

INDITEX GROUP CONSOLIDATED ANNUAL ACCOUNTS AS AT 31 JANUARY 2020

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 consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see initial Note and Note 33). In the event of a discrepancy, the Spanish-language version prevails.

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

To the Shareholders of Industria de Diseño Textil, S.A.,

Report on the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 January 2020, 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 ("2019").

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 2020, 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.

Impacts of IFRS 16, Leases

Description	Procedures applied in the audit
<p>The reporting period that began on 1 February 2019 was the first in which Inditex applied International Financial Reporting Standard 16 (IFRS 16), which substantially modifies the accounting for leases. Due to the large volume of leases in which the Group acts as lessee, this standard had a significant impact on the consolidated financial statements.</p> <p>The Group designed an implementation plan for the adoption of this standard which, among other actions, analysed and defined the criteria to be applied in the transition process, the lease identification processes, the monitoring and control of the leases in force and the development of the methodology to be applied in the measurement of the leases.</p> <p>The disclosures associated with the application of this standard are detailed in Notes 2.2 and 15 to the accompanying consolidated financial statements.</p> <p>The large volume of leases, the diverse nature thereof and the significance and impact of the estimates made (mainly to assess the term of each lease and the applicable discount rate), lead us to consider this matter to be a key matter in our audit.</p>	<p>In response to this key matter, our audit included, among others, the following procedures:</p> <ul style="list-style-type: none"> - An evaluation of the design, implementation and operating effectiveness of the relevant controls established by the Group in relation to the methodologies developed and estimates made in order to evaluate the main impacts of the standard. - A review of the analysis performed by Group management of the main aspects of the standard, such as identification of applicable leases, definition of the relevant criteria and assumptions, including specific assumptions in the accounting policy transition process, and evaluation of whether this analysis is consistent with, and adequate for the purpose of, the criteria established in the applicable regulations. - An evaluation of the reasonableness of the main assumptions used by management including, among others, determination of the lease term and the discount rate to be applied in the measurement of each lease, and the appropriateness thereof in relation to the applicable accounting framework. - For a representative sample of leases, verification of the reasonableness of the amounts included in the adjustment recognised at the transition date and at the reporting date. - An evaluation of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework. <p>The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.</p>

Measurement of inventories

Description	Procedures applied in the audit
<p>The Group's inventories had a carrying amount of EUR 2.269 million at 31 January 2020, representing 8% of its total assets.</p> <p>These inventories relate mainly to finished goods, are distributed among the distribution centres and stores managed by the Group and are measured as described in Note 2-h to the accompanying consolidated financial statements. The Group's business model is based on offering fashion products according to customer demand by means of an integrated and centralised model, to which end new stock-keeping units (SKUs) are continuously designed, purchased and distributed to the points of sale.</p> <p>The fast-moving nature of fashion, the effects that the Covid-19 pandemic is having on the realization of the inventory for the spring-summer 2020 campaign (see Note 32) and the complexity of the goods measurement process, which requires significant estimates to be made in order to determine the acquisition cost and recoverable amount of each SKU, lead us to consider this matter to be a key matter in our audit.</p>	<p>In response to this key matter, our audit included, among others, the following procedures:</p> <ul style="list-style-type: none"> - An evaluation of the consistency of the accounting policies and practices applied by the Group to measure its inventories at 31 January 2020 with the regulatory financial reporting framework applicable to it and with the accounting policies and practices applied in the previous year. - An evaluation of the design, implementation and operating effectiveness of the key controls in place in the inventory measurement process. - For a representative sample, verification that the finished goods inventories were correctly measured, calculating the measurement of those inventories on the basis of the acquisition cost and considering the costs attributable to such goods, for which we involved our IT experts. - An evaluation of the key estimates used by Group management to determine the net realisable value and the consistency thereof with Group policies and historical and other available information, such as sales and returns after the reporting date, for which we involved our IT experts. - An evaluation of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework. <p>The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued.</p>

IT systems

Description	Procedures applied in the audit
<p>The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Group to a high dependency on its IT system and the correct functioning thereof. In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing.</p> <p>Due to their importance and the audit effort required, knowledge, evaluation, analysis of operating effectiveness and validation of the general, and certain automatic, financial reporting system controls, including controls relating to software maintenance and development, physical and logical security and system operations, were considered to constitute a key matter in our audit.</p>	<p>In response to this key matter, our work included, among others, the following procedures in which our audit team IT specialists were involved:</p> <ul style="list-style-type: none"> - 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 evaluation of the level of internal control over the systems. Our understanding focused, among others, on the existence of an IT systems security policy and written procedures in relation to IT processes; on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT software. - An evaluation of the design, implementation and operating effectiveness of general IT controls relating to security, management of changes and operations and maintenance of the software we considered relevant. - An evaluation of the design, implementation and operating effectiveness of the key automatic controls operating in certain especially significant business cycles, such as sales, leases, accounting closing and consolidation. - A review of the cybersecurity risk management model for the main IT systems. <p>The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the consolidated financial statements.</p>

Other Information: Consolidated Directors' Report

The other information comprises only the consolidated directors' report for 2019, the preparation of which is the responsibility of the Parent's directors and which does not form part of the consolidated financial statements.

Our audit opinion on the consolidated financial statements does not cover the consolidated directors' report. Our responsibility relating to the information contained in the consolidated directors' report is defined in the audit regulations in force, which establish two distinct levels of responsibility in this regard:

- a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.
- b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the information described in section a) above was provided in the consolidated directors' report and that the other information in the consolidated directors' report was consistent with that contained in the consolidated financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

Responsibilities of the Directors and Audit and Compliance 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 compliance 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 Compliance Committee

The opinion expressed in this report is consistent with the content of our additional report to the Parent's audit and compliance committee dated 17 March 2020.

Engagement Period

The Parent's Annual General Meeting held on 16 July 2019 appointed us as auditors for a period of one year from the year ended 31 January 2019.

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 uninterrupted since the year ended 31 January 2013.

