credit risk, liquidity risk and country risk). The Group's financial risk management focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the profitability of its business.

This note provides information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for managing risk, the methods used to measure these risks, any changes from the previous year and the financial instruments used to mitigate the risks.

Foreign currency risk

The Group operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar (the euro is the Group's reference currency and the functional currency of the Parent) and, to a lesser extent, the Mexican peso, the Russian rouble, the Chinese yuan, the Japanese yen and the pound sterling. Foreign currency risk arises on future commercial transactions, 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 Asset".

The Group's head companies supply their subsidiaries with finished goods for sale to the end customers. With a view to reducing the fluctuations in value of the expected foreign currency cash flows arising from these intra-Group transactions (denominated in currencies other than the euro), the Group uses financial derivatives such as zero-premium option combinations and, occasionally, foreign currency forwards 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 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 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 2017, 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 intra-Group transactions to supply finished goods for sale to end customers have short-term time horizons aligned with the expected cash flows.

The fair value of the hedging instruments was calculated as described in Note 2.2-o.

The Group uses the Cash-Flow-at-Risk (CFaR) methodology in order to estimate the potential impact of exchange rate changes on consolidated profit before tax and, if applicable, determine the relevant mitigation strategies. CFaR is methodology widely used in risk management. It is an evolution of the Value- at-Risk (VaR) method focused on the possible loss related to future cash flows. Given a portfolio, exposed to one or more risks, the CFaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The CFaR measures risk in aggregate terms, considering the potential diversification benefit resulting from the correlations between the components of the portfolio of exposures.

The underlying portfolio used in the CFaR calculation is composed of future flows denominated in currencies other than the euro up to a period of one year. It is estimated that this portfolio represents substantially all of the Group's exposure to foreign currency risk and that the possible adverse changes in exchange rates would affect the consolidated profit of the following year. The main parameters and assumptions used in the CFaR calculation relate to the horizon of the estimated flows, the scenario simulation technique and the selected confidence interval. The cash flows considered have a duration of up to one year, taking as a time horizon the maturity date of each cash flow. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous three years. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous three years. It may also be the case that the estimated flows, i.e. the portfolio used for the calculation, differ from the actual flows.

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate resulting from the CFaR calculation, could be EUR 237 million at 31 January 2018 (31 January 2017: EUR 267 million).

Credit risk

The Group is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises and retail sales represent the vast majority of revenue. Collections are made primarily in cash or through credit card payments.

The Group adopts prudent criteria in its investment policy the main objectives of which are to mitigate the credit risk associated with investment products and the counterparty risk associated with banks by establishing highly detailed analysis criteria.

Investment vehicles are rated using a selection of criteria, including, *inter alia*, the ratings of the three main rating agencies, the size of the investment vehicle, location and returns. All the investment vehicles have the highest possible credit rating.

In addition to taking into account the credit ratings issued by the three main rating agencies, the Group considers the solvency, liquidity, asset quality and managerial prudence of the banks, as well as the potential performance of the bank in stressed conditions and standard probability of default models.

Based on the aforementioned counterparty risk considerations, the Group assigns a rating that determines the maximum permissible exposure to a given bank. A rigorous analysis of the counterparty does not completely eliminate credit risk and, therefore, these limits seek to guarantee a broad diversification of the banks used by the Group. This principle of diversification is also applied to the jurisdiction in which assets are held and the range of financial products used for investing purposes. In the specific case of short-term money market funds, the credit analysis and diversification principles are satisfied by the requisite fulfilment by the investment vehicle of domestic and regulatory requirements.

The credit risk resulting from the arrangement of financial derivatives is mitigated by the requirement that such instruments be subject to an ISDA master agreement. Occasionally, where deemed necessary, the Group requests that additional security be provided in the form of pledged collateral.

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 2017 there were no significant additions to or reversals of impairment losses in this connection.

At 31 January 2018 and 2017, there were no material past-due 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 19).

Note 19 contains a detail of the financial liabilities, along with their scheduled maturities.

Interest rate risk

The Group's exposure to interest rate risk, which in no case is significant, arises principally in relation to the following items:

- Cash and cash equivalents: given the Group's investment policy (see Note 19), any changes in interest rates at year-end would not significantly affect consolidated profits.

- Financial debt: given the amount of the Group's external financing (see Note 19), any change in interest rates at year-end would not significantly affect consolidated profits.

- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets), goodwill and intangible assets with an indefinite useful life (see Note 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 minimise country risk and take advantage of the benefits of geographical diversification.

Although the progress of the negotiations relating to the UK leaving the European Union (Article 50 of the Lisbon Treaty) continued to bring instability to the markets, its impact was not significant for the Group in 2017. The changes in value of the pound sterling during the Brexit negotiations did not trigger a material increase in foreign currency risk, in view of the behaviour 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 2018, 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 2018, the Group was not operating 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 28.

There were no significant changes to capital management in the year.

Financial instruments

At 31 January 2018 and 2017, 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	2017	2016
Fair value of the hedging instruments	12	87
Total	**12**	**87**

Other financial liabilities	2017	2016
Fair value of the hedging instruments	81	40
Reciprocal call and put options (Notes 6)	24	24
Total	**105**	**64**

The detail of the fair value (measured as indicated in Note 2.2-o) of the hedging instruments for 2017 and 2016 is as follows:

2017

Other financial assets at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2017	Transfer to income	Transfer to income from equity	Income recognise directly in equity	Fair value 2016
OTC Derivatives						
Foreign currency forwards	2	12	(63)	(11)	6	81
Options	2	-	-	(6)	-	6
Zero-premium option combinations	2	-	-	-	-	-
Total Derivates		**12**	**(63)**	**(17)**	**6**	**87**

Other financial liabilities at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2017	Transfer to income	Transfer to income from equity	Income recognise directly in equity	Fair value 2016
OTC Derivatives						
Foreign currency forwards	2	80	24	-	31	25
Zero-premium option combinations	2	-	-	-	-	-
Cross Currency Swap	2	1	(14)	-	-	15
Total Derivates		**81**	**10**	**-**	**31**	**40**

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	81	53	(36)	19	46
Options	2	6	-	-	6	-
Zero-premium option combinations	2	-	-	-	-	-
Total Derivates		**87**	**53**	**(36)**	**25**	**46**

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	(17)	-	9	34
Zero-premium option combinations	2	-	-	-	-	-
Cross Currency Swap	2	15	-	-	(2)	17
Interest rate swap	2	-	-	-	-	-
Total Derivates		**40**	**(17)**	**-**	**8**	**50**

There were no transfers among the various levels of the fair value hierarchy (see Note 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:

	2017	2016
Cash and cash equivalents (Note 19)	4,931	4,116
Current financial investements (Note 19)	1,472	2,037
Trade receivables (Note 11)	202	232
Receivable due to sales to franchises (Note 11)	231	233
Other current receivables (Note 11)	147	118
Guarantees (Note 17)	457	483
Total	**7,440**	**7,218**

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 2017 no significant impairment losses were recognized on financial assets.

6.26. 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 labour 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

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 promise to deliver free shares 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 profit in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

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 profit in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

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 22).

The incentive to be received will be calculated as provided for in the resolution seven of the Annual General Shareholders´ Meeting held on 19 July 2016.

Extraordinary profit-sharing plan

In 2017, the second period of calculation of the extraordinary plan in relation to participation of employees in the growth of the Company's profits has been settled in accordance with the criteria described in Notes 27 of the notes to the consolidated annual accounts for 2016.

In 2018 the plan will be executed in relation to the increase in net profit in the period of calculation corresponding to 2017 with respect to 2016.

The liability relating to this plan is recognized under "Trade and Other Payables" in the consolidated balance sheet and the related annual 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 significant.

6.27. JOINTLY CONTROLLED ENTITIES

Inditex has a 50% stake in the group formed by the parent, Tempe, S.A., and its subsidiaries, the detail of which is shown in the following table. These companies engage mainly in the design, supply and distribution of footwear to Inditex Group companies, their main customer.

Company	Effective % of ownership	Location	Consolidation method	Reporting date	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	Dormant
Tempe Diseño, S.L.	50.00%	Alicante - Spain	Equity method	31-jan	Multi-concept	Design
Tempe Trading	50.00%	Fribourg - Switzerland	Equity method	31-oct	Multi-concept	Dormant
Tempe Trading Asia Limited	50.00%	Hong Kong SAR - China	Equity method	31-jan	Multi-concept	Sale of footwear
TMP Trading (Shanghai) Co. Ltd	50.00%	Shanghai - China	Equity method	31-dec	Multi-concept	Sale of footwear

Set forth below is the financial information of the Tempe Group, obtained from its consolidated annual accounts prepared in accordance with IFRSs, together with other relevant financial information:

	2017	2016
Fixed assets	170	160
Others	29	25
Non-current assets	**199**	**185**
Inventories	238	241
Trade and other receivables	377	351
Cash and cash equivalents	18	42
Current assets	**632**	**634**
Non-current liabilities	**(42)**	**(48)**
Trade and other payables	(319)	(338)
Others	(19)	(6)
Current liabilities	**(338)**	**(345)**
Net assets	**452**	**426**
Revenues	1,246	1,238
Gross profit	**288**	**308**
Operating expenses	(182)	(169)
Amortization and depreciation	(24)	(22)
Net operating profit (EBIT)	**92**	**117**
Net profit	**81**	**95**

In 2017 the Group received dividends totalling EUR 21 million (EUR 27 million in 2016) from Tempe (see Note 16).

6.28. PROPOSED DISTRIBUTION OF THE PROFIT OF THE PARENT

The Directors will propose that EUR 2,335 million of the 2017 net profit of the Parent, which is the maximum amount distributable, be distributed as an ordinary dividend of EUR 0.54 gross per share and an extraordinary dividend of EUR 0.21 gross per share on the total outstanding shares, and that EUR 40 million be taken to voluntary reserves.

From the total amount of EUR 0.75 per share to be distributed as dividend, EUR 0.375 per share are payable on 2 May 2018 in concept of interim ordinary dividend and EUR 0.375 per share on 2 November 2018 as extraordinary dividend and bonus dividend.

6.29. REMUNERATION OF THE BOARD OF DIRECTORS AND RELATED PARTY TRANSACTIONS

REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration earned by the Board of Directors and senior management of the Parent in 2017 is shown in the section on related party transactions.

OTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS

At 31 January 2018, per the Parent's shareholder register, as well as the information provided by the shareholder Rosp Corunna Participaciones Empresariales, S.L. to Inditex, and also per the public registers of the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly held the following ownership interests in the share capital of Inditex:

Name or company name of director	Number of direct shares	Number of indirect shares	Percentage of capital
D. Pablo Isla Álvarez de Tejera	1,933,560		0.062%
D. Amancio Ortega Gaona	-	1,848,000,315(1)	59.294%
D. José Arnau Sierra	30,000	-	0.001%
Pontegadea Inversiones, S.L.(2)	1,558,637,990	-	50.010%
Dña. Denise Patricia Kingsmill	-	-	-
D. José Luis Durán Schulz	3,106	-	-
D. Rodrigo Echenique Gordillo	-	-	-
D. Carlos Espinosa de los Monteros Bernaldo de Quirós	150,000	-	0.005%
D. Emilio Saracho Rodríguez de Torres	-	-	-
Total			**59.362%**

(1) Through Pontegadea Inversiones, SL and Partler 2006, S.L.

(2) Represented by Ms Flora Pérez Marcote

As established in Article 229 of the Spanish Companies Act, amended by Law 31/2014, of 3 December, reforming that Law 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.

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 (Note 27) and associates detailed in Appendix I to the notes to the consolidated annual accounts, the significant or controlling shareholders, the members of the Board of Directors of Inditex and senior management of the Inditex Group, as well as their close family members, as defined in Article 2.3 of Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, on information on related party transactions that issuers of securities listed on official secondary markets must disclose.

The transactions with related parties were performed on an arm's length basis.

INDITEX GROUP COMPANIES

The transactions between Inditex and its subsidiaries, which form part of the normal course of business in terms of their purpose and terms and conditions, were eliminated in full on consolidation and, therefore, they are not disclosed in this Note.

The following tables detail the transactions and the outstanding balances between Inditex and its jointly controlled entities in the consolidated balance sheet:

Transactions:

Type of company	2017	2016
Jointly controlled entities	(951)	(960)

Balances:

	31/01/18	31/01/17
Current financial investments	1	-
Trade and other receivables	7	5
Non-current financial investments	227	219
Trade and other payables	251	205
Current financial debt	1	-

The detail of the transactions with significant shareholders, the members of the Board of Directors and management is as follows:

Significant shareholders

In 2017 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

Financial year 2017

Company name or significant shareholder	Nature of relationship	Type of transaction	Importe
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(42)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	0.2
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	-
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Sale of products	-
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	7
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Lease of assets	(1)
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Other expenses	-

In 2016 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Gartler, S.L., Partler2006, 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 or significant shareholder	Nature of relationship	Type of transaction	Importe
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(40)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	0.2
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Sale of assets	25
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	-
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Sale of products	-
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	11
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Lease of assets	(1)
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Other expenses	-

Several Group companies have leased commercial premises belonging to companies related to the controlling shareholder or to significant shareholders.

Members of the Board of Directors and management

The amounts indicated in the following tables and paragraphs referring to remuneration and termination benefits are expressed in thousands of euros in both years.

The following tables show the remuneration and termination benefits earned by the directors and management of Inditex in 2017:

2017	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 2017
D. Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	3,220	4,120	10,690
D. José Arnau Sierra	Propietary	100	80	150	-	-	-	-	330
D. Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. (1)	Propietary	100	-	-	-	-	-	-	100
Dña. Denise Patricia Kingsmill	Independent	100	-	150	-	-	-	-	250
D. José Luis Durán Schulz	Independent	100	-	150	50	-	-	-	300
D. Carlos Espinosa Bernaldo de Quirós	Other external	100	-	150	-	-	-	-	250
D. Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
D. Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		**900**	**80**	**900**	**150**	**3,250**	**3,220**	**4,120**	**12,620**

(1) Represented by Ms Flora Pérez Marcote

An itemised 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
D. Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	3,627	3,395	10,372
D. José Arnau Sierra	Propietary	100	80	150	-	-	-	-	330
D. Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. (1)	Propietary	100	-	-	-	-	-	-	100
Dña. Irene R. Miller (2)	Independent	46	-	70	23	-	-	-	139
Dña. Denise Patricia Kingsmill (3)	Independent	54	-	80	-	-	-	-	134
D. José Luis Durán Schulz (4)	Independent	100	-	150	27	-	-	-	277
D. Carlos Espinosa Bernaldo de Quirós	Other external	100	-	150	-	-	-	-	250
D. Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
D. Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		**900**	**80**	**900**	**150**	**3,250**	**3,627**	**3,395**	**12,302**

(1) Represented by Ms Flora Pérez Marcote.
(2) Cessation of employment at 18 July 2016
(3) Appointment ar 19 July 2016
(4) Appointment as Audit and Control Committee at 19 July 2016

The total remuneration and termination benefits earned by senior management of the Inditex Group in 2017 were as follows:

	MANAGEMENT
Remuneration	34,426
Termination benefits	-

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 aforementioned remuneration for 2017 includes the amount vested in 2017 of the second cycle (2014-2017) of the 2013-2017 Long-Term Share-Based Incentive Plan. The incentive vested in 2017 under the aforementioned plan amounted to EUR 4,120 thousand for Directors and EUR 9,271 thousand for senior management and were paid in the first half of the 2017 reporting period. The amounts vested in 2016 corresponding to the first cycle (2013-2016) under the Long-Term Share-Based Incentive Plan were EUR 3,395 thousand for Directors and EUR 7,368 thousand for senior management and were paid in the first half of the 2016 reporting period.

In 2017 and 2016 no contributions were made to the defined contribution benefit Plan.

6.30. EXTERNAL AUDITORS

In 2017 and 2016 the fees for financial audit and other services provided by the auditor of the Group's annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, were as follows:

	2017	2016
Audit services	6.3	6.1
Other assurance services	0.5	0.5
Total audit and similar services	**6.8**	**6.6**
Tax advisory services	-	0.1
Other services	0.1	-
Total professional services	**6.9**	**6.7**

In addition to the audit of the Inditex Group's annual accounts, the audit services rendered by Deloitte in 2017 and 2016 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.