DELOITTE, S.L.
Registered in ROAC under no. S0692



Germán de la Fuente
Registered in ROAC under no. 15.976

17 March 2020

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 compliance 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 compliance 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 compliance committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

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INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES**CONSOLIDATED INCOME STATEMENT**

(Amounts in millions of euros)	(Notes)	2019	2018
Net sales	(3)	28,286	26,145
Cost of sales	(4)	(12,479)	(11,329)
GROSS PROFIT		15,806	14,816
		55.9%	56.7%
Operating expenses	(5)	(8,176)	(9,329)
Other losses and income, net	(6)	(33)	(30)
GROSS OPERATING PROFIT (EBITDA)		7,598	5,457
Amortisation and depreciation	(7)	(2,826)	(1,100)
NET OPERATING PROFIT (EBIT)		4,772	4,357
Financial results	(8)	(152)	17
Results of companies accounted for using the equity method	(17)	61	54
PROFIT BEFORE TAXES		4,681	4,428
Income tax	(24)	(1,034)	(980)
NET PROFIT		3,647	3,448
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		8	4
NET PROFIT ATTRIBUTABLE TO THE PARENT		3,639	3,444
EARNINGS PER SHARE, euros	(9)	1.168	1.106

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(Amounts in millions of euros)	(Notes)	2019	2018
Net profit		3,647	3,448
Items that will be reclassified to profit or loss in future years			
Other comprehensive income recognised directly in equity:			
Translation differences related to financial statements of foreign operations		35	21
Cash flow hedges			
Profit	(25)	1	3
Loss	(25)	(6)	(11)
Tax effect		1	4
TOTAL		31	17
Transfers to profit or loss:			
Cash flow hedges			
Profit	(25)	(3)	(6)
Loss	(25)	11	31
Tax effect		(3)	(2)
TOTAL		5	24
Total comprehensive income for the year		3,684	3,489
Total comprehensive income attributable to:			
Equity holders of the Parent		3,676	3,485
Non-controlling interests		8	4
Total comprehensive income for the year		3,684	3,489

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED BALANCE SHEET

(Amounts in millions of euros)	(Notes)	31/01/2020	31/01/2019
ASSETS			
NON-CURRENT ASSETS		16,977	11,064
Rights over leased assets	(14)	-	464
Rights of use	(15)	6,043	-
Other intangible assets	(14)	410	346
Goodwill	(16)	207	206
Property, plant and equipment	(13)	8,355	8,339
Investment property		21	20
Financial investments	(17)	249	267
Other non-current assets	(18)	456	564
Deferred tax assets	(24)	1,236	858
CURRENT ASSETS		11,414	10,620
Inventories	(12)	2,269	2,716
Trade and other receivables	(11)	780	820
Income tax receivable	(24)	174	108
Other current assets		78	162
Other financial assets	(25)	14	20
Current financial investments	(20)	3,319	1,929
Cash and cash equivalents	(20)	4,780	4,866
TOTAL ASSETS		28,391	21,684
EQUITY AND LIABILITIES			
EQUITY		14,949	14,682
Equity attributable to the Parent		14,913	14,653
Equity attributable to non-controlling interests		36	30
NON-CURRENT LIABILITIES		6,136	1,618
Provisions	(21)	217	229
Other non-current liabilities	(22)	380	1,072
Financial debt	(20)	6	5
Lease liability	(15)	5,163	-
Deferred tax liabilities	(24)	370	312
CURRENT LIABILITIES		7,306	5,383
Financial debt	(20)	32	84
Other financial liabilities	(25)	40	47
Lease liability	(15)	1,649	-
Income tax payable	(24)	142	153
Trade and other payables	(19)	5,443	5,099
TOTAL EQUITY AND LIABILITIES		28,391	21,684

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS

(Amounts in millions of euros)	(Notes)	2019	2018
Profit before taxes and non-controlling interest		4,681	4,428
Adjustments to profit			
Amortisation and depreciation	(7)	2,826	1,100
Foreign exchange translation differences		(19)	(33)
Provisions for impairment		244	20
Results from companies consolidated by equity method	(17)	(61)	(54)
Lease financial expenses	(8)	142	-
Other		90	(14)
Income tax		(1,207)	(1,070)
Funds from operations		6,695	4,378
Variation in assets and liabilities			
Inventories		201	(70)
Receivables and other current assets		(10)	(142)
Current payables		14	(137)
Changes in working capital		205	(349)
Cash flows from operating activities		6,900	4,029
Payments relating to investments in intangible assets		(238)	(230)
Payments relating to investments in property, plant and equipment		(914)	(1,391)
Collections relating to divestments of property, plant and equipment		40	159
Collections relating investment in other financial investments		70	24
Payments relating investment in other assets	(18)	(7)	(23)
Collections relating investment in other assets	(18)	63	43
Changes in current financial investments		(1,390)	(457)
Cash flows from investing activities		(2,377)	(1,875)
Collections relating to non-current financial debt		-	4
Payments relating to non-current financial debt		(3)	(2)
Changes in current financial debt		(49)	73
Payments related to leases (fixed rents)		(1,836)	-
Dividends		(2,741)	(2,335)
Cash flows used in financing activities		(4,629)	(2,260)
Net increase in cash and cash equivalents		(106)	(106)
Cash and cash equivalents at the beginning of the year	(20)	4,866	4,931
Effect of exchange rate fluctuations on cash and cash equivalents		20	41
Cash and cash equivalents at the end of the year	(20)	4,780	4,866

INDUSTRIA DE DISEÑO TEXTIL, S.A. AND SUBSIDIARY COMPANIES**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY****(Amounts in millions of euros)**

	Equity attributable to the Parent										
	Capital	Share premium	Retained earnings	Other reserves	Reserves of companies accounted for using the equity method	Treasury shares	Translation differences	Cash flows	Subtotal	Non-controlling interests	Total equity
Balance at 1 February 2018	94	20	13,747	90	183	(77)	(533)	(26)	13,497	25	13,523
Profit for the year	-	-	3,444	-	-	-	-	-	3,444	4	3,448
Distribute results	-	-	(42)	-	42	-	-	-	-	-	-
Distribute dividends	-	-	20	-	(20)	-	-	-	-	-	-
Transfers	-	-	(98)	-	-	-	98	-	-	-	-
Other movements	-	-	(27)	-	-	-	-	-	(26)	-	(26)
Argentina reexpresion	-	-	10	-	-	-	(5)	-	5	-	5
Other comprehensive income for the year	-	-	-	-	-	-	21	20	41	-	41
· Translation differences related to foreign operations	-	-	-	-	-	-	21	-	21	-	21
· Cash flow hedges	-	-	-	-	-	-	-	20	20	-	20
Operations with equity holders or owners	-	-	(2,335)	27	-	-	-	-	(2,308)	-	(2,308)
· Share-based collections	-	-	-	27	-	-	-	-	27	-	27
· Dividends	-	-	(2,335)	-	-	-	-	-	(2,335)	-	(2,335)
Balance at 31 January 2019	94	20	14,719	117	206	(77)	(420)	(6)	14,653	30	14,683
Balance at 31 January 2019	94	20	14,719	117	206	(77)	(420)	(6)	14,653	30	14,683
Adjustment on initial application of new Reporting standards (Note 2)	-	-	(670)	-	-	-	-	-	(670)	-	(670)
Balance at 1 February 2019	94	20	14,049	117	206	(77)	(420)	(6)	13,982	30	14,013
Profit for the year	-	-	3,639	-	-	-	-	-	3,639	8	3,647
Distribute results	-	-	(54)	-	54	-	-	-	-	-	-
Distribute dividends	-	-	45	-	(45)	-	-	-	-	-	-
Transfers	-	-	50	(34)	-	-	(17)	-	-	-	-
Other movements	-	-	(28)	-	(1)	-	-	-	(29)	(2)	(30)
Argentina reexpresion	-	-	9	-	-	-	-	-	9	-	9
Other comprehensive income for the year	-	-	-	-	-	-	35	2	36	-	36
· Translation differences related to foreign operations	-	-	-	-	-	-	35	-	35	-	35
· Cash flow hedges	-	-	-	-	-	-	-	2	2	-	2
Operations with equity holders or owners	-	-	(2,718)	(25)	-	17	-	-	(2,726)	-	(2,726)
· Share-based collections	-	-	-	27	-	-	-	-	27	-	27
· Share-based payments	-	-	23	(53)	-	17	-	-	(13)	-	(13)
· Dividends	-	-	(2,741)	-	-	-	-	-	(2,741)	-	(2,741)
Balance at 31 January 2020	94	20	14,993	58	214	(60)	(402)	(4)	14,913	36	14,949

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 33). In the event of a discrepancy, the Spanish-language version prevails.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS OF THE INDITEX GROUP AS AT 31 JANUARY 2020

The consolidated annual accounts of the Inditex Group, which Parent is Industria de Diseño Textil, S.A ("the Group", "the Group Inditex", "the Company" or "the Parent") for 2019 were prepared by the Board of Directors on 17 March 2020 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 2018 were approved by the shareholders at the Annual General Meeting held on 16 July 2019.

These annual accounts were prepared in accordance with the International Financial Reporting Standards (IFRS) and related interpretations (IFRIC and SIC) adopted by the European Union (EU-IFRS) and with the other provisions of the applicable regulatory financial reporting framework.

Inditex's financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2019 will hereinafter be referred to as "2018", the twelve-month period ended 31 January 2020 as "2019", 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 2019 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 2020, 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 2019 were prepared on the basis of the accounting records of Inditex and of the other Group companies.

The Group uses certain performance measures additional to those defined in IFRS, since these measures include information that is essential to assess the evolution of the Group.

In the consolidated income statement, gross profit, EBITDA, EBIT and PBT are defined as follows:

- Gross profit: the difference between sales and the cost of sales. Note 3 and Note 4 contain detailed information on the items included in these line items in the consolidated income statement. The percentage gross profit is calculated as the gross profit in absolute terms as a percentage of net sales.
- Gross operating profit (EBITDA): earnings before interest, the result of companies accounted for using the equity method, taxes and depreciation and amortisation, calculated as the gross profit less operating expenses and other losses and income, net.
- Operating income (EBIT): earnings before interest, the result of companies accounted for using the equity method and taxes, calculated as EBITDA less depreciation and amortisation.

- Profit before taxes (PBT): calculated as EBIT less Financial results and Result of companies accounted for using the equity method.

Other alternative measures of performance are as follows:

- Return on capital employed (ROCE): defined as PBT divided by average capital employed in the year (average of equity attributable to the Parent plus net financial debt for the year). The average capital employed considered for the ROCE calculation by concept relates to the non-current assets, excluding the deferred tax assets, of the concept.
- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent divided by average shareholders' equity for the year.
- Working capital: defined as Inventories plus Receivables minus Current Payables in the Balance Sheet.
- Net financial position: defined as Cash and Equivalents and Current financial investments less current and non-current financial debt, with explicit interest (without considering lease debt).
- Average net Financial debt: defined as Current and non-Current Financial Debt with explicit interest (without considering lease debt), less Cash and Cash equivalents and Current financial investments (considered zero if the result is negative).
- Store operating profit: income generated by sales as well as all expenses directly attributable and necessary to generate said income.
- Quarterly results: calculated as the difference between the year-to-date profit (loss) statement at the reporting date less the statement of income of the previous quarterly cut-off.

In preparing the consolidated annual accounts as at 31 January 2020 estimates were made in order to measure certain 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 consideration of the online business in the model of the non-current assets impairment test.
- The determination of inventory costs and its net realizable value.
- 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 opinions related to determination of the lease term, as well as the estimation of the discount rates applied in the measurement of the liability under IFRS 16.
- The recovery of deferred tax assets.

These estimates were made using the best information available at the time of preparation of this consolidated annual accounts. 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.

1 Activity and description of the Group

Inditex, S.A. with registered office in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the Parent of a global group of companies present in 5 continents, in both hemispheres, north and south.

Inditex is listed on all the four Spanish stock exchanges.

Its main activity consists of offering latest fashion trends (apparel, footwear, accessories and home textiles) with high quality and sustainability standards, at attractive prices and inspired in customer requirements.

This activity is carried out through eight commercial brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each format operates through an online and store model that is managed in a direct and integrated way, 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, except in certain markets where, for several reasons, the business is carried out through franchises.

Certain franchise agreements entered into by the Group include purchase options which, if exercised, would essentially enable the Group to have access to the lease rights over the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed since the signing of the franchise agreement.

The Group holds joint ownership interests in the entities making up the Tempe Group. Based on an analysis of the contractual arrangements giving it joint control, the Group classified its ownership interest in the Tempe Group as a joint venture. The interest in the Tempe Group was accounted for using the equity method.

The Group does not have any other significant non-controlling interests.

In order to offer the latest fashion trends at the right time, meeting high standards of sustainability and with the required quality, at Inditex we have developed an integrated and flexible business model that is clearly customer-oriented.

This model helps face business environment challenges. The strong competitiveness in the sector, driven by new technologies and an increasingly awareness of environmental challenges, defines a context with a constantly evolving customer profile.

Furthermore, geopolitical, demographic and socioeconomic changes in supplier or distribution countries, or the retraction in consumption in certain markets, are, among others, factors which could affect the optimal achievement of our business targets. Business can also be affected by potential consequences of climate change, which could influence consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others.

The internationalisation policy, the Group's multi-brand format, its sustainable production commitments and the support for total integration of channels and new technologies as alternatives for customer communication and sales, represent a means of risk diversification that mitigates our overall exposure to risks in the market.

The operation of this business model would not be feasible without the integration and flexibility of every stage of our value chain: design, production, logistics, stores and customers (with integrated points of sale, both physical and online).