6.31. ENVIRONMENT

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

6.32. EVENTS AFTER THE REPORTING PERIOD

At the date of formal preparation of these consolidated annual accounts no matters had been disclosed that might modify the consolidated annual accounts or give rise to disclosures additional to those already included in these consolidated annual accounts.

6.33. EXPLANATION ADDED FOR TRANSLATION TO ENGLISH

These consolidated annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see first page of the Notes).

Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Massimo Dutti store employee at Seoul (South Korea)

APPENDIX I-COMPOSITION OF THE INDITEX GROUP

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Brand	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 SAR	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 - Ireland	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 SAR	Full Consol.	31-Dec	Zara	Retail sales
Zara Polska, Sp. Zo.o.	100.00%	Warsaw - Poland	Full Consol.	31-Jan	Zara	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Brand	Line of business
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%	Seoul - South 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
ITX Fashion retail South Africa	90.00%	Johannesburg - 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
Limited Liability Company "ZARA BLR"	100.00%	Minsk-Belarus	Full Consol.	31-Dec	Zara	Retail sales
Zara S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana-Slovenia	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%	Podgoricaa - Montenegro	Full Consol.	31-Dec	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100.00%	Seoul - South 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%	Seoul - South 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 SAR	Full Consol.	31-Dec	Oysho	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Brand	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 SAR	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Belgique, S.A	100.00%	Brussels - Belgium	Full Consol.	31-Jan	Oysho	Retail sales
Limited Liability Company "OYSHO BLR"	100.00%	Minsk-Belarus	Full Consol.	31-Dec	Oysho	Retail sales
Oysho Suisse SÀRL	100.00%	Fribourg - Switzerland	Full Consol.	31-Jan	Oysho	Retail sales
Oysho Ceska Republica, SRO	100.00%	Prague - Czech Republic	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 - Norway	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 - Ireland	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
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 SAR	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 SAR	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%	Seoul - South 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 Finland OY	100.00%	Helsinki - Finland	Full Consol.	31-Jan	Massimo Dutti	Retail sales
Limited Liability Company "MASSIMO DUTTI BLR"	100.00%	Minsk-Belarus	Full Consol.	31-Dec	Massimo Dutti	Retail sales
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana-Slovenia	Full Consol.	31-Jan	Massimo Dutti	Retail sales
ITX Taiwan B.V. Massimo Dutti Taiwan Branch	100.00%	Taipei - Taiwan	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
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
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

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Brand	Line of business
Pull & Bear Mexico, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-Dec	Pull&Bear	Retail sales
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 - Ireland	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 SAR	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 SAR	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
Pull & Bear Korea, LTD	100.00%	Seoul - South 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
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%	Almaty - Kazakhstan	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
Limited Liability Company "PULL AND BEAR BLR"	100.00%	Minsk-Belarus	Full Consol.	31-Dec	Pull&Bear	Retail sales
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana-Slovenia	Full Consol.	31-Jan	Pull&Bear	Retail sales
ITX Taiwan B.V. Pull & Bear Taiwan Branch	100.00%	Taipei - Taiwan	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
ITX Italia, Srl.	100.00%	Milan - Italy	Full Consol.	31-Jan	Uterqüe	Retail sales
ITX Finance Asia, LTD	100.00%	Hong Kong SAR	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%	Warsaw - 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
Uterque Fashion RO S.R.L.	100.00%	Bucharest-Romania	Full Consol.	31-Dec	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

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Brand	Line of business
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
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 - Ireland	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 SAR	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%	Seoul - South Korea	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 SAR	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
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
Limited Liability Company "BK GARMENTS BLR"	100.00%	Minsk-Belarus	Full Consol.	31-Dec	Bershka	Retail sales
Bershka S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana-Slovenia	Full Consol.	31-Jan	Bershka	Retail sales
ITX Taiwan B.V. Bershka Taiwan Branch	100.00%	Taipei - Taiwan	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 - Ireland	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 SAR	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius Korea, LTD	100.00%	Seoul - South Korea	Full Consol.	31-Jan	Stradivarius	Retail sales
Stradivarius Hong Kong, LTD	100.00%	Hong Kong SAR	Full Consol.	31-Jan	Stradivarius	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Brand	Line of business
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
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
Limited Liability Company "STRADIVARIUS BLR"	100.00%	Minsk-Belarus	Full Consol.	31-Dec	Stradivarius	Retail sales
Stradivarius S, TRGOVSKO PODJETJE D.O.O.	100.00%	Ljubljana-Slovenia	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
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 Macao Ltd	100.00%	Macao SAR	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 SAR	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%	Seoul - South 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
Limited Liability Company "ZARA HOME BLR"	100.00%	Minsk-Belarus	Full Consol.	31-Dec	Zara Home	Retail sales
Zara Home Ceska Republica, SRO	100.00%	Prague - Czech Republic	Full Consol.	31-Jan	Zara Home	Retail sales
ITX Taiwan B.V. Zara Home Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-Jan	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

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Brand	Line of business
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
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 SAR	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
Lelystad Platform, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan	Multi-concept	Services
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 , 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 Korea LIMITED	100.00%	Seoul - South 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
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%	Johannesburg - 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	Construcción

Zara store employee at Miami (United States)

CONSOLIDATED DIRECTORS' REPORT

AT 31 JANUARY 2018
(Amounts expressed in millions of euros)

Available at
https://www.inditex.com/en/investors/investor-relations/annual-reports

And registered in
http://www.cnmv.es/AUDITA/2018/17421.pdf

1. SITUATION OF THE ENTITY

The information relating to the "Situation of the entity" is detailed in section "1. Inditex: Integrated and Sustainable Business Model" in the Annex IV, available at https://www.inditex.com/en/investors/investor-relations/annual-reports, that contains the "Non-financial information and information on diversity" of Inditex Group.

ORGANISATIONAL STRUCTURE

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- General Shareholders´ Meeting
- Board of Directors
- Executive Committee
- Audit and Control Committee
- Nomination Committee
- Remuneration Committee
- Compliance committee and office
- Ethics Committee

2. BUSINESS PERFORMANCE AND RESULTS

KEY FINANCIAL AND NON-FINANCIAL INDICATORS

Inditex continues to roll out its global, fully integrated store and online platform.

In FY2017, Inditex achieved a strong operating performance. Net sales reached €25.3 billion, with sales growth of 9%. Sales in local currencies grew 10%.

Like-for-like sales increased 5% in FY2017 (6% in the first half and 5% in the second half) on 10% in FY2016. LFL sales were positive across all geographic areas and in all concepts in 2017. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of fiscal years 2017 and 2016) and online. This represents 80% of total sales.

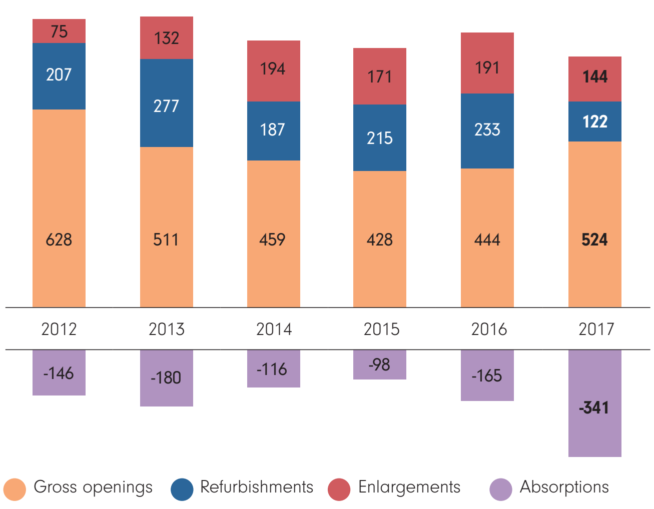
Online sales grew 41% to 10% of net sales in 2017. Online sales account for 12% of net sales in markets with online sales.

Global online sales were launched in the year for Zara in Singapore, Malaysia, Thailand, Vietnam and India. Online sales for Zara were launched in Australia and New Zealand on 14 March 2018.

In FY2017 Inditex new space in prime locations increased 7.4%. Total selling area at FYE reached 4,739,427 square metres:

Square metres	2017	2016	17/16
Zara	2,906,419	2,705,417	7%
Pull&Bear	409,363	387,023	6%
Massimo Dutti	269,512	251,157	7%
Bershka	514,384	485,966	6%
Stradivarius	324,045	299,391	8%
Oysho	116,079	101,960	14%
Zara Home	185,329	168,218	10%
Uterqüe	14,297	11,764	22%
Total	**4,739,427**	**4,410,896**	**7%**

Inditex has been very active in store optimisation activities in 2017 (524 openings, 341 absorptions, 144 enlargements and 122 refurbishments). Net store openings in FY2017 amounted to 183 reaching a total of 7,475 stores. In FY2017 Inditex opened stores in 58 markets. Absorption costs related to 2018 have been provisioned in full in the 2017 accounts.



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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 2017
Zara	20	5	35	(9)	51
Zara Kids	(1)	(2)	(4)	(6)	(13)
Pull&Bear	9	(4)	8	(7)	6
Massimo Dutti	4	3	9	(1)	15
Bershka	15	2	4	(4)	17
Stradivarius	21	-	9	(7)	23
Oysho	10	9	17	(2)	34
Zara Home	11	6	18	3	38
Uterqüe	4	1	3	4	12
Total	**93**	**20**	**99**	**(29)**	**183**

Total stores by quarter:

	2017			
Concept	1Q	2Q	3Q	4Q
Zara	2,087	2,092	2,127	2,118
Zara Kids	145	143	139	133
Pull&Bear	982	978	986	979
Massimo Dutti	769	772	781	780
Bershka	1,096	1,098	1,102	1,098
Stradivarius	1,015	1,015	1,024	1,017
Oysho	646	655	672	670
Zara Home	563	569	587	590
Uterqüe	82	83	86	90
Total	**7,385**	**7,405**	**7,504**	**7,475**

Company-managed stores and franchised stores at FYE:

Concept	Co.Managed	Franchised	Total
Zara	1,873	245	2,118
Zara Kids	133	-	133
Pull&Bear	824	155	979
Massimo Dutti	666	114	780
Bershka	926	172	1,098
Stradivarius	820	197	1,017
Oysho	588	82	670
Zara Home	516	74	590
Uterqüe	74	16	90
Total	**6,420**	**1,055**	**7,475**

Sales in company-managed and franchised stores:

Concept	Company Managed	Franchised
Zara	88%	12%
Pull&Bear	84%	16%
Massimo Dutti	84%	16%
Bershka	83%	17%
Stradivarius	79%	21%
Oysho	87%	13%
Zara Home	86%	14%
Uterqüe	85%	15%
Total	**86%**	**14%**

A list of the stores' locations by concepts and by market at FYE is included in Annex II.

Net sales by concept are shown in the table below:

Million Euros	2017	2016	17/16
Zara	16,620	15,394	8%
Pull&Bear	1,747	1,566	12%
Massimo Dutti	1,765	1,630	8%
Bershka	2,227	2,012	11%
Stradivarius	1,480	1,343	10%
Oysho	570	509	12%
Zara Home	830	774	7%
Uterqüe	97	83	17%
Total	**25,336**	**23,311**	**9%**

The Group operates a global store and online platform. Store & Online sales by geographical area are shown in the table below:

Area	2017	2016
Europe ex-Spain	44.9%	43.9%
Asia & RoW	23.2%	23.9%
Spain	16.3%	16.9%
Americas	15.6%	15.3%
Total	**100.0%**	**100.0%**

Inditex has continued to expand its global, fully integrated store and online model. Global online sales were launched in the year for Zara in Singapore, Malaysia, Thailand, Vietnam and India. Annex III includes information regarding the markets and concepts with online sales.

Gross profit rose to €14.3 billion, 7% higher than the previous year (+10% in local currencies). The Gross margin has reached 56.3% of sales (57.0% in FY2016), in local currencies the gross margin was 56.8%.

Operating expenses have been tightly managed over the year and have grown by 9%, mainly as a result of the growth in sales and new retail space added.

Million Euros	2017	2016
Personnel expenses	3,961	3,643
Rental expenses	2,358	2,221
Other operating expenses	2,625	2,312
Total	8,944	8,176

At FYE 2017 the number of employees was 171,839 (162,450 at FYE 2016).

EBITDA rose to €5.3 billion, 4% higher than a year earlier (+8% in local currencies). EBIT rose to €4.3 billion, 7% higher (+12% in local currencies).

The breakdown of EBIT by concept is shown below:

	EBIT by concept (€m)		EBIT/sales	ROCE
Format	2017	2016	2017	2017
Zara	3,024	2,764	18%	30%
Pull&Bear	264	231	15%	43%
Massimo Dutti	260	280	15%	37%
Bershka	353	333	16%	57%
Stradivarius	225	236	15%	45%
Oysho	87	79	15%	44%
Zara Home	97	94	12%	24%
Uterqüe	5	4	5%	11%
Total EBIT	4,314	4,021	17%	33%

In 2017, Inditex sold 15 premises (13 in Spain, 2 in Portugal). The results of this are included in divestment of tangible assets. Absorption costs associated with 2018 have been provisioned for in fiscal 2017 and are included in net impairments. The breakdown is in the table below:

Million Euros	2017	17/16
Depreciation	(1,108)	
Impairment (Net)	(114)	
Divestment of tangible assets	257	
Other	2	
Depreciation & Amortisation	(963)	(9%)

The following chart shows the breakdown of financial results:

Million Euros	2017	2016
Net financial income (losses)	16	14
Foreign exchange gains (losses)	(21)	(4)
Total	(5)	10

Results from companies consolidated by the equity method came to €42 million.

Net income came to €3.4 billion, 7% higher than the previous year.

Return on Equity (ROE), defined as net income on average shareholder's equity:

Million Euros	2017	2016
Net income	3,368	3,157
Shareholders equity - previous year	12,713	11,410
Shareholders equity - current year	13,497	12,713
Average equity	13,105	12,062
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	2017	2016
EBIT	4,314	4,021
Average capital employed		
Average shareholders' equity	13,105	12,062
Average net financial debt (*)	-	-
Total average capital employed	13,105	12,062
Return on Capital employed	33%	33%

(*) Zero when net cash

Return on Capital Employed by concept:

Concept	2017	2016
Zara	30%	30%
Pull&Bear	43%	39%
Massimo Dutti	37%	42%
Bershka	57%	58%
Stradivarius	45%	51%
Oysho	44%	47%
Zara Home	24%	25%
Uterqüe	11%	11%
Total	33%	33%

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached thereto is Annex I showing the 2017 results by quarter.

3. ISSUES RELATING TO SUSTAINABILITY AND EMPLOYEES

See Annex IV "Non-financial information and information on diversity".

4. LIQUIDITY AND CAPITAL RESOURCES

Inditex continued to show a strong financial position in 2017.

Million Euros	31 January 2018	31 January 2017
Cash & cash equivalents	4,931	4,116
Short term investments	1,472	2,037
Current financial debt	(12)	(62)
Non current financial debt	(4)	-
Net financial cash (debt)	**6,387**	**6,090**

The operating working capital position remains negative as a result of the business model:

Million Euros	31 January 2018	31 January 2017
Inventories	2,685	2,549
Receivables	778	861
Payables	(5,057)	(5,325)
Operating working capital	**(1,594)**	**(1,915)**

The movement in accounts payable and receivable is due principally to a change in the calendar of tax payments.

Funds from operations before corporate income tax came to €5.4 billion in FY2017, 5% higher. The higher corporate income tax payment in the year is mainly due to a change in the calendar of tax payments. Funds from operations came to €4.4 billion.

Ordinary capital expenditure for FY2017 amounted to €1.5 billion, 8% higher than the prior year. Extraordinary capex came to €256 million.

The Group's capital structure is characterised by the low debt/equity ratio as a result of the practically non-existent financing and the strength of its equity.

The Group's organic growth and its CAPEX needs have been financed substantially in full with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

The Group considers that no changes will arise with regard to the generation and management of liquidity in FY2018.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see Note 19 to the consolidated annual accounts), that guarantee access to such additional funds as might be required.

5. ANALYSIS OF CONTRACTUAL OBLIGATIONS AND OFF BALANCE SHEET TRANSACTIONS

As detailed in Note 24 to the consolidated annual accounts, the most significant contractual obligations 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 FY2018, the amount of which is included in the figure for capital expenditure detailed under "Information on the outlook for the group".

6. MAIN RISKS AND UNCERTAINTIES

In order to facilitate unified and comprehensive risk management, the Group has established a common definition of risk for the Organisation as a whole. Accordingly, the Group defines a risk as "any potential event that may have a negative impact on the fulfilment of the business objectives".