The sales and design teams are strongly focused on the customer and firmly committed to sustainability in the processes and materials used in our products. The permanent contact with stores and online teams by our team of designers, through the Product Management Department, helps them to learn about customer preferences. In addition, their active promotion and search for more

sustainable materials and production processes help to raise standards of quality and to reduce the social and environmental impact of our activity.

Manufacture and supply have been designed with a mixed model which ensures reasonable flexibility to allow production to adapt to market demand. During 2019, 54% of the factories in which the Company has produced its articles are in proximity (in countries such as Spain, Portugal, Morocco and Turkey) with the remaining 46% being medium and long distance (57% and 43% of factories respectively in 2018). This enables us to achieve the capacity to adapt our own production or that of suppliers to the trend changes of each season, thus reducing the amount of leftovers from each campaign.

The logistics and distribution system enables the Company to make continuous shipments to physical and online stores from the logistics centres of every commercial format throughout every season. This system operates mainly with centralised logistics centres for every chain, where stocks are kept and which distribute the products to physical and online stores worldwide.

The people working in our Company make the sustained and sustainable development of this model possible: a diverse human team with 172 nationalities (154 nationalities in 2018), marked by its creative talent, its passion for fashion, teamwork, an enterprising spirit, permanent innovation and responsible effort.

Our goal is to provide fashion products that meet the most demanding sustainability and health and safety criteria, built on respect and promotion of Human Rights, transparency and continuous dialogue with stakeholders.

At 31 January 2020, the various Group concepts had stores in operation with the following geographical distribution:

	Number of stores		
	Company Managed	Franchises	Total
Spain	1,538	42	1,580
Rest of Europe	3,248	154	3,402
Americas	680	182	862
Rest of the World	891	734	1,625
Total	6,357	1,112	7,469

At 31 January 2019, the geographical distribution of stores was as follows:

	Number of stores		
	Company Managed	Franchises	Total
Spain	1,593	42	1,635
Rest of Europe	3,233	145	3,378
Americas	660	184	844
Rest of the World	926	707	1,633
Total	6,412	1,078	7,490

The majority of company-managed store premises are held under operating leases. Information on the main terms of the leases is provided in Note 15.

2 Selected accounting policies

2.1 Basis of consolidation

i) Subsidiaries

Subsidiaries are entities over which the Parent has control and, therefore, the power to govern their financial and operating policies (see Note 1). Subsidiaries are consolidated by aggregating the total amount of their assets, liabilities, income, expenses and cash flows, after making the adjustments and eliminations relating to intra-Group transactions. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the effective acquisition date. A detail of the subsidiaries is provided in Annex I.

For business combinations any excess of the consideration transferred plus the value assigned to non-controlling interests over the net amounts of the assets acquired and the liabilities assumed is recognised as goodwill.

Any deficiency of the amount of the consideration transferred plus the value assigned to non-controlling interests below the identifiable net assets acquired is recognised in profit or loss.

Acquisitions of equity interests in businesses subsequent to obtaining control and partial disposals that do not result in a loss of control are recognised as transactions with shareholders in equity.

The non-controlling interests shown in the consolidated statement of changes in equity relate to non-controlling interests in subsidiaries, and they are presented in consolidated equity separately from the equity attributable to shareholders of the Parent.

The profit or loss and each component of other comprehensive income are allocated to the equity attributable to shareholders of the Parent and to non-controlling interests in proportion to their relative interests, even if this results in the non-controlling interests having a deficit balance. Agreements entered into between the Group and non-controlling interests are recognised as a separate transaction.

The share of non-controlling interests of the equity and profit or loss of the subsidiaries is presented under "Equity Attributable to Non-Controlling Interests" and "Net Profit Attributable to Non-Controlling Interests", respectively.

ii) Jointly controlled entities

Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual arrangement. As indicated in Note 1, on the basis of the analysis performed of the contractual arrangements, the Group classified these interests as joint ventures. Pursuant to IFRS 11, Joint Arrangements, these entities are accounted for using the equity method in the consolidated annual accounts.

iii) Harmonization of criteria

Each of the companies included in the scope of consolidation prepares its annual accounts and other accounting records in accordance with the corresponding accounting standards, based on the legislation in force in the country of origin. Where these recognition and measurement criteria differ from those adopted by the Inditex Group in preparing its consolidated annual accounts, they are adjusted in order to present the consolidated annual accounts using uniform accounting policies.

iv) Intra-Group eliminations

All intra-Group receivables, payables and transactions, and any intra-Group gains or losses not yet realised vis-à-vis third parties, are eliminated in the consolidation process.

v) Translation of annual accounts denominated in foreign currencies

The annual accounts of companies with a functional currency other than the euro, except in the case of hyperinflationary countries, have been translated as follows:

- Assets and liabilities are translated to euros at the exchange rates 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 recognised, while average exchange rates are used in those cases in which the application of this simplifying criterion does not generate significant differences.

The differences arising from the application of these exchange rates are included in consolidated equity under "Translation Differences".

However, exchange differences arising from trade balances payable and receivable and financing transactions between Group companies, with foreseeable settlement, are recognised in profit or loss for the year.

vi) Annual accounts in hyperinflationary economies

Since 1 August 2018 Argentina has been considered a hyperinflationary economy. Consequently, the Group's financial statements of Argentine subsidiaries (see Annex I) have been integrated into the consolidated financial statements by making the hyperinflation adjustments provided for in IAS 29 in order to reflect changes in the overall purchasing power of the Argentine currency, that is, the financial statements that were at historical values have been restated to current values, applying the corresponding general price index and converted to the Group's functional currency, considering the closing exchange rate between the euro and the Argentine peso.

General price indexes of general acceptance in Argentina have been used to restate the financial statements at current values. Specifically, the Wholesale Price Index for the balances prior to 2017 (IPM) and the Consumer Price Index (CPI) for the balances from 2017 onwards have been used.

In relation to the conversion to functional currency, a closing exchange rate of 66.96 Argentine pesos per euro was applied.

These adjustments have been made retrospectively since 1 February 2018.

Hyperinflation adjustment has not been significant in the Net Income attributed to the parent.

Following the recommendation of the IFRIC regarding the classification of translation differences prior to the consideration of Argentina as an hyperinflationary economy, these are classified under the heading Translation differences in the Statement of changes in equity.

There are no other companies in the consolidation perimeter of the Group, with the exception of Argentina, which have been considered hyperinflationary economies.

vii) Companies with a reporting date that differs from that of the Group

Companies with a reporting date that differs from that of the consolidated annual accounts were consolidated using the annual accounts at their respective reporting dates (see Annex I).