The risks reviewed are classified and grouped in the following categories:

6.1. BUSINESS ENVIRONMENT

Risks arising from external factors relating to the Group's business activities.

This category includes risks relating to difficulties in adapting to the environment or market in which the Group operates, as regards both the procurement processes and the product retailing and sale activities. These risks are inherent to the fashion retailing business and consist of the Group's potential inability to continue operating and react to changes in its target market or to adapt to new situations in the countries from which it obtains its supplies or in which it performs retail activities.

In this regard, geo-political, demographic and socio-economic changes in countries, in which procurements or retail sales are made or a downturn in demand in certain markets, and which trigger country risk, constitute *inter alia*, factors that might have an adverse effect on the optimum achievement of the Group's business objectives.

Furthermore, the strong competitiveness of the industry, driven by new technologies and disruptive innovations, could condition the Group's ability to compete in an environment where the consumer profile is constantly evolving.

6.2. LEGISLATIVE AND REGULATORY

These are the risks to which the Group is exposed as a result of the legislation in force in the countries in which it carries out its business activities.

The risks included in this category include risks relating to tax, customs, labour law, commercial and consumption-related regulations, intellectual property regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk, regardless of whether or not they determine the criminal liability of legal entities, and other risks of non-compliance with legislation.

General Counsel´s Office - Compliance Office supervises and manages the Inditex Group's regulatory compliance system 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 inappropriate management of issues relating to social and environmental sustainability, responsibility on account of health and safety of the products, the corporate image of the Group, as well as its image in social networks, and any other potential regulatory breach that might have an impact on the Organisation's reputation.

6.4. HUMAN RESOURCES

The main risks relating to human resources are those arising from potential dependence on key employees and maintaining an adequate working environment in all the work centres.

6.5. OPERATIONAL

The principal operational risks to which the Group is exposed arise from the possible difficulties involved in recognizing and taking on board the ongoing changes in fashion trends, and in manufacturing, buying and putting on the market new items that meet customer expectations.

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 centres and at third party operators transporting goods. The clothing, footwear, accessories and household products of all the concepts are distributed from 14 logistics centres located throughout Spain. Logistics distribution is complemented by other smaller logistics centres 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 profitability thereon.

6.6. FINANCIAL

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes, *inter alia*, foreign currency exchange risk and counterparty credit risk. In addition, the increasingly international nature of the Group's businesses exposes it to country risk in its various markets.

The euro is the Group's functional currency. Its international transactions require the use of numerous non- euro currencies giving rise to foreign currency exchange risk. The Group has investments overseas whose assets are exposed to the foreign currency exchange risk. Given that the Group consolidates the annual accounts of all its companies in its functional currency, i.e. in the euro, it is exposed to foreign currency exchange risk in the translation of the results of all its entities located outside the Economic and Monetary

Union. The Company is also exposed to the risk arising from the payment and collection flows in currencies other than the euro in relation to the acquisition and provision of goods and services in both Group and non- Group transactions.

The Group is not exposed to significant concentrations of counterparty credit risk. The majority of its revenue relates to retail sales which are collected on demand, either in cash or through credit or debit card. In any event, the Group is exposed to the risk that the counterparties (mainly financial ones) fail to comply with the obligations resulting from the invest the company's cash, under the credit facilities or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks.

6.7. INFORMATION FOR DECISION-MAKING

The risks in this category relate to the availability of adequate information at all levels: transactional and operating information, financial and accounting information, management information and budgeting and control information.

The Group's various departments and particularly the Planning Management and Control and the Administration Departments, which report to the Corporate Finance Department, are directly responsible for producing and supervising the quality of this information.

6.8. TECHNOLOGY AND INFORMATION SYSTEMS

These include the risks associated with the technological infrastructure, the effective management of information, IT and robotic networks and communications. They also include those relating to the physical and technological security of systems, in particular, the risk of cyber-attacks 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 inappropriate in the Group's management leading to the failure to comply with corporate governance and transparency regulations.

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 Organisation, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved, furnishing shareholders, other stakeholders and the market in general with sufficient guarantees to ensure that the value generated will be protected.

In this context, the Group's Risk Management and Control Policy establishes the basic principles, key risk factors and the general action guidelines for managing and controlling the risks that affect the Group. This Policy is enforced on 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 Procedure.
- The Internal regulations of conduct regarding transaction in securities.
- Corporate Social Responsibility Policy.
- Code of Conduct of Manufacturer and Supplier.
- Health and Safety Policy.
- Environmental Sustainability Policy.
- Information Security Policy.
- Purchasing and Contracting Policy.
- Policy on communication and contact with Shareholders, Institutional Investors and Proxy Advisers Communication and Relations.
- Policy and Procedure for representatives and attorneys.
- Policy on Human Rights.
- Compliance Policy.
- Tax Policy and tax strategy.
- Procedure to Engage Auditors for the Provision of Non-Audit Services.

PFor more details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2017.

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 & Online sales in local currencies have increased by 9% from 1 February to 11 March 2018. The Spring/Summer season is influenced by the performance over the Easter period due to its significant sales volumes.

In FY2018 Inditex estimates space growth in prime locations of around 6% net of absorptions. In the year, Inditex expects 350-400 gross openings and the selective absorption of c. 200.

In subsequent years we expect 4%-6% growth of new space in prime locations in conjunction with our global online sales rollout.

Ordinary capital expenditure in FY2018 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.

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 centre delivery systems, systems for communications with stores and in-store garment labelling systems.

8.2. ACQUISITION AND SALE OF TREASURY SHARES

Annual General Shareholders´ Meeting held on 16 July 2013 approved the 2013-2017 Long-Term Share-Based Incentive Plan aimed at management and other employees of the Inditex Group (see Note 27 to the 2016 consolidated annual accounts) 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 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan.

At 31 January 2017, the Parent owned a total of 3,610,755 treasury shares, representing 0.116% of the share capital.

Also, in order for the Parent 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 Parent acquired shares until it reached a total of 4,004,029 representing 0.13% of the share capital.

In 2017 settlement of the second cycle (2014-2017) of the 2013-2017 Long-Term Share-Based Incentive Plan took place, with the corresponding shares being delivered to the beneficiaries of the aforementioned second cycle of the Plan. At 31 January 2018, the Parent owned 2,950,143 treasury shares, representing 0.095% of the share capital.

9. OTHER SALIENT INFORMATION

9.1. STOCK MARKET INFORMATION

In financial year 2017, the price of shares in INDITEX closed at 28.87 euros per share on 31st January 2018. The average daily trading volume was approximately 5.3 million. In the same period, the Dow Jones Stoxx 600 Retail slightly rose by 0.2% , whereas Ibex 35 was up by 12%.

INDITEX market capitalization stood at 89,978 million euros at FYE2017, up 882% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 9% increase in the Ibex 35 index in the same period.

The dividend for FY2016, totalling 0.68 euros per outstanding share, was paid in May and November 2017.

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 Annual General Shareholders´ Meeting a dividend of EUR 0.75 per share, representing an increase of 10.3% in relation to dividend approved in 2016, composed of an ordinary dividend of €0.54 per share and a bonus dividend of €0.21 per share. Of said amount, EUR 0.375 would be payable on 2 May 2018 as an interim ordinary dividend and EUR 0.375 would be payable on 2 November 2018 as the final ordinary and bonus dividend.

Dividends paid to shareholders in 2017 reached €2.1 billion.

9.3. OTHER DISCLOSURES

Related party transactions

Transactions with related parties are described in Notes 27 and 29 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in 2017 that substantially affected its financial position or results.

The following table shows the information on average payment periods required by Law 15/2010, of 5 July, amending Law 3/2004, of 29 December

The Group's supplier payment policy complies with the periods for payment to suppliers set in the late payment legislation in force. The Group is developing measures to try to reduce the payment period in those rare cases in which the established maximum payment period is exceeded. The aforementioned measures will focus on reducing the length of the processes involved in the receipt, verification, acceptance and accounting of invoices (enhancing use of electronic and technological methods) and improving the procedure for incident resolution in this connection.

Annual Corporate Governance Report

The Annual Corporate Governance Report for 2017 is available at www.inditex.com and will be published in the section on Relevant Event Communications of the CNMV (Spanish National Securities Market Commission) website (www.cnmv.es) on 14 March 2018.

Non-financial information and information on diversity

The non-financial information and information on diversity of the Inditex group is attached as Annex IV to this document.

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 2017.

The information disclosed in this document may contain statements in relation to future intentions, expectations and projections. All such statements, except for those based on historical data, are forward- looking statements, including, inter alia, those that address our financial position, business strategy, management plans and objective for future transactions. The aforementioned intentions, expectations or projections are subject per se to risks and uncertainties which could cause actual results to differ from those anticipated.

These risks include, but are not limited to, competition within the sector, consumer preferences and spending trends, economic and legal conditions, restrictions on free trade and/or political instability in those markets where the Inditex Group has a presence or in those countries in which Group products are manufactured or distributed.

The risks and uncertainties that could potentially have an impact on the information disclosed are difficult to predict. The Group undertakes no obligation to publicly update or revise any of the forward-looking statements in the event that any unforeseen changes or events arise which might affect them.

ANNEX I. INCOME STATEMENT: FY2017 QUARTERLY RESULTS

	2017			
	1Q	2Q	3Q	4Q
Net sales	5,569	6,102	6,291	7,373
Cost of sales	(2,329)	(2,760)	(2,554)	(3,432)
Gross profit	**3,240**	**3,342**	**3,737**	**3,941**
	58.2%	54.8%	59.4%	53.5%
Operating expenses	(2,126)	(2,148)	(2,202)	(2,468)
Other net operating income (losses)	(1)	(15)	(7)	(15)
Operating cash flow (EBITDA)	**1,113**	**1,179**	**1,527**	**1,458**
	20.0%	19.3%	24.3%	19.8%
Amortization and depreciation	(279)	(269)	(278)	(137)
Operating income (EBIT)	**834**	**910**	**1,249**	**1,321**
	15.0%	14.9%	19.9%	17.9%
Financial results	(2)	-	1	(4)
Results from companies consolidated by equity method	11	9	11	11
Income before taxes	**844**	**919**	**1,261**	**1,327**
Taxes	(190)	(207)	(284)	(299)
Net income	**654**	**712**	**977**	**1029**
	11.8%	11.7%	15.5%	13.9%
Minorities	1	-	3	2
Net income attributable to the controlling company	**654**	**712**	**975**	**1,027**
	11.7%	11.7%	15.5%	13.9%

ANNEX II. DETAIL OF STORES BY CONCEPT AND MARKET AS AT 31 JANUARY 2018

Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
ALBANIA	1	-	1	1	1	1	-	-	-	**5**
GERMANY	78	-	12	18	12	-	-	16	-	**136**
ANDORRA	1	-	1	1	1	1	1	1	1	**8**
SAUDI ARABIA	39	-	17	15	32	47	20	8	5	**183**
ALGERIA	1	-	-	-	2	2	1	1	-	**7**
ARGENTINA	10	-	-	-	-	-	-	-	-	**10**
ARMENIA	2	-	2	2	2	2	1	1	-	**12**
ARUBA	1	-	-	-	-	-	-	-	-	**1**
AUSTRALIA	19	-	-	-	-	-	-	3	-	**22**
AUSTRIA	13	-	4	3	8	-	-	5	-	**33**
AZERBAIJAN	3	-	2	3	3	2	1	-	-	**14**
BAHREIN	2	-	2	2	1	1	1	1	-	**10**
BELGIUM	31	-	9	23	12	-	3	8	-	**86**
BELARUS	1	-	1	1	1	1	1	1	-	**7**
BOSNIA	3	-	3	1	3	3	-	-	-	**13**
BRAZIL	56	-	-	-	-	-	-	15	-	**71**
BULGARIA	6	-	5	5	7	5	5	-	-	**33**
CANADA	32	-	-	8	-	-	-	2	-	**42**
CHILE	9	-	-	-	-	-	-	3	-	**12**
CHINA	183	-	71	83	72	63	81	40	-	**593**
HONG KONG SAR	14	-	6	4	6	2	2	2	-	**36**
MACAO SAR	2	-	1	2	1	1	1	1	-	**9**
TAIWAN	9	-	3	5	2	-	-	2	-	**21**
CYPRUS	6	-	5	4	6	6	4	4	-	**35**
COLOMBIA	14	-	9	5	13	12	4	4	-	**61**
SOUTH KOREA	42	-	4	9	4	1	3	4	-	**67**
COSTA RICA	2	-	2	1	2	2	1	1	-	**11**
CROATIA	10	-	6	4	9	6	3	2	-	**40**
DENMARK	4	-	-	-	-	-	-	1	-	**5**
ECUADOR	2	-	2	1	2	2	1	-	-	**10**
EGYPT	6	-	6	5	6	5	4	4	-	**36**
EL SALVADOR	2	-	2	-	2	2	-	-	-	**8**
UAE	11	-	8	9	9	6	8	8	2	**61**
SLOVAKIA	3	-	3	1	5	4	-	-	-	**16**
SLOVENIA	5	-	2	1	4	4	-	-	-	**16**
SPAIN	306	111	218	196	208	287	182	146	34	**1,688**
UNITED STATES	87	-	-	3	1	-	-	-	-	**91**
ESTONIA	3	-	1	2	1	1	-	1	-	**9**
PHILIPPINES	8	-	2	2	4	4	-	-	-	**20**
FINLAND	5	-	-	1	-	-	-	-	-	**6**
FRANCE	127	-	40	22	49	24	13	23	-	**298**
GEORGIA	3	-	1	3	2	2	1	-	-	**12**
GREECE	40	6	24	13	30	20	19	10	-	**162**
GUATEMALA	3	-	3	1	3	3	2	1	-	**16**
NETHERLANDS	29	-	10	7	18	5	-	8	-	**77**
HONDURAS	2	-	2	1	2	2	1	1	-	**11**
HUNGARY	8	-	7	3	10	7	2	2	-	**39**

Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
INDIA	20	-	-	3	-	-	-	-	-	**23**
INDONESIA	17	-	14	5	9	15	4	3	-	**67**
IRELAND	9	-	3	2	6	3	-	-	-	**23**
ICELAND	1	-	-	-	-	-	-	-	-	**1**
ISRAEL	24	-	27	3	15	6	-	1	-	**76**
ITALY	104	-	57	9	66	81	44	35	-	**396**
JAPAN	98	-	-	-	25	10	-	17	-	**150**
JORDAN	3	-	2	3	2	5	2	2	1	**20**
KAZAKHSTAN	5	-	5	4	6	6	5	4	1	**36**
KUWAIT	5	-	2	2	3	2	3	3	2	**22**
LATVIA	4	-	3	2	3	1	-	-	-	**13**
LEBANON	7	-	5	6	9	7	5	5	1	**45**
LITHUANIA	5	-	4	5	4	4	-	2	-	**24**
LUXEMBOURG	3	-	1	1	-	-	-	-	-	**5**
MACEDONIA	1	-	1	1	1	1	-	-	-	**5**
MALAYSIA	10	-	3	5	2	-	-	-	-	**20**
MALTA	1	-	3	1	2	1	1	2	-	**11**
MOROCCO	5	-	2	3	3	7	3	4	1	**28**
MEXICO	83	-	66	38	71	44	51	25	14	**392**
MONACO	1	-	-	-	-	-	-	-	-	**1**
MONTENEGRO	1	-	1	-	1	1	1	-	-	**5**
NICARAGUA	1	-	1	-	1	1	-	-	-	**4**
NORWAY	5	-	-	1	-	-	-	-	-	**6**
NEW ZEALAND	1	-	-	-	-	-	-	-	-	**1**
OMAN	1	-	-	-	1	1	1	1	-	**5**
PANAMA	3	-	2	1	2	2	2	1	-	**13**
PARAGUAY	1	-	-	-	-	-	-	1	-	**2**
PERU	4	-	-	-	-	-	-	3	-	**7**
POLAND	46	-	34	28	49	63	20	13	3	**256**
PORTUGAL	70	16	51	42	49	44	36	28	6	**342**
PUERTO RICO	3	-	-	-	-	-	-	-	-	**3**
QATAR	5	-	4	4	4	3	4	5	3	**32**
UNITED KINGDOM	65	-	8	14	5	4	-	12	-	**108**
CZECH REPUBLIC	6	-	4	2	4	5	1	1	-	**23**
DOMINICAN REPUBLIC	3	-	1	2	2	2	2	2	-	**14**
ROMANIA	24	-	24	11	27	24	9	6	1	**126**
RUSSIA	98	-	88	53	98	84	68	46	14	**549**
SERBIA	5	-	3	2	3	3	2	1	-	**19**
SINGAPORE	9	-	3	5	3	1	-	-	-	**21**
SOUTH AFRICA	9	-	-	-	-	-	-	1	-	**10**
SWEDEN	11	-	1	4	-	-	1	4	-	**21**
SWITZERLAND	20	-	3	8	6	-	1	4	-	**42**
THAILAND	11	-	3	4	1	1	-	2	-	**22**
TUNISIA	3	-	2	1	3	2	2	1	-	**14**
TURKEY	42	-	33	27	35	34	29	23	-	**223**
UKRAINE	9	-	12	6	12	12	7	-	1	**59**
URUGUAY	2	-	-	-	-	-	-	2	-	**4**
VENEZUELA	8	-	5	-	9	-	-	-	-	**22**
VIETNAM	2	-	1	1	-	1	-	-	-	**5**
INDITEX	**2,118**	**133**	**979**	**780**	**1,098**	**1,017**	**670**	**590**	**90**	**7,475**

ANNEX III. MARKETS AND CONCEPTS WITH ONLINE SALES:

	Global online sales platform (to 31st January 2018; in bold, online stores launched in the year 2017)
Australia *	Zara
Austria	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Belgium	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Bulgaria	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Canada	Zara, Massimo Dutti, Zara Home
China	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho
Hong Kong S.A.R.	Zara
Macao S.A.R.	Zara
Taiwan	Zara
Croatia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Czech Republic	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Denmark	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Estonia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Finland	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
France	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Germany	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Greece	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Hungary	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
India	**Zara**
Ireland	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Italy	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Japan	Zara, **Bershka**, Zara Home
Latvia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Lithuania	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Luxembourg	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Malaysia	**Zara**
Malta	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Mexico	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home
Monaco	Zara, Pull&Bear, Masimo Dutti, Zara Home, Uterqüe
Netherlands	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
New Zealand *	Zara
Norway	Zara, Massimo Dutti, Zara Home
Poland	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Portugal	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Romania	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Russia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Singapore	**Zara**
Slovakia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Slovenia	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
South Korea	Zara, Massimo Dutti, **Bershka, Oysho**
Spain	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Sweden	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Switzerland	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
Thailand	**Zara**
Turkey	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home
United Arab Emirates	Zara Home
United Kingdom	Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe
United States	Zara, Massimo Dutti, **Bershka**, Zara Home
Vietnam	**Zara**

* Online stores opened on 14 March 2018

Employee at Inditex office at Shanghai (China)

SYSTEMS FOR CONTROL OF RISKS

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 can 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 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 Non-audit Services.

The risk management process is described in detail in the Risks Management Manual attached to the Enterprise Risk Management Policy.

The whole process is based upon the identification and assessment of the factors which may have a negative impact on the achievement of the business objectives, which translates into a risks map that includes the main risks 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 the adoption of 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, reporting the relevant information to the Enterprise Risks Management Department, which coordinates the System as a second line of defense.

Internal Audit acts as a third line of defense, overseeing in an independent and objective manner the 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 Organisation. Based upon such policy, the ERM System is implemented, as well as the mechanisms for the regular follow-up of internal information and control systems.

The Audit and Control Committee is charged with:

- Overseeing the control and risks management function.
- Periodically reviewing the Enterprise Risk Management Policy, including tax risks.
- Ensuring that the Enterprise Risk Management Policy would include at least:
    - (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 (to which the ERM Department belongs) is charged with:

- Ensuring the good running of the Risk Management System and namely that all relevant risks which affect the Company are duly identified, managed and quantified.
- Taking an active role in the preparation of the risk strategy and in the important decisions on risk management.
- Ensuring that the ERM System would appropriately mitigate risks.
- Overseeing the work and liaising with Risks Managers at each business unit or area, both at corporate or concept level, providing valid tools for risks assessment and management.
- Maintaining and updating knowledge, techniques, methodologies and tools allowing observance of the principles underlying the ERM system at maximum quality levels.
- Regularly reviewing the risks management policies and manuals and 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 Directors 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 the 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 relation with the follow-up of the main risks:

- Expansion Committee
- Logistics Committee
- Committee of Ethics
- Business Monitoring Committee
- Compliance Supervisory Board
- Committee for Information Security
- Investments Committee
- Reputation Committee

2.1. 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 Organisation. Thus, the Group defines risk as: "any potential event which might have a negative impact on the achievement of its business objectives".

Risks reviewed are classified and grouped in the following categories:

2.1.1. 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 regard, geopolitical, demographic and social and economic changes that trigger the country risk in procurement or distribution countries 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.

Additionally the strong competitiveness existing in the sector, driven by new technologies and disruptive innovation might condition the Group's capacity to compete in an environment in which customer's profile is constantly changing.

2.1.2. 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 – Office of the Chief Compliance Officer is charged with overseeing and managing the Compliance System of the Inditex Group, in order to prevent any regulatory risks (including criminal ones) and/or reputational risks, arising from any potential regulatory noncompliance, and to respect the highest ethical standards and follow-up on best corporate practices.

2.1.3. 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 social and environmental sustainability, responsibility on account of health and safety of products, the corporate image of the Group, including in social media, as well as any other potential regulatory noncompliance which might have an impact on the reputation of the Organisation.

2.1.4. HUMAN RESOURCES

The main risks related to the field of human resources are those arising out of a potential dependence on key personnel and in keeping an appropriate work environment at all work centres.

2.1.5. 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 is based upon 14 logistic centres spread throughout Spain. Distribution logistics is also assured by means of other smaller logistic centres located in different countries and by external logistics operators in charge of small volume distribution operations.

Other risks included in this category are those associated with real estate management, related to the search and selection of business premises and their profitability.

2.1.6. FINANCIAL

In the ordinary conduct of its business, the Group is exposed to financial risks. Included in this category are foreign exchange risk and counterparty credit risk. Additionally, given the ever-growing international dimension of the Group's business, the Company is exposed to the country risk in different markets.

Euro is the functional currency of the Group. Its international transactions involve using a large number of currencies other than euro, which gives rise to the foreign exchange risk. The Group has different investments abroad, the net assets of which are exposed to foreign exchange rate risk. As the consolidated financial statements of all the companies in the Group are prepared in the functional currency, i.e., euro, it is faced with the foreign exchange risk on account of translation, in respect of all its entities outside the European Monetary Union. The Company also addresses the risk resulting from transactions in currencies other than euro in flows of collections and payments for acquisition of goods and provision of services both in respect of transactions within the Group and outside the Group.

The Group is not exposed to significant concentrations of counterparty credit risk. Most of its revenue results from retail sales, where payment is primarily made on demand, either in cash or with credit card. At any rate, the Group deals with the risk that counterparties, mainly financial ones, would fail to comply with the obligations stemming from investment of the Company's cash, loan agreements and other financial and securities vehicles, and from derivatives used for financial risks hedging.

2.1.7. INFORMATION FOR THE DECISION MAKING

The risks included in this group are those associated with the appropriate information at all levels: transactional and operational, financing-accounting, management, budgeting and control.

The different departments of the Group, and especially the Planning and Management Control Department and the Administration Department, which report to the Financial Division, are directly responsible for producing and overseeing the quality of such information.

2.1.8. 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.

2.1.9. 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.

3. 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 they are willing to assume, to reasonably achieve the objectives and interests of the Group. Such tolerance is regularly updated, and at least every time the Group strategy changes.

Once the risk tolerance for strategic and business objectives of the Group has been defined, it is duly disclosed to the Corporate Risks Manager, who determines the assessment scales of key business risks (impact, likelihood and level of preparedness).

4. 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 Organisation, materialization of foreign exchange risk has had a higher weight.

The Group operates globally and therefore, it is exposed to the foreign exchange risk in respect of transactions in currencies, namely in US dollar, Russian ruble, Chinese renminbi, Mexican peso, Sterling pound and Japanese yen. In FY2017, the depreciation of non-euro currencies has had a negative impact on the growth rate of net sales of the Company, and a slightly negative impact on the cost of sales.

The foreign exchange risk is managed pursuant to the guidelines set out by the Group's Management, which mainly cover the establishment of financial or natural hedging systems, constant monitoring of foreign exchange rates fluctuation, and other measures aimed at mitigating such risk.

Despite the fact that the evolution of the negotiations on the withdrawal of the United Kingdom from the European Union (article 50 of the Lisbon Treaty) has continued contributing to the volatility of the markets, its impact has not been significant for the Group during the year.

The evolution of the sterling pound during the process has not given rise to a material increase of the foreign exchange risk, considering the behaviour of the Group's exchange exposure portfolio, resulting from its high diversification and the foreign exchange management policy.

5. EXPLAIN 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 E.3, or to improve the level of preparedness versus risks.

The main response plans for each risk category are explained below:

5.1. BUSINESS ENVIRONMENT

In order to reduce the risk exposure in this area, the Group carries out a feasibility research for each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether the estimated figures are met or not. Moreover, the business model of the Group is based not only on managing new openings, but also on improving the efficiency and effectiveness of the markets, business lines and stores already existing, so that the growth achieved via expansion and diversification, be complemented by the organic growth of the existing business.

In line with the foregoing, the expansion policy, the multi-brand format of the Group and the commitment to the full integration of all the channels and the use of new technologies as an alternative of communication and sale for our customers, represents a way to diversify this risk, which downplays the global exposure to this business environment risk.

5.2. REGULATORY RISK

The General Counsel's Office – Office of the Chief Compliance Officer is charged with managing the Model of Compliance of the Company. Namely, it discharges a triple function: organisation, coordination and reporting.

Organisation means that the General Counsel's Office – Office of the Chief Compliance Officer oversees the process of preparing the internal regulations (Polices, Procedures and Instructions) of the Company and, approves them, where appropriate.

The General Counsel's Office – Office of the Chief Compliance Officer is also responsible for coordinating compliance functions of other departments or areas where compliance risks exist, by means of a periodic reporting system.

Special mention should be made of criminal regulatory risks. For the purposes of reducing such risks, the Group relies on a Model of Criminal Risk Prevention, made up of three different documents: the Policy on Criminal Risk Prevention, the Criminal Risk Prevention Procedure and the Scoping Matrix of Criminal Risks and Controls (hereinafter, the "Model of Criminal Risk Prevention").

The Committee of Ethics that reports to the Board of Directors through the Audit and Control Committee, is the internal body charged with overseeing compliance with the Model of Criminal Risk Prevention and the effectiveness of the controls set therein, and with ensuring that such Model meets the prevailing legal requirements from time to time in force.

Additionally, the Internal Audit Department conducts regulatory compliance audits on a regular basis with teams of independent professionals specializing in certain regulations which apply to the Company's business.

During FY2017, the Audit and Control Committee resolved to submit the Model of Criminal Risk Prevention to a reasonable assurance review by an independent third party, in order to establish that the controls included in the Scoping Matrix of Criminal Risks and Control are effective and operative and that the Model complies with the requirements laid down in the Criminal Code and in UNE 19601 standard. The audit firm has issued an unqualified report.

5.3. REPUTATION

The Group has implemented a Compliance Programme in respect of the Code of Conduct for Manufacturers and Suppliers through social audits and pre-assessment audits, based on the verification carried out by qualified social auditors, of the facilities which are necessary to manufacture the fashion goods that the Group distributes, for the purposes of minimizing any potential risks of damaging the image of the Group on account of improper behaviour by third parties. Said programme sets out the review procedures which ensure gathering information and evidence on the minimum working conditions that all manufacturers and suppliers must comply with. 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 traceability 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 organisations as the Group, some conflicts might arise out of an inappropriate relationship with third parties alien to the proceedings of the Group (e.g., CNVM, media, investors, public authorities, etc.,).

The Group sets out, through the Communication and Corporate Affairs Division and the Corporate Social Responsibility Department, the procedures and protocols required to minimize this risk. Likewise, given their relevance, the General Counsel's Office-Office of the Chief Compliance Officer, and the Capital Markets Department are charged with managing specifically the relationship with CNMV, and the latter is also charged with investors relations.

Additionally, different departments, including the Communication and Corporate Affairs Division, are responsible for following up the image of the Group in the social media.

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 product health and safety standards ("Safe to Wear" and "Clear to Wear"), whose enforcement is mandatory throughout the production line for all the products sold.

The Group relies on a Policy on Human Rights and a Code of Conduct for Manufacturers and Suppliers. The Committee of Ethics and the Sustainability Department are responsible for the enforcement and construction of both internal regulations. Meanwhile, the General Counsel's Office – Office of the Chief Compliance Officer runs training on the Code of Conduct and Responsible Practices for employees.

Additionally, the Group relies on the so called Integrity Policies of the Inditex Group which are: (i) the Policy on Gifts and Business Courtesies; (ii) the Policy on Donations and Sponsorships; and, (iii) the Policy on Dealings with Public Servants (hereinafter, jointly referred to as the "**Integrity Policies**").

The application and/or construction of such Integrity Policies falls on the Committee of Ethics, whereas the General Counsel's Office – Office of the Chief Compliance Officer is charged with overseeing compliance thereof.

5.4. HUMAN RESOURCES

The action lines followed by the Department of People are explained in detail in the section "Our priorities: people" of the Annual Report.

To minimize the risks associated with the area of people, the Human Resources Department carries out continuous recruitment and hiring processes of new employees, including hunting processes to detect key people and provides career opportunities to the most talented and diligent individuals within the Organisation..

On the other hand, the work system implemented within the Organisation 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.

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 containing measures that seek to meet different goals, including, without limitation: promoting 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.

5.5 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 business interruption, associated with the likelihood of occurrence of extraordinary events beyond the control of the Group, the size and use of all centres has been optimized, based upon the size of each format or the specific requirements of the geographical area which they service. Namely, part of the above mentioned logistics centres specialize in distribution of goods sold online. The different hubs have been set in such a manner as to be able to assume storage and distribution capacity from other centres in the event of any contingency resulting from potential accidents or stoppage of distribution activities.

Additionally, the Group takes active measures to reduce risk exposure in respect of this type of risks, by keeping high levels of prevention and protection in all its distribution centres, in addition to insurance policies covering both any potential property damage incurred by the facilities and stock, and any loss of profit which might arise out of any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan assesses the need and considers, where appropriate:

- Investing in new 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 during carriage process, the Group relies on a network of agents in different procurement and distribution points, as well as on alternative routes for carriage of goods.

The Group reduces the risks associated with the real estate management, regarding the search and selection of business premises and the profitability thereof, by monitoring all the markets where it operates, considering the suitability of premises prior to their opening, and overseeing all new store openings through the Expansion Committee.

5.6. FINANCIAL

In order to reduce the foreign exchange risk, it must be managed in a proactive, sufficient and systematic manner. To achieve this, the Group has implemented the Financial Risk Management Policy with the main goals of reducing potential economic losses and volatility in the financial statements resulting from such risk. Exchange exposure materializes in terms of net investment, translation and transaction risks. Such Policy sets the guidelines to manage all such exposures and provides that exchange management is done at headquarters by the Financial Management Department of the Group. The Policy sets forth the review and follow-up procedures regarding exchange exposure and the potential hedging strategies, the procedure to contract financial derivatives and the registration and documentation thereof. Within the scope of its financial risk management policy, the Group uses the Cash-Flow-at-Risk (CFaR) methodology, for the purposes of estimating the potential impact that the fluctuations of the exchange rates might have on the consolidated pre-tax results and, as the case may be, determining the relevant mitigation strategy. 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 authorise them. Meanwhile, the Policy and Procedure for Representatives and Attorneys determines the different proxies included in each Group entitled to engage in financial transactions on behalf of the Company, including payments, the level of authorisation according to the Group to which they belong, the authorised amount of the transaction and the required pairing of proxies according to such criteria.

The 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.

5.7. 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 authorised to do so, setting the parameters for the systems to ensure the reliability, confidentiality, integrity and availability of key information.

With regard to the risks associated with financial reporting, the Group has set up an Internal Control 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.

5.8. TECHNOLOGY AND IT 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 Organisation.

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. Particularly, regarding the e-commerce environment, the Group has achieved accredited certification to ISO 27011 for Information Security. However, taking into account that every year a large number of hackers attempt to gain access to the information of corporations globally, the Group is aware that technological risks progress exponentially, in an unpredictable and sometimes highly elaborate manner. For such reason, although Information Security is one of the top priorities of the Group, the possibility of a non-detectable attack, including to its services providers, which might have an impact on the operations or the information managed by the Organisation, cannot be ruled out.