Temporary adjustments are made to reflect the effect of significant transactions occurring between the reporting date of these subsidiaries and that of the consolidated annual accounts.

viii) Changes in the scope of consolidation

Annex I details all the companies in the consolidation perimeter. During fiscal year 2019, there were no significant changes in the perimeter.

2.2 Accounting policies

Standards effective for application in reporting periods beginning on or after 1 January 2019

During fiscal year 2019, the following standards and/or interpretations became effective for application in the European Union in the years beginning on 1 January 2019:

IFRS 16 – Leases

IFRS 16 “Leases” replaced IAS 17 as well as its associated interpretations. The entry into force of IFRS 16 for the Group is 1 February 2019.

IFRS 16 introduces the principles for recognition, measurement, presentation and reporting of leases. IFRS 16 provides a single lessee accounting model, similar to the accounting of the financial leases of IAS 17. The lessee recognises a liability for the net present value of the lease payments and a right-of-use asset of the underlying asset during the lease term. It also changes the nature of the expenses concerning these leases, given that IFRS 16 replaces the straight-line expenses of the operating lease for an expense derived from depreciation of the recognised asset as an expense for liability-associated interest.

The application of IFRS 16 also has an impact on the figures reported in certain breakdowns such as segment reporting (Note 10), basic and diluted earnings per share (Note 9) and alternative measures of performance.

The leases recognised in which the Group acts as the lessee relate mainly to the premises where the stores are located and agreements guaranteeing access to and control over certain logistics facilities.

The lessee may choose not to apply the general criteria of IFRS 16 to short-term leases and to leases whose underlying asset is considered to be of low value. The Group only applies the exemption to leases whose underlying asset is considered to be of low value.

The Group has adopted the modified retrospective transition method with the cumulative effect of the initial application of the standard, recognised as an adjustment to reserves at 1 February 2019 and the comparative information has not been restated.

In turn, this transition method enables the asset to be valued retroactively as if the standard had applied since the beginning of the lease or, for an amount equal to the liability adjusted by the prepaid or accrued payments.

Likewise, the Group applied some of the simplifications associated to the transition method adopted. The most relevant are:

- the exclusion of the initial direct costs of measuring the right-of-use asset on the transition date;
- the application of a single discount rate for each similar lease portfolio, by market, term and currency;
- the determination of the lease term using the information known at transition date;
- the non-review of the right-of-use value impairment on the transition date.

IAS 17 did not require the recognition of any assets or liabilities for right of use for future payments for operating leases; however, it did require disclosure of lease commitments. The difference between this information on lease commitments (IAS 17) and the lease liability (IFRS 16) lies in the different periods considered, the non-cancellable period versus the lease term determined in accordance with IFRS 16, and the fact that the commitments disclosed in Note 24 of the consolidated financial statements for 2018 correspond to the nominal amounts of expected payments while the lease liability in IFRS 16 is determined by applying a discount rate to the expected payments. Thus, the minimum lease payments amounting to 4,954 million euros at 31 January 2019 are reduced by 325 million euros due to the effect of the financial discount and increased by 2,272 million euros mainly by incorporating the periods which are reasonably estimated to be additional to the mandatory period.

Result of implementation of the standard:

(Amounts in millions of euros)	31-01-19	Transition IFRS 16	01-02-19
ASSETS			
NON-CURRENT ASSETS	11,064	5,539	16,603
Rights over leased assets	464	(464)	0
Rights of use	-	5,849	5,849
Other intangible assets	346	(12)	334
Goodwill	206	-	206
Property, plant and equipment	8,339	-	8,339
Investment property	20	-	20
Financial investments	267	-	267
Other non-current assets	564	(58)	505
Deferred tax assets	858	225	1,083
CURRENT ASSETS	10,620	(70)	10,551
Inventories	2,716	-	2,716
Trade and other receivables	820	-	820
Income tax receivable	108	-	108
Other current assets	162	(70)	93
Other financial assets	20	-	20
Current financial investments	1,929	-	1,929
Cash and cash equivalents	4,866	-	4,866
TOTAL ASSETS	21,684	5,470	27,154
EQUITY AND LIABILITIES			
EQUITY	14,682	(670)	14,012
Equity attributable to the Parent	14,653	(670)	13,983
Equity attributable to non-controlling interests	30	-	30
NON-CURRENT LIABILITIES	1,618	4,572	6,190
Provisions	229	-	229
Other non-current liabilities	1,072	(746)	326
Lease liability	-	5,325	5,325
Financial debt	5	-	5
Deferred tax liabilities	312	(7)	304
CURRENT LIABILITIES	5,383	1,568	6,952
Financial debt	84	-	84
Lease liability	-	1,577	1,577
Other financial liabilities	47	-	47
Income tax payable	153	-	153
Trade and other payables	5,099	(9)	5,090
TOTAL EQUITY AND LIABILITIES	21,684	5,470	27,154

The Group's net cash position is not altered by IFRS 16; however, it does involve a change in the classification of the flows generated/consumed included in the consolidated cash flow statement since the flows associated with leases are presented as cash flows from financing activities whereas under IAS 17 they were classified as flows from operating activities.

The impact of implementation of IFRS 16 from 1 February 2019 on the consolidated income statement of 2019 is a higher net profit of 2,5%, compared to IAS 17.

Note 2.2.o details the accounting policy applied by the Group in relation to this standard and the main judgements and estimates made.

Other approved amendments applied from 1 January 2019:

- IFRIC 23 - Uncertainty about tax treatment. This interpretation clarifies how to apply the recording and measurement criteria in IAS 12 when there is uncertainty about the tax authority's acceptability of a particular tax treatment used by the entity. In this regard, the Group had already been evaluating the uncertainty related to each tax treatment individually for each jurisdiction where it operates, in a manner consistent with the requirements of IFRIC 23 - Uncertainty in Tax Treatment, which is why the application of this interpretation has had no impact on the consolidated financial statements.
- Amendments to IFRS 9 - Financial instruments. This amendment permits the measurement at amortised cost of certain financial assets that can be cancelled early for an amount that is less than the amount of the principal outstanding and interest on that principal.
- Amendment to IAS 28 - Non-current investments in associates and joint ventures which clarifies that IFRS 9 should be applied to non-current interests in an associate or joint venture if the equity method is not applied.
- Improvements to IFRSs Cycle 2015-2017, which introduces minor amendments to a series of standards, including amendments to IFRS 3 Business Combinations in relation to the acquisition of joint control over a joint operation that constitutes a business, amendments to IAS 12 Income Taxes in relation to the recognition of the tax impact of remuneration for financial instruments classified as equity and amendments to IAS 23 Borrowing Costs in relation to the capitalisation of interest on outstanding financing specific to an asset that is ready for use and IFRS 11 Joint Ventures in relation to the acquisition of joint control over a joint operation that constitutes a business.
- Amendment to IAS 19 - Amendment, reduction or liquidation of a plan. In accordance with the proposed amendments, when a change occurs in a defined benefit plan (due to a modification, reduction or liquidation), the entity will use updated hypotheses to determine the cost of services and net interest for the period after the change of plan.

The application of these amendments and/or interpretations, except for IFRS 16, did not have a material effect on the Group's consolidated annual accounts for 2019.

Standards and amendments issued and approved for application in the EU in reporting periods beginning on or after 1 January 2020

- Amendment to IAS 1 and IAS 8 Definition of materiality, to align the definition with that contained in the conceptual framework. Mandatory in the years beginning on 1 January 2020.
- Amendments to IFRS 9, IAS 39 and IFRS 7 - Reform of Reference Interest Rates. Mandatory in the years beginning on 1 January 2020.
- Amendment to the references of the Conceptual Framework in the IFRS standards. Mandatory in the years beginning on 1 January 2020.

The Group is analysing the impact of the standards and amendments to the existing ones, although they are not expected to have a significant effect on the consolidated annual accounts on the date on which their application becomes mandatory in the European Union.

Standards issued and pending approval for use in the European Union

At the date of preparation of these consolidated annual accounts, the following standards and/or amendments to the standards with potential impact for the Group had been issued by the IASB but were pending approval for their use in the European Union.

- IFRS 17 - Insurance contracts. Replaces IFRS 4, incorporating the principles of registration, measurement, presentation and disclosure of insurance contracts with the objective that the entity provides relevant and reliable information that allows users of the information to determine the effect that the contracts have on the financial statements. Mandatory in the years beginning on 1 January 2021.
- Amendment to IFRS 3 - Business definition, which includes clarifications to the business definition. Mandatory in the years beginning on 1 January 2020.

The Group is analysing the impact of the new standards and amendments to existing ones, although they are not expected to have a significant effect on the consolidated annual accounts on the date when their application is mandatory in the European Union.

a) Translation of foreign currency balances and transactions

Foreign currency transactions are translated to euros by applying the exchange rates prevailing at the date of the transaction (except in the case of hyperinflationary countries). Monetary assets and liabilities denominated in foreign currencies are translated to euros at the end of the reporting period using the closing rate. Exchange differences arising on translating these items at those exchange rates are recognised in the income statement for the year as financial result.

In presenting the consolidated statement of cash flows, cash flows arising from transactions in a foreign currency are translated to euros by applying the exchange rates at the date of the cash flow. The effect of exchange rate changes on cash and cash equivalents denominated in foreign currency is presented separately in the consolidated statement of cash flows under "Effect of Exchange Rate Changes on Cash and Cash Equivalents".

b) Property, plant and equipment

Items of property, plant and equipment are stated at cost, including any additional costs incurred until the assets are ready for their intended use, less accumulated depreciation and any impairment losses or write-downs that have to be recognised (see Note 2.2.f).

Depreciation is taken on a straight-line basis over the estimated useful lives of the assets.

The estimated average useful lives are as follows:

Asset description	Useful life (years)
Buildings	25 to 50
Fixtures, furniture and machinery	8 to 20
Other property, plant and equipment	4 to 13

The Group reviews the residual values and useful lives of its property, plant and equipment at each financial year-end. Any change in the initially established estimates is accounted for as a change in an accounting estimate.

After initial recognition of an asset, only those costs that it is probable will give rise to future economic benefits and that can be measured reliably are capitalized.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss as they are incurred.

c) 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.

d) Financial investments

Investments in companies over which the Group does not exercise significant influence are stated at cost net of any impairment losses that have to be recognised.

e) Investment property

Investment property consists of assets held to generate rental income or for capital appreciation or both, and is stated at cost of acquisition less accumulated depreciation and any impairment losses that have to be recognised. Depreciation is calculated on a straight-line basis over the useful lives of the corresponding assets (see Note 2.2.f).

f) Impairment of non-current assets

The Group periodically assesses whether there are any indications that its non-current assets, including goodwill and intangible assets with indefinite useful life, might have become impaired, in order to determine whether their recoverable amount is lower than their carrying amount (impairment loss). In the case of goodwill and intangible assets with indefinite useful lives the impairment tests are performed at least once a year or more frequently if there are indications of impairment.

Impairment of non-current assets (property, plant and equipment and intangible assets) other than goodwill

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances, principally an analysis of commercial premises that have passed the initial period of consolidation determined by the Group for the generation of profits and which are incurring operating losses, as well as operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full. This methodology is applied to all the stores, except for those which, because of their importance, are considered to generate flows at a higher aggregation level (retail concept-country). The operating profit is defined as total sales revenue less all the directly attributable expenses required to generate that revenue.

For those cash-generating units (CGUs) that are scheduled to be closed, an impairment loss is recognised using the same methodology.

The determination of the assets associated with each CGU includes the right of use associated with the lease contracts (in the case of leased premises), net of the associated liability.

The recoverable amount of assets is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the expected future cash flows for the period in which these assets are expected to generate revenue, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset, and other factors that market participants would consider in pricing the future cash flows to be derived from the asset.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Based on the actual management of operations, the Group has defined each of the commercial premises in which it carries out its activities (stores) as basic cash-generating units, although these basic units can be aggregated at retail concept-country level, or even at the level of all the companies located in a given country or all the companies corresponding to a given concept (concept level). Group assets which are not clearly assignable under this structure (for example industrial or logistics assets) are treated separately in a manner consistent with this general policy but considering their specific nature. In this case, the aforementioned indicator of impairment is applied at a higher aggregation level (retail concept-country, country or concept) and if it is necessary to calculate the impairment, all the cash flows generated at that aggregation level must be capable of ensuring the recovery of all the assets associated therewith.

The Group uses the budgets and business plans, which generally cover a period of three years, of the various cash-generating units to which the assets are assigned. The key assumptions on which the budgets and business plans are based are estimated sales growth in comparable stores and the evolution of the operating expenses and gross profit of each of the cash-generating units, based on experience and knowledge of the trends in each of the markets in which the Group operates and on the macroeconomic indicators that reflect the current and foreseeable economic situation for each market.

The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases for the commercial premises or without any time limit in the case of company-managed premises (perpetual income). Where the growth rates exceed the industry or country rates, the latter reflect Group's best estimates regarding the business performance, based on its understanding of each market.