5.9. 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, among others).

The Office of the Chief Compliance Officer and the Chief 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 of its own motion or at the behest of any of Inditex's employees, manufacturers or suppliers, or any third party involved in a direct relationship and with a lawful business or professional interest, by submitting a report in good faith.

With regard to supervision, the Board of Directors and the Audit and Control Committee are the main governing bodies responsible for risks control.

1. THE BOARD OF DIRECTORS

The Board of Directors is ultimately responsible for identifying the main risks for the Group and for organising the appropriate internal control and information systems.

2. THE AUDIT AND CONTROL COMMITTEE

Included in the duties of the Audit and Control Committee is that of assisting the Board of Directors in its duties to oversee and control the Group, by reviewing the internal control systems. The duties of the Audit and Control Committee are provided in the Articles of Association, the Board of Directors' Regulations and the Audit and Control Committee's Regulations.

The Audit and Control Committee's Regulations provide that it is incumbent on such body, exclusively comprised of non-executive directors, *inter alia*: to oversee the effectiveness of the internal control of the Company, the internal audit and the risk management systems, including tax ones, and to review with the financial auditor the significant weaknesses of the internal control system revealed, as the case may be, in the conduct of the audit, and to supervise the process for preparing and releasing the regulated financial information.

Additionally, the Audit and Control Committee is responsible for overseeing the Internal Audit Department of the Group, approving its budget and the Internal Audit Plan, the annual report of activities of the Internal Audit Department and ensuring that it relies on the appropriate material and human resources, whether internal or external, to discharge its duties, approving the budget of the Internal Audit function, the Internal Audit Plan and the annual activities report, ensuring that its activity is mainly focused on the risks which are relevant for the Company and its Group, and gathering periodic information on the proceedings of Internal Audit.

The Internal Audit Department is directly linked to the Board of Directors, to which it reports functionally, through the Chair of the Audit and Control Committee, thus ensuring the full independence of its acts.

The mission of the Internal Audit function is defined in the Group's Internal Audit Charter, and it consists of contributing to the good running of the Group, by assuring an independent and effective supervision of the internal control system, and providing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks that hamper the achievement of the objectives of the Organisation.

Likewise, according to such Charter, the objectives of the Internal Audit function include, without limitation: issuing the recommendations it may deem appropriate to improve the governance process; evaluating the effectiveness of the risks management processes and contributing to the improvement thereof; ensuring the good running of the information and internal control systems, and ensuring the uniform and effective enforcement of the policies and procedures which make up the internal control system.

Zara store employee at New York (United States)

Zara store employee at Moscow (Russia)

ICFR

Internal control and risks management systems with regard to financial reporting

This chapter describes 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 bodies and/or functions which are 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 regard, the Committee discharges, *inter alia*, the following duties:

- Overseeing the effectiveness of the internal control system of the Group, the internal audit, and the risks management system, including tax risks, and discussing 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 statutory auditor, with the scope and frequency that may be defined, as the case may be.

  · Reviewing compliance with the legal requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable.

  · Advising the Board of Directors on any significant change of accounting standard and on the significant risks of the balance sheet and off-balance sheet

- With regard to the Enterprise Risk Management Policy:

  · Overseeing the control and risk management function.

  · Regularly reviewing the enterprise risk management policy, including tax risks.

  · Ensuring that the enterprise risk management policy contains at least:

    (i) The different types of risk (including without limitation, operational, technological, financial, legal, reputational and tax related) that the Group addresses, including among such financial or economic risk, contingent liabilities and other off-balance sheet risks.

    (ii) The determination of the level of risk that the Group deems acceptable.

    (iii) The measures planned to reduce the impact of the identified risks, should they materialize.

    (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 addresses, and about the risk control systems, that must be included in the Annual Corporate Governance Report, the management report attached to the annual accounts and the interim financial statements, and in any other information instruments of the Group;

- Evaluating any question regarding non-financial risks (including without limitation operational, technological, regulatory, social, environmental, political and reputational) that the enterprise risk management policy and systems must contain.

Most members of the Audit and Control Committee are non-executive independent directors. The Committee meets on a quarterly basis and each time it is called by its Chair. In FY2017, the Audit and Control Committee has met 5 times.

1.1.3. Financial Division.

The 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 integral 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

The Board of Directors is responsible for designing and reviewing the organisational structure and the lines of responsibility within the Group. The departments charged with preparing the financial information are found within such structure.

Senior executives and the Human Resources Department (hereinafter, either the "HRD" or the "Human Resources Department") define the duties and responsibilities of each area. Additionally, the Compensation area, reporting to the HRD regularly assesses the classification, description and duties of each position. Such duties are disclosed to each of the affected areas.

For the purposes of preparing the financial information, the Group has clearly defined lines of authority and responsibility. The main responsibility in preparing financial information falls with the Financial Division.

The structure, size and definition of duties and tasks of each position within the financial area are defined by the Financial Division and disclosed by the HRD.

To carry out its activity, the Financial Division is organised in the following departments: Administration, Planning and Management Control, Financial Management, Enterprise Risk Management, Tax, and Processes and Projects.

The Group relies on financial organisation structures that meet local requirements in each country where it operates, headed by a Chief Financial Officer who is charged, among other things, with complying with the procedures set out within 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).

Likewise, the Board of Directors approved on 19 September 2017 following a favourable report of the Audit and Control Committee, the Integrity Policies of the Inditex Group.

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 Integrity Policies.
- The Internal Regulations of Conduct regarding Transactions in Securities (IRC).

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties.

Its goal consists of exacting an ethical and responsible professional conduct from INDITEX and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees is based. For such purposes, the principles and values which shall govern the relationship between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices is based upon a number of general principles, *inter alia*, that according to which the Inditex Group shall carry out all its transactions under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of Inditex shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

One of the standards of conduct covered in the Code of Conduct and Responsible Practices is the "Obligation to Record Transactions", addressed in section 4.13 thereof, according to which:

"Any and all transactions carried out by the Company which may have an economic impact shall be clearly and accurately shown on the appropriate records of accounts, as a true representation of the transactions carried out, and they shall be made available to the internal and external auditors.

Inditex's employees shall enter the financial information on the Company's systems in a full, clear and accurate manner, so that they would show, as at the relevant date, their rights and obligations in accordance with the applicable regulations. Additionally, the accuracy and integrity of the financial information which, under the prevailing regulations in force shall be disclosed to the market shall be ensured.

Inditex undertakes to implement and maintain an appropriate internal control system on financial reporting, ensuring the regular supervision of the effectiveness of such system.

Accounting records shall be at all times made available to the internal and external auditors. For such purposes, Inditex undertakes to provide its employees with the necessary training for them to understand and comply with the commitments undertaken by the Company regarding the internal control on financial information."

A Committee of Ethics has been set up to ensure compliance with the Code of Conduct and Responsible Practices. Such Committee of Ethics is composed of:

- The General Counsel and Chief Compliance Officer, who chairs it.
- The Chief Audit Officer.
- The Chief Sustainability Officer
- The Chief Human Resources Officer

The Committee of Ethics may act of its own motion or at the behest of any 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 employees.
- 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.

The Code of Conduct for Manufacturers and Suppliers

The Code of Conduct for Manufacturers and Suppliers defines minimum standards of ethical and responsible behaviour which must be met by the manufacturers and suppliers of the products commercialized by Inditex in the course of its business, in line with the corporate culture of the Inditex Group, firmly based on the respect for human and labour rights.

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 behaviour, 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 centres 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.

The Integrity Policies

The Integrity Policies implement certain aspects of the Policy on Criminal Risk Preventions, and intertwine with the ethical values of the Group, which are defined in the Code of Conduct and Responsible Practices and in the Code of Conduct for Manufacturers and Suppliers.

Such Policies respond to the need to ensure that all the employees of Inditex, as well as such third parties with which it conducts business, comply with the provisions of the main anti-bribery regulations applicable in the markets where the Group is present. In this regard, the Integrity Policies endorse the standards set in international standard ISO 37001, on Anti-Bribery Management Systems.

The Integrity Policies include:

- The Policy on Donations and Sponsorships which provides the definition of donation and sponsorship, for ease of reference of the recipients of the Policy and lays down a number of requirements that gifts and sponsorships need to meet in order to be carried out and/or accepted.
- The Policy on Gifts and Business Courtesies which provides the definition of gift and business courtesies, for ease of reference of the recipients of the Policy and lays down a number of requirements that must be met for the offer and/or acceptance thereof to be valid and compatible with Inditex's conduct policies.
- The Policy on Dealings with Public Servants which (i) provides the definition of bribery and civil servant; (ii) expressly prohibits bribery in the public and private sectors; (iii) covers extortion payments; (iv) expressly prohibits facilitation payments, even where such payments are not prohibited under the laws of the country or territory in question; and; (v) lays down the due diligence processes implemented to ensure that the conduct of third parties associated with Inditex is aligned with the ethical values, regulations and standards of the Company, the applicable regulations in the markets and the existing best practices in the anti-bribery area.

The Integrity Policies are mandatory for all the individuals within their scope, and any breach thereof may be confidentially reported to the Committee of Ethics, charged with the application and/or construction of such Policies, through the Whistle Blowing Channel. The General Counsel's Office – Office of the Chief Compliance Officer is charged with overseeing compliance with the Integrity Policies.

IRC

Moreover, the Board of Directors approved on 19 July 2016 the Internal Regulations of Conduct regarding Transactions in Securities, within the European regulatory framework against market abuse, comprising the Market Abuse Regulation (Regulation (EU) No 596/2014 of the European Parliament and of the Council, of 16 April 2014) and Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse, which seeks to reinforce market integrity and establish mechanisms for a streamlined implementation and supervision within the different Member States of the European Union.

By approving the IRC, 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 Office of the Chief Compliance Officer (hereinafter, the "OCCO") prior authorisation 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 OCCO within the first 15 days of the month immediately after the one during which it was carried out.
- Request authorisation, 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 OCCO 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 regard, 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 Compliance Supervisory Board (hereinafter, the "CSB") which reports directly to the Audit and Control Committee of the Board of Directors. Such Supervisory Board is composed of:

- The Executive Chairman
- The General Counsel and Secretary of the Board
- The Chief Financial Officer
- The Capital Markets Director, and
- The Chief Human Resources Officer.

The Compliance Supervisory Board is mainly responsible for developing procedures and implementing regulations to enforce the IRC. Likewise, the OCCO reports to the CSB. The General Counsel of the Inditex Group is the Chief Compliance Officer. The OCCO is charged, *inter alia*, with enforcing the conduct policies of stock exchanges and the rules and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be relevant information, and namely to financial information, shall comply with the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the CSB and the OCCO shall ensure that the above referred principles are observed.

With regard to the dissemination of the above referred 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 Organisation.

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 Organisation. Additionally, the Code of Conduct and Responsible Practices is also available at the stores' TGT in most countries.

With regard to the IRC, the OCCO keeps a General Documentary Register of all Affected Persons. The OCCO is bound to inform Affected Persons that they are subject to the provisions of the IRC as well as of any breaches and penalties which may arise, where appropriate, from an inappropriate use of Reserved Information.

Likewise, the OCCO shall inform the Affected Persons that they have been included in the General Documentary Register and about any other issues addressed 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 as well as the enforcement of the Whistle Blowing Channel Procedure.

The proceedings of such Whistle Blowing Channel are implemented in the Whistle Blowing Channel Procedure approved by the Board of Directors on 17 July 2012. Such document is available on the INET.

Reports of noncompliance and/or queries regarding the construction or enforcement of internal conduct 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 Committee of Ethics shall, having heard first the interested party, adopt any of the following measures, having previously considered and analysed them, as the case may be, with the relevant department or departments:

- 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 HRD is charged with preparing, together with each of the areas reporting to the Financial Division, training and refresher courses for the different staff members involved in the preparation and supervision of the financial information of each and every company within the Group. Such schemes include, both general courses, focusing on business expertise and knowledge of the different interrelated departments which make up the company, and specific schemes aimed at training and refreshing employees in respect of new regulatory changes in the matter of preparation and supervision of financial information.

General induction

Aimed at gaining internal knowledge of each business unit, as well as of each department and of the respective activities, functions and duties within the business.

Under this scheme, employees begin by working at the stores, getting directly acquainted with the whole process of running a store. Then, they spend time at the different corporate departments at headquarters and their training is completed at any of the subsidiaries of the Group abroad.

Specific training

Group employees involved in such process 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 arranged by the HRD liaising with each of the areas within the Financial Division.

Training courses are provided on an annual basis for all new supervisors of financial areas in each country, in order to train them in respect of the management model of the INDITEX Group, as well as about 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 the year, the following stand out, among others:

- Internal Control on Financial Information
- International accounting regulation: IFRS 15, IFRS 16, IFRS 17
- Tax update
- Cybersecurity risks and strategies
- Corporate fraud, anti-corruption and compliance
- Internal audit seminar
- Advanced Management Programme
- Data visualization and discovery tools for the review of financial information

Additionally, the subsidiaries put in place training schemes regarding the different local accounting regulations.

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, determines on a monthly basis the number of companies which make up the Consolidation Perimeter as well as the consolidation methods which apply to each of the companies included in the above referred perimeter.

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 Organisation. 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 entire process is overseen and approved on an annual basis by the Audit and Control Committee.

3. CONTROL ACTIVITIES

3.1. PROCEDURES TO REVIEW AND AUTHORISE 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 organisational structures shall be responsible for reviewing the periodic financial information reported. Analytical reviews of the financial information reported by such structures are carried out at corporate financial level. Prior to stating the annual accounts and approving the half-yearly financial statements, the Financial Division and the external auditors meet, for the purposes of reviewing and assessing the financial information.

The Audit and Control Committee submits this information to the Board of Directors which is responsible for approving it, in order to be subsequently disclosed to the market.

The Group keeps 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 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.

Each procedure is allocated to a supervisor charged with its review and update. Said updates are duly reviewed and authorised 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.

This procedure also includes a section on "Provisions, Opinions and Estimates" regarding the specific identification of the main consolidated provisions, opinions and estimates, 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 the security of the Company's IT systems by:

- setting and circulating regulations and procedures which ensure security, pursuant to the Policy for Information Security (hereinafter, the "PIS").
- carrying out reviews and setting up controls aimed at verifying enforcement of such regulations.

The PIS and its implementing regulations serve as the benchmark which provides guidelines to the staff of the Inditex Group, for the purposes of ensuring information security within all business processes; therefore, they also support the ICFR. Guidelines provided in the PIS address the following issues:

- Assets classification and control
- Security vis-à-vis human deeds

- Physical security and security of the environment
- Accesses control
- Systems, Communications and Transactions Management
- Systems Development and Update
- Business Continuity Management
- Management of Information Security Incidences
- Regulatory and Legal Compliance.

Mention should be made of the fact that, in the process to design and implement applications, the Group has defined a methodological framework with different requirements aimed at ensuring that the solution implemented actually meets the functions demanded by users and so that the quality level meets the security standards set out.

Likewise, the Group relies on contingency mechanisms and procedures, both technical and operational, which have been defined to ensure recovery of IT systems in case of lack of availability.

During FY2017, the Committee for Information Security has held quarterly meetings. Such body is charged with ensuring within the organisation 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
- International
- Legal
- Corporate Logistics
- Product Diversion Control
- Human Resources
- General Counsel's Office
- Corporate Security
- Communication
- E-commerce
- Risk Management
- IT

3.3. 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 FY2017, a number of activities, such as valuation of fixed assets, valuation of intangible assets, actuarial calculations, Human Resources-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

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 organisational 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 objectives 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 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.

The following issues in particular are subject to review: 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, as well as the review of the general control environment.

Additionally, this review includes the implementation and review of key risk indicators (KRI) defined by Internal

Audit in respect of the most critical risks areas; such as KRI have been designed to detect and reduce likelihood of risks and mistakes, including those of a 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 STATUTORY 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 FY2017, members of the Internal Audit Department have attended all 5 meetings of the Audit and Control Committee, and the external auditors 4 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 FY2017 prepared by the Company's Management, to the external auditor for review.