The discount rate applied is usually a pre-tax measure based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets (or similar instruments, if no 10-year

bonds have been issued), adjusted by a risk premium to reflect the increase in the risk of the investment per country and the systematic risk of the Group.

The average discount rate, resulting from those applied by the Group in the various markets, used for the purpose of calculating the present value of the estimated cash flows was as follows:

	2019 Average	2018 Average
Spain	5.10%	5.31%
Rest of Europe	6.06%	6.40%
Americas	9.95%	10.20%
Asia and rest of the world	6.93%	6.76%

The results obtained from the 2019 impairment test performed on non-current assets (property, plant and equipment and intangible assets) are shown in the tables of changes included in Note 13, Note 14 and Note 15 to the consolidated annual accounts relating to property, plant and equipment, other intangible assets and right of use assets.

The related charge for the period amounting to EUR 34 million (see Notes 7, 13, 14 and 15) is due primarily to the impairment corresponding to the closures scheduled and the impairment calculated based on the methods described previously.

Impairment losses reversed in the period amounting to EUR 26 million (see Notes 7, 13, 14 and 15) correspond to those CGUs for which impairment had been recognised in prior years and for which, due to their earnings performance, the calculation for the year shows that the estimated flows make it possible to recover the value of the assets associated with the CGUs and, consequently, the impairment losses recognised in prior years are fully or partially reversed.

Also, the Group analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.
- 5% reduction in future cash flows.

These sensitivity analyses, performed separately for each of the aforementioned assumptions, disclosed the potential existence of additional asset impairment amounting to EUR 1 million and EUR 1 million, respectively (EUR 1 million and EUR 2 million, respectively, in 2018).

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 2019 and 2018 did not give rise to the recognition of any impairment loss on goodwill.

Also, the Group analysed the sensitivity of the result of the impairment test to the following changes in assumptions:

- Increase of 100 basis points in the discount rate.
- Use of a perpetuity growth rate of 0%.
- 5% reduction in future cash flows.

These sensitivity analyses performed for each of the above hypotheses independently, would not imply any additional impairment in 2019 neither 2018.

Reversals of impairment losses

Reversals of impairment losses on non-current assets are recognised with a credit to "Depreciation and Amortisation Charge" in the consolidated income statement, up to the limit of the carrying amount that the asset would have had, net of depreciation or amortisation, had the impairment loss never been recognised, solely in those cases in which, once the internal and external factors have been assessed, it can be concluded that the indications of impairment that led to the recognition of the impairment losses have ceased to exist or have been partially reduced.

The reversal of an impairment loss for a CGU is allocated to the assets of the unit, except for goodwill, pro rata with the carrying amounts of those assets and taking into account the limit for the reversal referred to in the preceding paragraph.

An impairment loss recognised for goodwill must not be reversed in a subsequent period.

g) Trade and other receivables

Receivables are initially recognised at fair value and subsequently at their amortized cost in accordance with the effective interest rate method, less the provision for losses through impairment.

A provision for impairment losses of trade receivables is established when the requirements set out in section I) Financial instruments are complied with. The amount of the provision is recognised in the income statement.

h) 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.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand and demand deposits at banks. They also include other short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, on initial investment. Investments which mature in less than three months from the acquisition date are also included.

In the statement of cash flows, bank overdrafts which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents. Bank overdrafts are recognised in the consolidated balance sheet as financial liabilities relating to bank borrowings.

j) 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 2020.

The staff costs incurred in the year are determined based on the best estimate of the degree to which the conditions giving entitlement to payment have been met and the period that has elapsed since the commencement of the vesting period for each of the obligations.

The staff costs incurred in relation to the beneficiaries of the plans referred to in Note 26 to the consolidated annual accounts are recognised with a credit to liability and equity accounts in the period in which the costs are incurred.

k) Provisions and contingent liabilities

Provisions are recognised in the balance sheet when:

- the Group has a present obligation (legal or constructive) as result of a past event;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are quantified on the basis of the best information available at the date of preparation of the annual accounts and are reviewed at the end of each reporting period.

If it is no longer probable that an outflow of resources will no longer be required to settle the obligation, the provision is reversed. The provision is reversed against the consolidated income statement item where the corresponding expense was recognised.

There are no risks that might give rise to significant future contingencies affecting the Group that have not already been taken into account in these consolidated annual accounts.

On the other hand, contingent liabilities are possible obligations that arise as a result of past events, whose future materialization is conditioned by whether or not one or more future events beyond the control of the Group occur. Unlike provisions, contingent liabilities are not recognised in the consolidated balance sheet, but are disclosed in the accompanying Notes to the annual accounts, unless the possibility of an outflow in settlement is considered to be remote.

The Group guarantees the debts of certain companies in the Netherlands, pursuant to the provisions of Article 403.1, Book 2, Part 9 of the Civil Code of the Netherlands.

I) Financial instruments

Financial assets

The Group's financial assets are maintained within a business model that aims to collect the contractual cash flows of financial assets, which are exclusively the principal and interest. For this reason, all of the Group's financial assets are valued after the initial recording at amortized cost, with the exception of bonds and derivative financial instruments, which are valued at their fair value.

Financial assets recognised at amortized cost: The amortized cost is determined using the effective interest rate method, which is the discount rate that equals the value of all future expected cash flows of a financial asset during its remaining life, excluding losses for impairment, to the value of said financial asset at the time of initial recognition.

The amortized cost of a financial asset is the amount at which the financial asset is initially recognised, less the repaid principal amounts, plus interest recognised by the effective interest rate method, less any impairment loss. The interest income derived from the application of the effective interest rate method is recognised as a financial result in the profit and loss account. However, given that most of the Group's financial assets valued at amortized cost correspond to accounts receivable from customers and temporary financial investments, with maturities in the short term, the impact on the consolidated profit and loss account for the year 2019 of the effective interest rate method is not relevant.

Financial assets measured at fair value: Derivative financial instruments, which are maintained within the exchange rate risk hedging policy, are valued at their fair value. On the other hand, securities (which for the most part correspond to the guarantees of compliance with lease contracts for premises) are valued at their fair value, which does not differ significantly from the value of the consideration given.

Impairment of financial assets

The Group recognizes a provision for impairment for financial assets recognised at amortized cost. This provision is updated at each closing date to reflect changes in the credit risk of each financial instrument since its initial recognition.

The Group's policy is to recognize the credit losses expected at 12 months, provided that:

- The credit risk is low at the time of initial recognition of the financial asset.
- The credit risk has not increased significantly since recognition date.