Arteixo, (A Coruña), April 2018

Zara store employee at Shanghai (China)

VI. GRI CONTENT INDEX

GRI CONTENT VERIFICATION

INDEPENDENT VERIFICATION REPORT

1. SCOPE

SGS ICS Ibérica, S.A. (hereinafter, SGS) has carried out, at the request of INDITEX, S. A. (hereinafter, INDITEX), the Independent Verification of the information relating to practices regarding Human, Social and Environmental Resources corresponding to the financial year ending on 31st January 2018 and contained in the Annual Report 2017 (hereinafter, the Report).

The scope of the Independent Verification includes the text and data contained in the Report. Information and/or data referred to and not entered in the Report is not included.

2. INDEPENDENCE

The information contained in the Report as well as its preparation is the exclusive responsibility of INDITEX.

SGS has not participated in or advised INDITEX in the preparation of the Report. It has limited itself to acting as an independent verifier, confirming for this purpose the suitability of the contents.

The content of the present Independent Verification Report and the opinions contained therein are the exclusive responsibility of SGS.

3. VERIFICATION

For the independent verification of the Report, the SGS methodology has been used, which consists of auditing procedures according to ISO 19011 and following the principles established in the Global Reporting Initiative (GRI) Standards (hereinafter, the GRI Standards).

Our work of independent verification has consisted of the formulation of questions to certain Departments of INDITEX involved in the drawing up of the Report, as well as the application of certain analytical procedures and review tests by sampling described below:

- Meetings with the staff of different departments of the Inditex Group so as to discover the management principles, systems and approaches applied.
- Verification of the indicators included in the Report, their correspondence with those recommended by the GRI Standards and the applicability thereof.
- Verification, by means of review tests on the basis of the selection of a sample, of the quantitative and qualitative information corresponding to the GRI contents and their proper compilation from the data supplied by the sources of information from the Inditex Group. These tests have been carried out at the central headquarters of the Inditex Group in Spain.
- Review of the information relative to the management approaches applied.
- The verification of the quantitative and qualitative information corresponding to the "indicators" mentioned above, from INDITEX' own management systems.
- INDITEX Consolidated Annual Accounts, corresponding to the financial year ending on 31st January 2018 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.
- ✓ Enforcement of the systematic for gathering GRI contents on a yearly basis although it has to be highlighted a good progress in terms of information systems.

6. STRONG POINTS

- The Sustainability department has made significant progress compared to the previous year with the inclusion of new content in the Annual Report.
- An important change has been demonstrated in the Human Resources department by introducing new contents in the Annual Report, referred to various continents.

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 2018

Carlota Abalo Sinde

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 2017 Annual Report of Industria de Diseño Textil, S.A. (hereinafter Inditex) for the year ended 31 January 2018 (hereinafter "the Report"). The information reviewed corresponds to the economic, environmental and social indicators with the ☑ symbol in the GRI Content Index of the Report: 102-8, 102-9, 401-1, 401-3, 403-2, 404-1, 405-1, 414-1, 306-2, 308-2, 416-1, 302-1, 305-1, 305-2, 305-3, 201-1, 103-2, 205-2, 205-3, 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 behavior.

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:

KPMG Asesores S.L., sociedad española de responsabilidad limitada y firma miembro de la red KPMG de firmas independientes afiliadas a KPMG International Cooperative ("KPMG International"), sociedad suiza.
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N.I.F. B82498650

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- 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 2017 Annual Report of Industria de Diseño Textil, S.A. for the year ended 31 January 2018, 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 2017 Annual Report and for no other purpose or in any other context.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco

8 June 2018

Zara store employee at Miami (United States)

GRI CONTENT INDEX

This report has been prepared in accordance with the comprehensive option of the Global Reporting Initiative Standards.

Inditex adheres to the United Nations Global Compact since 2001. In the GRI Content Index of this Report, which also doubles as a Communication on Progress, the different parts of the document related to each of the Global Compact principles are indicated.

The following principles for defining report content included in the GRI Standard 101: Foundation 2016 have been used for the elaboration of this report:

- Stakeholder inclusiveness: Inditex identifies and keeps a constant dialogue with its stakeholders. By doing this, the Group is able to describe its further response to its stakeholders' expectations and interests.
- Sustainability context: Inditex contributes, or pretends to do so in the future, to the improvement of the economic, environmental and social trends, advances and conditions, at a local, regional or global level, all of them interconnected.
- Materiality: Inditex covers those aspects and indicators which best reflect the organisation's most significant social, environmental and economic impacts, or those which could be substantially influential on its stakeholders' evaluations and decisions.
- Completeness: the scope of the material topics Inditex is using and the definition of the information's boundary must be enough to reflect the social, economic and environmental significant impacts and to allow that stakeholders are able to evaluate the Group's performance during the fiscal year.

A selection of 24 of the GRI contents identified in the materiality analysis carried out by Inditex were analysed by KPMG auditors, pursuant to regulation ISAE 3000. These contents can be found in the GRI Content Index and are marked with this symbol: ☑

GLOBAL COMPACT PRINCIPLES

- **Principle 1.** Businesses should support and respect the protection of internationally proclaimed Human Rights.
- **Principle 2.** Businesses should make sure that they are not complicit in human rights abuses.
- **Principle 3.** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- **Principle 4.** Businesses should uphold the elimination of all forms of forced and compulsory labour.
- **Principle 5.** Businesses should uphold the effective abolition of child labour.
- **Principle 6.** Businesses should uphold the elimination of discrimination in respect of employment and occupation.
- **Principle 7.** Businesses should support a precautionary approach to environmental challenges.
- **Principle 8.** Businesses should undertake initiatives to promote greater environmental responsibility.
- **Principle 9.** Businesses should encourage the development and diffusion of environmentally friendly technologies.
- **Principle 10.** Businesses should work against corruption in all its forms, including extortion and bribery.

Content Index
Industria de Diseño Textil S.A.
Jun 2018
Service

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle

GRI 101: FOUNDATION 2016

GENERAL DISCLOSURES

GRI 102: GENERAL DISCLOSURES 2016

ORGANIZATIONAL PROFILE

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	102-1 Name of the organization	Industria de Diseño Textil, S.A.		Yes, Page 364	
	102-2 Activities, brands, products, and services	16-23		Yes, Page 364	
	102-3 Location of headquarters	Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña, Spain		Yes, Page 364	
	102-4 Location of operations	12 -13, 333 -334		Yes, Page 364	
	102-5 Ownership and legal form	196, 277		Yes, Page 364	
	102-6 Markets served	12-13		Yes, Page 364	
	102-7 Scale of the organisation	8, 236		Yes, Page 364	
	102-8 Information on employees and other workers	50, 51, 61, 236		Yes, Page 364 and 366	Principle 6
	102-9 Supply chain	71, 107, 236, 238		Yes, Page 364 and 366	
	102-10 Significant changes to the organisation and its supply chain	324-325		Yes, Page 364	
	102-11 Precautionary principle or approach	342-346		Yes, Page 364	
	102-12 External initiatives	32, 83, 89, 126, 134-135		Yes, Page 364	
	102-13 Membership of associations	53, 79, 134-135		Yes, Page 364	

STRATEGY

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	102-14 Statement from senior decision-maker	6, 7		Yes, Page 364	
	102-15 Key impacts, risks, and opportunities	327-329		Yes, Page 364	

BUSINESS ETHICS AND INTEGRITY

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	102-16 Values, principles, standards, and norms of behaviour	27, 34-35, 227 Code of Conduct and Responsible Practices: www.inditex.com/en/how-we-do-business/right-to-wear		Yes, Page 364	Principle 10
	102-17 Mechanisms for advice and concerns about ethics	228		Yes, Page 364	Principle 10

GOVERNANCE

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
	102-18 Governance structure	197, 199, 208-223		Yes, Page 364	
	102-19 Delegating authority	208-223, 228, 229		Yes, Page 364	
	102-20 Executive-level responsibility for economic, environmental, and social topics	214-216, 223		Yes, Page 364	
	102-21 Consulting stakeholders on economic, environmental, and social topics	30, 257		Yes, Page 364	
	102-22 Composition of the highest governance body and its committees	201-205		Yes, Page 364	
	102-23 Chair of the highest governance body	202		Yes, Page 364	
	102-24 Nominating and selecting the highest governance body	205-206, 217-219		Yes, Page 364	
	102-25 Conflicts of interest	224-225		Yes, Page 364	
	102-26 Role of highest governance body in setting purpose, values, and strategy	199-201		Yes, Page 364	
	102-27 Collective knowledge of highest governance body	207, 208		Yes, Page 364	
	102-28 Evaluating the highest governance body's performance	208		Yes, Page 364	

102-55

GRI standard	Disclosure		Page number and/or URL	Omissions	External assurance	Global Compact principle
	102-29	Identifying and managing economic, environmental, and social impacts	30, 200-201, 229, 338		Yes, Page 364	
	102-30	Effectiveness of risk management processes	338, 346		Yes, Page 364	
	102-31	Review of economic, environmental, and social topics	207		Yes, Page 364	
	102-32	Highest governance body's role in sustainability reporting	The Board of Directors is the body in charge of reviewing and approving the issuance of the Annual Report		Yes, Page 364	
	102-33	Communicating critical concerns	208-224, 228, 257		Yes, Page 364	
	102-34	Nature and total number of critical concerns	212-216		Yes, Page 364	
	102-35	Remuneration policies	223 For further information, please refer to the Annual Report on Remuneration of Directors (specifically sections A.1.1., A.1.2., A.1.3. and A.1.4.) which is available at : www.inditex.com/en/investors/corporate-governance/report-on-remuneration-of-directors		Yes, Page 364	
	102-36	Process for determining remuneration	220-223 For further information, please refer to the Annual Report on Remuneration of Directors (specifically sections A.2.1., A.2.2. and A.3.) which is available at: www.inditex.com/en/investors/corporate-governance/report-on-remuneration-of-directors		Yes, Page 364	
	102-37	Stakeholders' involvement in remuneration	197, 221 For further information, please refer to the Annual Report on Remuneration of Directors (specifically sections A.1.3., A.3. and D.3) which is available at: www.inditex.com/en/investors/corporate-governance/report-on-remuneration-of-directors		Yes, Page 364	
	102-38	Annual total compensation ratio	62, 224		Yes, Page 364	
	102-39	Percentage increase in annual total compensation ratio	62, 224		Yes, Page 364	
	STAKEHOLDER ENGAGEMENT					
	102-40	List of stakeholder groups	28		Yes, Page 364	
	102-41	Collective bargaining agreements	70% of Inditex's employees are covered by a collective bargaining agreement (there have been no major changes in this indicator at the country level with respect to 2016).		Yes, Page 364	Principle 3
	102-42	Identifying and selecting stakeholders	28 Inditex performs a detailed analysis of its stakeholders in order to identify the impact its activities have on them and desing its strategy with a view to making its value chain sustainable.		Yes, Page 364	
	102-43	Approach to stakeholder engagement	28-30, 257		Yes, Page 364	
	102-44	Key topics and concerns raised	30, 257-259		Yes, Page 364	
	REPORTING PRACTICE					
	102-45	Entities included in the consolidated financial statements	315-321		Yes, Page 364	
	102-46	Defining report content and topic Boundaries	2, 3, 30, 258, 259 The contents of the Annual Report are defined based on the materiality analysis. This analysis takes into account the sifferent stages at Inditex's value chain in order to identify the most relevant issues to both its internal and external stakeholders. By taking this approach, the matters identified as Material Topics within the organisation are material to all of the entities comprising the Inditex Group.		Yes, Page 364	
	102-47	List of material topics	30, 258, 259		Yes, Page 364	
	102-48	Restatements of information	No significant events have warranted the restatement of the information given in previous reports. In respect of information presented for a different time horizon or covering a different entity compared to prior-year reports, such changes are noted alongside the data in question.		Yes, Page 364	
	102-49	Changes in reporting	31		Yes, Page 364	
	102-50	Reporting period	The Annual Report reflects the economic, social and environmental performance of the Inditex Group in fiscal year 2017, which runs from 1 February 2017 until 31 January 2018.		Yes, Page 364	
	102-51	Date of most recent report	jun-17		Yes, Page 364	
	102-52	Reporting cycle	Annual		Yes, Page 364	
	102-53	Contact point for questions regarding the report	384		Yes, Page 364	
	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 364	
	102-55	GRI content index	370		Yes, Page 364	
	102-56	External assurance	364, 366		Yes, Page 364	

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle

MATERIAL TOPICS

COMMITMENT TO CUSTOMERS

GRI 103: MANAGEMENT APPROACH 2016

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
103-1	Explanation of the material topic and its Boundary	40, 258		Yes, Page 364	
103-2	The management approach and its components	40, 45		Yes, Page 364	
103-3	Evaluation of the management approach	45		Yes, Page 364	

PURCHASING HABITS

GRI 103: MANAGEMENT APPROACH 2016

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
103-1	Explanation of the material topic and its Boundary	41, 258		Yes, Page 364	
103-2	The management approach and its components	41-43		Yes, Page 364	
103-3	Evaluation of the management approach	41, 42		Yes, Page 364	

INTEGRATION OF SALES CHANNELS

GRI 103: MANAGEMENT APPROACH 2016

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
103-1	Explanation of the material topic and its Boundary	41, 258		Yes, Page 364	
103-2	The management approach and its components	41-43		Yes, Page 364	
103-3	Evaluation of the management approach	41, 42		Yes, Page 364	

CYBERSECURITY AND DATA PROTECTION (GRI 418: CUSTOMER PRIVACY 2016)

GRI 103: MANAGEMENT APPROACH 2016

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
103-1	Explanation of the material topic and its Boundary	44, 258		Yes, Page 364	
103-2	The management approach and its components	44		Yes, Page 364	
103-3	Evaluation of the management approach	44		Yes, Page 364	

GRI 418: CUSTOMER PRIVACY 2016

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Inditex did not receive any administrative sanctions for failure to comply with customer privacy and data protection laws through any of the channels available for this purpose in 2017. In relation to significant and substantiated complaints concerning breaches of customer privacy and losses of customer data received by Inditex through the channels available to this end, it is worth highlighting the requirement imposed under the Fair and Accurate Credit Transactions Act (FACTA) on US retailers not to print more than the permitted number of digits pertaining to the credit card used to pay for the transaction on the receipts issued at the point of sale.		Yes, Page 364	

LABOUR PRACTICES

(GRI 401: EMPLOYMENT 2016; GRI 402: LABOUR/MANAGEMENT RELATIONS 2016; GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2016; GRI 407: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING 2016)

GRI 103: MANAGEMENT APPROACH 2016

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
103-1	Explanation of the material topic and its Boundary	48, 258		Yes, Page 364	
103-2	The management approach and its components	48, 62-64		Yes, Page 364	
103-3	Evaluation of the management approach	48, 60, 61, 236, 364		Yes, Page 364	

GRI 401: EMPLOYMENT 2016

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
401-1	New employee hires and employee turnover	In 2017 Inditex hired 9,142 new employees, 72% of whom female. 45% of the new hires are under the age of 30; 52% are aged between 30 and 50; and the remaining 3% are over the age of 50. The majority of new hires were concentrated in Europe (76%); the Americas accounted for 6% and Asia/RoW the remaining 18%. Turnover at the Inditex Group, calculated as voluntary leaves by average workforce, was 51% in 2017 (49% among women and 57% among men). By age, turnover among the under 30 was 73%; among those aged between 30 and 45, it was 15%; and among those over 50, it was 4%. Turnover varied significantly by region: it was 115% in Asia, followed by 91% in the Americas, 47% in Europe (excluding Spain) and 18% in Spain.		Yes, Page 364 and 366 ☑	Principle 6
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees.	62 The Group provides the same benefits to temporary and part-time workers as it does to full-time workers.		Yes, Page 364	
401-3	Parental leave	52 87% of the employees who availed of parental leave in 2016 have returned to work after parental leave ended and were still employed 12 months after their return to work (84% in the case of the men taking leave and 87% in the case of the women).		Yes, Page 364 and 366 ☑	Principle 6

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
GRI 402: LABOUR/MANAGEMENT RELATIONS 2016					
402-1	Minimum notice periods regarding operational changes	The collective bargaining agreements in force do not include a minimum notice period for officially communicating significant operational changes at Inditex. However, whenever significant developments occur, they are duly announced with the notice period(s) provided for in prevailing labour law (article 41 of the Spanish Workers' Statute).		Yes, Page 364	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 (management and employees) at the same level and all of the agreements reached are confirmed by management.		Yes, Page 364	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	64	This information is not available for all of the regions in which Inditex operates. Inditex is working on improving its reporting systems with a view to disclosing this information in 2019.	Yes, Page 364 and 366	
403-3	Workers with high incidence or high risk of diseases related to their occupation	As a general rule, the Group's employees are not involved in activities that present a high incidence or risk of specific serious diseases.		Yes, Page 364	
403-4	Health and safety topics covered in formal agreements with trade unions	All of the committees reach agreements related with worker health and safety. During the reporting period, Inditex had agreements in effect with unions at the local and international levels which address aspects such as personal protective equipment, periodic inspections, skills training and education and grievance mechanisms, among others.		Yes, Page 364	
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	84-86, 111, 113 Inditex's Code of Code of Conduct and Responsible Practices specifically addresses the right to freedom of association and collective bargaining. This Code applies to all of the Group's operations. The Code of Conduct for Manufacturers and Suppliers, which applies to all of the Group's suppliers, also enshrines this right. The Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses compliance with workers' right to freedom of association.		Yes, Page 364	Principle 3
ATTRACTING AND RETAINING TALENT (GRI 401: EMPLOYMENT 2016)					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	54, 258		Yes, Page 364	
103-2	The management approach and its components	54, 55		Yes, Page 364	
103-3	Evaluation of the management approach	48, 50, 364		Yes, Page 364	
HUMAN CAPITAL DEVELOPMENT (GRI 404: TRAINING AND EDUCATION 2016)					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	54, 258		Yes, Page 364	
103-2	The management approach and its components	57-59		Yes, Page 364	
103-3	Evaluation of the management approach	58, 364		Yes, Page 364	
GRI 404: TRAINING AND EDUCATION 2016					
404-1	Average hours of training per year and per employee	58 For the Group's female employees, the average is 8 hours per employee; for its male employees that average is 12.6 hours. The data pertaining to the number of training hours broken down by gender is available for 34 countries representing 85% of the Group's employees.	The breakdown by employee category is not available. Inditex is working on improving its reporting systems with a view to disclosing this information in 2019.	Yes, Page 364 and 366	Principle 6
404-2	Programmes for upgrading employee skills and transition assistance programmes	58, 104, 105, 151 96% of the Group's employees are under the age of 45, which is why the Group does not foresee the need to develop programmes to assist employees in managing career endings in the near future.		Yes, Page 364	
404-3	Percentage of employees receiving regular performance and career development reviews	208	This information is not available for all employees. Inditex is working on improving its reporting systems with a view to disclosing this information in 2019.	Yes, Page 364	Principle 6
DIVERSITY AND INCLUSION (GRI 405: DIVERSITY AND EQUAL OPPORTUNITY 2016; GRI 406: NON-DISCRIMINATION 2016)					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	52, 258		Yes, Page 364	
103-2	The management approach and its components	52, 53		Yes, Page 364	
103-3	Evaluation of the management approach	60, 61, 364		Yes, Page 364	

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
GRI 405: DIVERSITY AND EQUAL OPPORTUNITIES 2016					
405-1	Diversity of governance bodies and employees	52, 60, 61, 204, 236	The age breakdown is not available for the governing bodies. Inditex is working on improving its reporting systems with a view to disclosing this information in 2019.	Yes, Page 364 and 366 ☑	Principle 6
405-2	Ratio of basic salary and remuneration of women to men	The remuneration ratio of men to women is: - At executive level, 50% women, 50% men - At management level, 48% women, 52% men - At non-management level, 50% women, 50% men		Yes, Page 364	Principle 6
GRI 406: NON-DISCRIMINATION 2016					
406-1	Incidents of discrimination and corrective actions taken	111, 113 The Inditex Group did not register any instances of discrimination through the available channels in 2017.		Yes, Page 364	
TRANSPARENCY AND TRACEABILITY OF THE SUPPLY CHAIN					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	70, 258		Yes, Page 364	
103-2	The management approach and its components	70-77		Yes, Page 364	
103-3	Evaluation of the management approach	107, 238, 364		Yes, Page 364	
RESPECTING LABOUR RIGHTS IN THE SUPPLY CHAIN (GRI 408: CHILD LABOUR 2016; GRI 409: FORCED OR COMPULSORY LABOUR 2016; GRI 412: HUMAN RIGHTS ASSESSMENT 2016; GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016)					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	80, 258		Yes, Page 364	
103-2	The management approach and its components	29, 34, 80-103		Yes, Page 364	
103-3	Evaluation of the management approach	111, 239, 364		Yes, Page 364	
GRI 408: CHILD LABOUR 2016					
408-1	Operations and suppliers at significant risk for incidents of child labour	111-113 Inditex's Code of Manufacturers and Suppliers Compliance Programme assesses the level of compliance with prohibition of child labour, as stated in said Code. The Code is applicable to all of the Group's operations and suppliers.		Yes, Page 364	Principle 5
GRI 409: FORCED OR COMPULSORY LABOUR 2016					
409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labour	111-113 Inditex's Code of Manufacturers and Suppliers Compliance Programme assesses the level of compliance with prohibition of forced labour, as stated in said Code. The Code is applicable to all of the Group's operations and suppliers.		Yes, Page 364	Principle 4
GRI 412: HUMAN RIGHTS ASSESSMENT 2016					
412-1	Operations that have been subject to human rights reviews or impact assessments	109, 236, 241		Yes, Page 364	Principle 1 y 2
412-2	Employee training on human rights policies or procedures	34		Yes, Page 364	Principle 1
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	107		Yes, Page 364	Principle 2
GRI 414: SUPPLIER SOCIAL ASSESSMENT 2016					
414-1	New suppliers that were screened using social criteria	109, 236, 241		Yes, Page 364 and 366 ☑	Principle 2
414-2	Negative social impacts in the supply chain and actions taken	111-113		Yes, Page 364	Principle 2
RESPONSIBLE PURCHASING PRACTICES					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	90, 258		Yes, Page 364	
103-2	The management approach and its components	90-93, 121-123		Yes, Page 364	
103-3	Evaluation of the management approach	90, 121, 122, 239, 364		Yes, Page 364	
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	98, 258		Yes, Page 364	
103-2	The management approach and its components	98-101		Yes, Page 364	
103-3	Evaluation of the management approach	98, 111, 239, 364		Yes, Page 364	

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
SUSTAINABLE PRODUCTS (GRI 301: MATERIALS 2016)					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	118, 258		Yes, Page 364	
103-2	The management approach and its components	118-119, 121-123 In its Code of Conduct, Inditex pledges to minimise its environmental impact over the life cycle of its products.		Yes, Page 364	
103-3	Evaluation of the management approach	120-122, 364		Yes, Page 364	
GRI 301: MATERIALS 2016					
301-1	Materials used by weight or volume.	121, 122 Inditex's business is to distribute fashion garments (clothing, footwear, accessories and homewear) which it procures as finished products from its suppliers. However, Inditex strives to promote the efficient use of materials in its production chain. Its policies in this area range from the use of more sustainable fibres, the packaging and distribution of its products in keeping with applicable legislation and the management of its waste under the scope of its Waste Minimisation Plan. The product packaging materials placed on the market are recovered at the end of their useful lives for recycling by authorised waste handlers in the countries in which integrated waste packaging management systems exist.	The figures for total materials used by weight or volume are not currently available. Inditex is working on improving its reporting systems with a view to disclosing this information in 2019.	Yes, Page 364	Principle 7
301-2	Recycled input materials used	122		Yes, Page 364	Principle 8
301-3	Reclaimed products and their packaging materials	140, 148, 149		Yes, Page 364	Principle 8
PROTECTING BIODIVERSITY (GRI 304: BIODIVERSITY 2016)					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	118, 258		Yes, Page 364	
103-2	The management approach and its components	29, 117, 123 Inditex's Biodiversity Policy (https://www.inditex.com/documents/10279/242165/Biodiversity+Strategy_Inditex.pdf/b1954ead-d283-43f2-acff-31329f56879a) sets out its goals in the biodiversity protection and conservation arena. The policy was designed bearing in mind the principles established in the United Nations Convention on Biological Diversity and acknowledging the work of the International Union for Conservation of Nature (IUCN). To guarantee application of this strategy, these principles are layered into the master plans of each of the key areas comprising the business model.		Yes, Page 364	
103-3	Evaluation of the management approach	123, 364		Yes, Page 364	
GRI 304: BIODIVERSITY 2016					
304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		Not applicable. The lands owned by Inditex are neither adjacent to nor located within protected areas or areas of high biodiversity value, so that the Group does not generate significant impacts on biodiversity.	Yes, Page 364	Principle 8
304-2	Significant impacts of activities, products, and services on biodiversity	123		Yes, Page 364	Principle 8
304-3	Habitats protected or restored.		Not applicable. Inditex's business is to distribute fashion garments (clothing, footwear, accessories and homewear) which it procures as finished products from its suppliers; as a result there are no habitats protected or restored as a result of its business activities.	Yes, Page 364	Principle 8
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		Not applicable. Inditex's business is to distribute fashion garments (clothing, footwear, accessories and homewear) which it procures as finished products from its suppliers; as a result there are no habitats affected by its business operations.	Yes, Page 364	Principle 8
ANIMAL WELFARE (GRI 304: BIODIVERSITY 2016)					
GRI 103: MANAGEMENT APPROACH 2016					
103-1	Explanation of the material topic and its Boundary	258 Inditex aims to protect, conserve and develop the wealth and diversity of species. In its work Inditex avoids purchasing products that represent a risk to species in danger of extinction, to animal welfare or to forest cover.		Yes, Page 364	

GRI standard	Disclosure		Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-2	The management approach and its components	The Inditex Group applies responsible production standards in relation to the use of products of animal origin. Inditex has a specific animal welfare strategy (https://www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop/sustainable-materials/animal-welfare) and a dedicated biodiversity strategy (https://www.inditex.com/documents/10279/242165/Biodiversity+Strategy_Inditex.pdf/b1954ead-d283-43f2-acff-31329f56879a) which stipulate the management criteria applicable across its value chain.		Yes, Page 364	
	103-3	Evaluation of the management approach	Inditex's environmental responsibility pledge includes ethical standards regarding the use of products of animal origin. To learn more: https://www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop/sustainable-materials/animal-welfare		Yes, Page 364	

MANAGEMENT OF CHEMICALS AND SUSTAINABLE PROCESSES IN MANUFACTURING

(GRI 306: EFFLUENTS AND WASTE 2016; GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016)

GRI 103: MANAGEMENT APPROACH 2016

GRI standard	Disclosure		Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-1	Explanation of the material topic and its Boundary	124, 258		Yes, Page 364	
	103-2	Management approach	124-127 Inditex has developed a technical training project for its supply chain (https://www.wateractionplan.com/en/training-materials). This project consists of assessing its suppliers' environmental records and their technical capabilities with a view to helping them improve their environmental performance and, thus, build a more sustainable production chain and move towards zero discharges by 2025.		Yes, Page 364	
	103-3	Evaluation of the management approach	129, 130, 236, 243, 364		Yes, Page 364	

GRI 306: EFFLUENTS AND WASTE 2016

GRI standard	Disclosure		Page number and/or URL	Omissions	External assurance	Global Compact principle
	306-1	Water discharge by quality and destination	251 www.inditex.com/en/our-commitment-to-the-environment/water		Yes, Page 364	Principle 8
	306-2	Waste by type and disposal method	249, 250 None of the waste generated is disposed of through deep-well injection or stored in-situ.		Yes, Page 364 and 366 ☑	Principle 8
	306-3	Significant spills	There were no significant spills during the reporting period. With the aim of preventing them in the future, the Inditex Group has joined the Changing Markets Foundation initiative whose aim is to manufacture a viscose that is responsible and sustainable at every step of the value chain. This will improve the management of waste and yield greater control over the productive process. Similarly, Inditex also supports the Roadmap towards responsible viscose & modal fibre manufacturing championed by this organisation.		Yes, Page 364	Principle 8
	306-4	Transport of hazardous waste	Inditex does not transport, import or export any of the waste classified as hazardous in the Basel Convention in any of the countries in which it operates.		Yes, Page 364	Principle 8
	306-5	Water bodies affected by water discharges and/or runoff	130 The water consumed at Inditex is discharged through the sewage networks and this is done with all the corresponding permits. In the event of incidents, Inditex analyses their root causes and searches for appropriate solutions. As a result, the organisation's water discharges and runoffs do not have a significant impact on water bodies and their habitats. As for its suppliers, and framed the pledge made in November 2012 to attain zero discharge of unwanted chemical substances by 2025, Inditex is working together with its suppliers under the scope of its 'Water in the Supply Chain Master Plan' in order to promote the sustainable use of this vital resource. Since 2016, we have been working on the provision of technical training in this supply chain, a project which consists of assessing our suppliers' environmental records and their technical capabilities with a view to helping them improve their environmental performance and, thus, build a more sustainable production chain and move towards zero discharges by 2020. To learn more, please visit www.wateractionplan.com, specifically the "Detox commitment" tab. Also please see www.inditex.com/en/our-commitment-to-the-environment/water		Yes, Page 364	Principle 8

GRI 308: SUPPLIER ENVIRONMENTAL ASSESSMENT 2016

GRI standard	Disclosure		Page number and/or URL	Omissions	External assurance	Global Compact principle
	308-1	New suppliers that were screened using environmental criteria	107, 109		Yes, Page 364	Principles 8
	308-2	Negative environmental impacts in the supply chain and actions taken	130		Yes, Page 364 and 366 ☑	Principles 8

GRI standard	Disclosure		Page number and/or URL	Omissions	External assurance	Global Compact principle
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	124, 259		Yes, Page 364	
	103-2	Management approach	124, 125, 127		Yes, Page 364	
	103-3	Evaluation of the management approach	129-133, 364		Yes, Page 364	
GRI 416: CUSTOMER HEALTH AND SAFETY 2016						
	416-1	Assessment of the health and safety impacts of product and service categories	129-132, 236, 242-243		Yes, Page 364 and 366	
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	The Inditex Group did not record significant incidents of non-compliance with the requirements concerning the health and safety of its products through any of the channels available to this end in 2017.		Yes, Page 364	
PRODUCT INFORMATION AND LABELLING (GRI 417: MARKETING AND LABELLING 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	119, 259		Yes, Page 364	
	103-2	The management approach and its components	119		Yes, Page 364	
	103-3	Evaluation of the management approach	120, 236, 364		Yes, Page 364	
GRI 417: MARKETING AND LABELLING 2016						
	417-1	Requirements for product and service information and labeling	119 The Group's product health and safety standards are compulsory across the entire production chain (100%).		Yes, Page 364	
	417-2	Incidents of non-compliance concerning product and service information and labeling	No incidents of non-compliance with the requirements or voluntary codes concerning product information and labelling were recorded through any of the channels available to this end in 2017.		Yes, Page 364	
	417-3	Incidents of non-compliance concerning marketing communications	The Inditex Group did not record significant incidents of non-compliance concerning marketing communications through any of the channels available to this end in 2017.		Yes, Page 364	
CIRCULARITY (GRI 301: MATERIALS 2016; GRI 306: EFFLUENTS AND WASTE 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	138, 259		Yes, Page 364	
	103-2	The management approach and its components	138- 141, 148-149 Inditex has a designed long-term strategy for the integration of its take on the circular economy into its business model. Against the backdrop of our Sustainability Strategic Plan, we are working towards circularity by means of the detox objective set for 2025: the idea is that by then none of the waste deriving from our activities will end up in a landfill. We promote circular systems for the recovery of packaging materials such as tubes, pallets, boxes, garment alarms and clothes hangers, using recycled materials as often as possible. We also pursue end of product life cycle management initiatives such as our 'Closing the Loop' programme www.inditex.com/en/our-commitment-to-the-environment/closing-the-loop		Yes, Page 364	
	103-3	Evaluation of the management approach	140, 149, 236, 364		Yes, Page 364	
ENERGY AND CLIMATE CHANGE (GRI 302: ENERGY 2016; GRI 305: EMISSIONS 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	141, 259		Yes, Page 364	
	103-2	The management approach and its components	141, 144 We have a dedicated Energy Strategy (https://www.inditex.com/documents/10279/242114/Inditex+Global+Energy+Strategy/606a5ac4-1381-4672-9ad0-a192032479a2) and we are working to minimise our impact on climate change by taking action all along the value chain. To this end we are streamlining our logistics processes, promoting energy efficiency in our facilities and making progress on our commitment to using renewable sources of energy.		Yes, Page 364	
	103-3	Evaluation of the management approach	236, 364 By regularly measuring our energy consumption and GHG emissions we track quantitatively the progress we are making on reducing our use of energy and our generation of emissions, along with the efficiency performance of our facilities.		Yes, Page 364	

GRI standard	Disclosure	Page number and/or URL	Omissions	External assurance	Global Compact principle
GRI 302: ENERGY 2016					
	302-1 Energy consumption within the organization	245-247		Yes, Page 364 and 366	Principles 7 y 8
	302-2 Energy consumption outside of the organization	249		Yes, Page 364	Principle 8
	302-3 Energy intensity	236, 245-247		Yes, Page 364	Principle 8
	302-4 Reduction of energy consumption	245-247		Yes, Page 364	Principles 8 y 9
	302-5 Reductions in energy requirements of products and services	236, 245-247		Yes, Page 364	Principles 8 y 9
GRI 305: EMISSIONS 2006					
	305-1 Direct (Scope 1) GHG emissions	248		Yes, Page 364 and 366	Principles 7 y 8
	305-2 Energy indirect (Scope 2) GHG emissions	248		Yes, Page 364 and 366	Principles 7 y 8
	305-3 Other indirect (Scope 3) GHG emissions	249		Yes, Page 364 and 366	Principles 7 y 8
	305-4 GHG emissions intensity	236, 248-249		Yes, Page 364	Principle 8
	305-5 Reduction of GHG emissions	141, 248-249		Yes, Page 364	Principles 8 y 9
	305-6 Emissions of ozone-depleting substances (ODS)	144 There are plans in place to replace air conditioning units in existing stores with more efficient Class A units in order to ensure the non-emission of ozone-depleting substances. In addition, thanks to the eco-efficiency measures rolled out across our stores, we are attaining considerable savings in electricity. The main sources of efficiency resided in HVAC systems: an estimated 40%, with the attendant reduction in GHG emissions. We aim to have 100% of our stores eco-efficient by 2020.		Yes, Page 364	Principles 7 y 8
	305-7 Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions		Not applicable. This year we don't report 'other air emissions'. We view this indicator as scantly material in light of the Group's activities, the characteristics of the machinery it operates and the low frequency of controls in keeping with applicable legislation (Spanish Royal Decree 508/2007, the transposition of EC Directive No. 166/2006). In addition, the emission of particles deriving from transportation is generated by outsourced carriers as the Group does not undertake any transport activities in-house, so that this indicator is similarly not applicable. Nevertheless, Inditex fosters enhanced emissions management and control in its value chain through the tool that enables calculation of emissions in accordance with the GHG Protocol, coupled with the definition of action plans.	Yes, Page 364	Principles 7 y 8
USE OF WATER (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	251, 259		Yes, Page 364	
	103-2 The management approach and its components	144, 251 Inditex's Global Water Management Strategy (https://www.inditex.com/documents/10279/241820/Inditex+Global+Water+Management+Strategy/a128125c-4874-47cf-beab-7e65385b923e) constitutes the roadmap towards the sustainable and rational use of water, with a view to working towards enhanced conservation of the environmental quality of the planet's freshwater and marine ecosystems. Inditex's detox commitment will similarly contribute to the sustainable use of water. For more information, please visit the dedicated website: http://www.wateractionplan.com/en		Yes, Page 364	
	103-3 Evaluation of the management approach	251, 364		Yes, Page 364	
GRI 303: WATER 2016					
	303-1 Water withdrawal by source	251		Yes, Page 364	Principles 7 y 8
	303-2 Water sources significantly affected by withdrawal of water	251 The water supplied at all our centres, whether for input into processes or consumption, comes from public, authorised supply networks, so that Inditex does not affect protected habitats. Moreover, all water supply comes from areas experiencing low or no 'water stress'.		Yes, Page 364	Principle 8

GRI standard	Disclosure		Page number and/or URL	Omissions	External assurance	Global Compact principle
	303-3	Water recycled and reused	251		Yes, Page 364	Principle 8
PACKAGING (GRI 301: MATERIALS 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	148,149, 259		Yes, Page 364	
	103-2	The management approach and its components	148, 149		Yes, Page 364	
	103-3	Evaluation of the management approach	149, 364		Yes, Page 364	
SOCIOECONOMIC IMPACT ON SOCIETY (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	259		Yes, Page 364	
	103-2	The management approach and its components	32, 65-66, 155-159		Yes, Page 364	
	103-3	Evaluation of the management approach	7, 62, 66, 155, 189		Yes, Page 364	
GRI 201: ECONOMIC PERFORMANCE 2016						
	201-1	Direct economic value generated and distributed	253		Yes, Page 364 and 366 ☑	
	201-2	Financial implications and other risks and opportunities due to climate change	141, 148, 149 Inditex's Sustainability Strategy: https://www.inditex.com/en/how-we-do-business/right-to-wear Despite the fact that its business activities do not have a significant direct impact in the area of climate change, Inditex does implement initiatives and measures on the energy efficiency front to mitigate this risk.		Yes, Page 364	
	201-3	Defined benefit plan obligations and other retirement plans	62		Yes, Page 364	
	201-4	Financial assistance received from government	During the reporting period the Group did not receive significant financial assistance from governments in the form of subsidies, grants, royalty holidays or financial assistance from export credit agencies.		Yes, Page 364	
GRI 203: INDIRECT ECONOMIC IMPACTS 2016						
	203-1	Infraestructure investments and services supported	168, 169, 236, 252, 253		Yes, Page 364	
	203-2	Significant indirect economic impacts	170- 184		Yes, Page 364	
TRANSPARENCY AND TAX CONTRIBUTION (GRI 203: INDIRECT ECONOMIC IMPACTS 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	154, 259		Yes, Page 364	
	103-2	The management approach and its components	155-158		Yes, Page 364	
	103-3	Evaluation of the management approach	155-157, 159, 364		Yes, Page 364	
INVESTMENT IN THE COMMUNITY (GRI 203: INDIRECT ECONOMIC IMPACTS 2016; GRI 413: LOCAL COMMUNITIES 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	162, 259		Yes, Page 364	
	103-2	The management approach and its components	162, 163, 166, 167		Yes, Page 364	
	103-3	Evaluation of the management approach	166-167, 236, 252-253		Yes, Page 364	
GRI 413: LOCAL COMMUNITIES 2016						
	413-1	Operations with local community engagement, impact assessments, and development programs	84-105, 164 - 165		Yes, Page 364	Principle 1
	413-2	Operations with significant actual and potential negative impacts on local communities	130		Yes, Page 364	Principles 1 y 2
RELATIONSHIP WITH STAKEHOLDERS						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	259		Yes, Page 364	
	103-2	The management approach and its components	28, 29, 257		Yes, Page 364	
	103-3	Evaluation of the management approach	364		Yes, Page 364	
REGULATORY COMPLIANCE AND RESPONSIBLE PRACTICES (GRI 206: ANTI-COMPETITIVE BEHAVIOUR; 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	259		Yes, Page 364	
	103-2	The management approach and its components	229		Yes, Page 364 and 366 ☑	

GRI standard	Disclosure		Page number and/or URL	Omissions	External assurance	Global Compact principle
	103-3	Evaluation of the management approach	364		Yes, Page 364	
GRI 206: ANTI-COMPETITIVE BEHAVIOUR 2016						
	206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	The Inditex Group did not record (firm) legal actions related with anti-competitive behaviour, anti-trust, or monopoly practices through any of the available channels in 2017.		Yes, Page 364	
GRI 307: ENVIRONMENTAL COMPLIANCE 2016						
	307-1	Non-compliance with environmental laws and regulations	The Inditex Group did not receive any penalties or fines of significant amount for non-compliance with environmental laws or regulations through any of the channels available to this end in 2017.		Yes, Page 364	Principle 8
GRI 419: SOCIOECONOMIC COMPLIANCE 2016						
	419-1	Non-compliance with laws and regulations in the social and economic area	The Inditex Group did not receive any significant fines for non-compliance with laws or regulations applicable to it through any of the channels available to this end in 2017.		Yes, Page 364	
CORPORATE GOVERNANCE (GRI 415: PUBLIC POLICY 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	259		Yes, Page 364	
	103-2	The management approach and its components	194, 195		Yes, Page 364	
	103-3	Evaluation of the management approach	208, 364		Yes, Page 364	
GRI 415: PUBLIC POLICY 2016						
	415-1	Political contributions	Inditex's Code of Conduct and Responsible Practices expressly stipulates that all dealings between Inditex and governments, authorities, institutions and political parties must be framed by the principles of lawfulness and neutrality. Any contributions made by the company, whether in cash or in-kind, to political parties, institutions or public authorities must be made in accordance with prevailing legislation. So as to guarantee transparency in this respect they must be preceded by a report from the legal advisory department certifying their absolute lawfulness.		Yes, Page 364	Principle 10
RISK MANAGEMENT AND CONTROL SYSTEMS						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	338, 259		Yes, Page 364	
	103-2	The management approach and its components	338, 340, 342		Yes, Page 364	
	103-3	Evaluation of the management approach	342, 364		Yes, Page 364	
CORRUPTION AND BRIBERY (GRI 205: ANTI-CORRUPTION 2016; GRI 415: PUBLIC POLICY 2016; GRI 419: SOCIOECONOMIC COMPLIANCE 2016)						
GRI 103: MANAGEMENT APPROACH 2016						
	103-1	Explanation of the material topic and its Boundary	259		Yes, Page 364	
	103-2	The management approach and its components	227, 230		Yes, Page 364	
	103-3	Evaluation of the management approach	364		Yes, Page 364	
GRI 205: ANTI-CORRUPTION 2016						
	205-1	Operations assessed for risks related to corruption	107, 227, 228 Inditex's Code of Conduct and Responsible Practices covers the prevention of corruption in all its manifestations. The Code applies to 100% of the Group's business units and can be downloaded from the corporate website at: www.inditex.com/en/how-we-do-business/right-to-wear		Yes, Page 364	Principle 10
	205-2	Communication and training about anti-corruption policies and procedures	233	The total number and percentage of employees and governance body members that have received training on anti-corruption broken down by employee category and region are not available. Inditex is working to improve its reporting systems. It plans to report this indicator in 2019.	Yes, Page 364 and 366 ☑	Principle 10
	205-3	Confirmed incidents of corruption and actions taken	Inditex was not made aware in 2017, either through its Ethics Committee or any other channel, that any legal proceedings had been taken in the areas of corruption or bribery that could affect the company.		Yes, Page 364 and 366 ☑	Principle 10

SPECIFIC CONTENTS FOR THE SECTOR

Indicator		Page numbers and/or URL	Omissions	External assurance	Global Compact principle
SECTION: SUPPLY CHAIN					
MATERIAL ASPECT: CODE OF CONDUCT					
AF1	Code of conduct content and coverage	111 Code of Conduct and Responsible Practices: https://www.inditex.com/en/how-we-do-business/right-to-wear Código de Conducta para Fabricantes y Proveedores: https://www.inditex.com/en/our-commitment-to-people/our-suppliers Compliance Programme: https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement		Yes, Page 364	
AF7	Number and location of workplaces covered by code of conduct	71, 107 The Code of Conduct for Manufacturers and Suppliers applies to 100% of Inditex's suppliers and manufacturers. For further supply chain identification information, please visit Inditex's website: https://www.inditex.com/en/how-we-do-business/our-model/sourcing		Yes, Page 364 and 366 ☑	
MATERIAL ASPECT: AUDIT PROCESS					
AF2	Parties and personnel engaged in code of conduct compliance function	236 Compliance Programme: https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement		Yes, Page 364	
AF3	Compliance audit process	109, 110 Social Audit Process: https://www.inditex.com/en/our-commitment-to-people/our-suppliers/continuous-improvement		Yes, Page 364	
AF8	Number of audits conducted and percentage of workplaces audited	107, 109, 111, 236, 241		Yes, Page 364 and 366 ☑	
MATERIAL ASPECT: GRIEVANCE PROCEDURES					
AF4	Policy and procedures for receiving, investigating, and responding to grievances and complaints	228		Yes, Page 364	
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	34, 104, 105, 151 Inditex provides its employees with sustainability-specific training courses. It also has training programmes for auditors and suppliers covering matters related with the Code of Conduct as well as environmental issues		Yes, Page 364	
MATERIAL ASPECT: BUSINESS INTEGRATION					
AF6	Policies for supplier selection, management, and termination	71, 108, 112, 113 Inditex's Code of Conduct for Manufacturers and Suppliers stipulates the standards and requirements to which suppliers looking to form part of Index's supply chain are bound. It can be retrieved from Inditex's website at: https://www.inditex.com/en/how-we-do-business/our-model/sourcing		Yes, Page 364	
AF17	Actions to identify and mitigate business practices that affect code compliance	111-113		Yes, Page 364	
MATERIAL ASPECT: NON-COMPLIANCE FINDINGS					
AF9	Incidents of non-compliance with legal requirements or collective bargaining agreements on wages	111		Yes, Page 364	
AF10	Incidents of non-compliance with overtime standards	111		Yes, Page 364	
AF11	Incidents of non-compliance with standards on pregnancy and maternity rights	111		Yes, Page 364	
AF12	Incidents of the use of child labour	111		Yes, Page 364	
AF13	Incidents of non-compliance with standards on gender discrimination	111		Yes, Page 364	
AF14	Incidents of non-compliance with code of conduct	111		Yes, Page 364 and 366 ☑	
AF15	Analysis of data from code compliance audits	111-113		Yes, Page 364	
MATERIAL ASPECT: REMEDIATION					
AF16	Remediation practices to address non-compliance findings	108, 109, 112, 113, 241		Yes, Page 364 and 366 ☑	

Indicator		Page numbers and/or URL	Omissions	External assurance	Global Compact principle
SECTION: ENVIRONMENTAL					
MATERIAL ASPECT: MATERIALS					
AF18	Programmes to replace organic-based adhesives and primers with water-based adhesives and primers	124, 125, 129, 130		Yes, Page 364	
AF19	Practices to source safer alternative substances to those on the restricted substances list, including description of associated management systems	129, 243		Yes, Page 364	
AF20	List of environmentally preferable materials used in apparel and footwear products	121-123		Yes, Page 364	
MATERIAL ASPECT: ENERGY					
AF21	Amount of energy consumed and percentage of the energy that is from renewable sources	141, 236, 246-247		Yes, Page 364 and 366 ☑	
SECTION: SOCIAL					
Sub-section: Labour practices and decent work					
MATERIAL ASPECT: EMPLOYMENT					
AF22	Policy and practices regarding the use of employees with non-permanent and non-fulltime status	60, 61		Yes, Page 364	
AF23	Policy regarding the use of home working	52		Yes, Page 364	
AF24	Policy on the use and selection of labour brokers, including adherence to relevant ILO Conventions	63, 83 Inditex analyses and monitors compliance with its Sustainability Strategy by suppliers by means of its Code of Conduct for Manufacturers and Suppliers Compliance Programme.		Yes, Page 364	
MATERIAL ASPECT: WAGES AND HOURS					
AF25	Policy and practices on wage deductions that are not mandated by law	62 Inditex does not have policies or practices for wage deductions that are not mandated by law.		Yes, Page 364	
AF26	Policy on working hours, including definition of overtime, and actions to prevent excessive and forced overtime	63		Yes, Page 364	
MATERIAL ASPECT: LABOUR/MANAGEMENT RELATIONS					
AF29	Percentage of workplaces where there is one or more independent trade union(s)	37% of Inditex's workplaces have workers representatives.		Yes, Page 364	
AF30	Percentage of workplaces where, in the absence of a trade union, there are worker-management committees, broken down by country.	The Group does not participate in worker-management committees in the absence of a trade union.		Yes, Page 364	
MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY					
AF31	Initiatives and programs to respond to, reduce, and prevent the occurrence of musculoskeletal disorders	64		Yes, Page 364	
MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY					
AF27	Policy and actions to protect the pregnancy and maternity rights of women workers	52		Yes, Page 364	
AF32	Actions to address gender discrimination and to provide opportunities for the advancement of women workers	52, 53		Yes, Page 364	
MATERIAL ASPECT: CORPORATE COMMUNITY INVESTMENT					
AF33	Priorities in corporate community investment	162		Yes, Page 364	
AF34	Amount of investment in worker communities broken down by location	167, 252		Yes, Page 364	

The **Annual Report 2017** provided information under the terms of the triple –economic, social and environmental-dimension.

The Annual Report 2017 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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