Otherwise, the Group would recognize the expected loss during the life of the financial asset. In such case, interest is calculated on the gross value of the financial asset. Additionally, if after the significant increase in credit risk, objective evidence of impairment of the financial asset is shown, interest is calculated considering the value of the financial asset, net of the recognised impairment. On the other hand, it is considered that a financial asset is unpaid when its expiration date has not been reimbursed.

For the assessment of the credit risk of financial instruments other than accounts receivable of commercial origin (see Note 25), the Group has defined its own methodology based on the determination of credit risk indexes for each counterparty based on the use of market information on the credit quality of the counterparties (information such as the ratings assigned by credit agencies) and that allows the assessment of the credit risk of the counterparty at the time of the initial recognition of the financial assets and determine whether, on each closing date, there has been a significant increase in the credit risk on said financial assets or if the counterparty has incurred default. This information is subject to periodic review by the Group's Management, which determines when there has been a significant increase in the credit risk of the counterparties. Likewise, this methodology includes the determination of indices for each counterparty to determine the expected loss at 12 months or during the life of the asset based on the exposure to credit risk of each

counterparty. The amount of estimated impairment loss is not significant, since almost all financial assets have a low credit risk.

In turn, for accounts receivable of commercial origin (see Note 11), the Group has a methodology analogous to the one described above (Note 25), although in this case the measurement of credit risk of the counterparties is based on factors that affect the ability of debtors to meet payment obligations, such as factors of the economic environment where they operate or the history of defaults of the counterparty with the Group.

Likewise, a commercial debtor is considered to have incurred non-payment when it has not met its obligations at maturity, in which case a provision is established based on seniority for the past due balances held with said debtor.

Derecognition of financial assets

Financial assets are derecognised from the consolidated balance sheet when the contractual rights to receive cash flows from the asset expire or when substantially all the risks and benefits associated with their property are transferred to another entity.

m) Derivatives and hedging operations

Financial instruments acquired by the Group to hedge forecast transactions in foreign currencies are initially recognised at fair value.

Foreign currency hedges relating to forecast transactions are treated as cash flow hedges, and therefore any gains or losses derived from measuring the hedging instrument at fair value which correspond to the effective portion of the hedge are recognised in equity. The ineffective portion is charged to finance costs or credited to finance income, as appropriate.

Amounts recognised in equity are taken to income when the forecast transaction takes place with a charge or credit to the statement of profit or loss account in which it was recognised. Also, gains or losses recognised in equity are reclassified to finance income or costs when the forecast transaction is no longer expected to occur. The fair value of the hedges is recognised, depending on whether it is positive or negative, under "Other Financial Assets" or "Other Financial Liabilities" in the accompanying consolidated balance sheet.

In order for these financial instruments to qualify for hedge accounting, they are initially designated as hedging instruments and the hedging relationship is documented. Also, the Group verifies, both at inception and periodically over the term of the hedge, using "effectiveness tests", that the hedging relationship is effective, i.e. that it is prospectively foreseeable that the changes in the fair value or cash flows of the hedged item (attributable to the hedged risk) will be almost fully offset by those of the hedging instrument. Also, the ineffective portion of the hedging instrument is recognised immediately in the consolidated income statement.

The fair value of the hedging instruments was calculated using valuation techniques based on the spot exchange rate and yield curves, according to the fair value hierarchy shown below:

Level 1

Fair value is calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.

Level 2

Fair value is calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Unobservable inputs for the asset or liability.

The measurement methodology, based on the aforementioned hierarchy, is as follows:

Level 2 instruments

The Group assigns the assets and liabilities associated with its OTC derivative positions to this level and measures them using observable market inputs.

The Group does not have financial instruments included in the Level 1 or 3.

Accordingly, the fair value of the hedging instruments arranged by the Group is calculated as follows:

Foreign currency forwards

Fair value measurement:

Foreign currency forwards are basically measured by comparing the contract strike price (agreed delivery price) with the market forward rate for the maturity of the contract. Once the estimated future settlement of the contract has been obtained based on the aforementioned comparison (in euros), the settlement is discounted using the risk free zero coupon yield curve (or the interbank yield curve). This risk free valuation is subsequently adjusted to include each party's credit risk, both the risk corresponding to the counterparty (Credit Value Adjustment ("CVA") or counterparty default risk) and own risk (Debit Value Adjustment ("DVA") or own default risk).

The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs. The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

Cross-currency swaps

Fair value measurement:

- Cross currency swaps are basically measured by discounting the future cash flows of each leg of the derivative (swap) with the corresponding risk free yield curve (in the applicable currency). Subsequently, the present value of the leg that is not denominated in euros is translated to euros (using the current spot exchange rate) and the risk free value is calculated as the difference between the present value of the receiving leg and the present value of the paying leg. The discount curves are adjusted for the cross currency (basis) swap corresponding to the currency pair.
- The risk free portion is then adjusted to include the credit risk adjustment: both the CVA (Credit Value Adjustment - counterparty default risk) and the DVA (Debit Value Adjustment - own default risk).
- The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs.
- The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

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 price of the underlying, the strike price, the time to maturity and the volatility of the underlying. The credit adjustment is carried out by direct discounting with credit spread method curves.

n) Revenue recognition

Sales of goods are recognised when obligations of commitment to customers are fulfilled, which, in general, occur at the moment in which the merchandise is delivered to the customer and, simultaneously, the customer receives the consideration. Revenue is recognised by the value of the consideration received. Sales returns, actual and anticipated, are considered part of the total price of each sale transaction. The amount of the provision for expected refunds at the closing of the 2019 fiscal year is not relevant in the accompanying consolidated income statement.

Sales of goods to franchises are recognised following the same criteria mentioned above. On the other hand, income from royalties received from franchisees is recognised as the franchisee makes use of the rights obtained through the franchise agreement.

Rental income is recognised on a straight-line basis, over the term of the leases.

In the accompanying consolidated balance sheet no assets have been recorded by contract.

There are no significant contracts with financing components.

o) Leases

At the start date of each contract, the Group assesses whether a contract is or contains a lease. For those contracts that qualify as such, the Group recognises a liability for the present value of the lease payments known at the inception of the lease to be made over the term of the lease and an asset for the right to use the underlying asset over the lease term. Assets for rights of use are measured at cost (which includes initial direct costs incurred, any lease payments made before or at the inception of the lease less incentives received) less accumulated depreciation and impairment losses, and are adjusted for any remeasurement of lease liabilities. The rights of use are amortised on a straight-line basis over the term of the lease.

The right to use the asset is presented under the "Rights of use" heading in the consolidated balance sheet.

The lease liability is initially measured at the present value of the known lease payments, except for those made before or at the commencement date of the contract. The present value of the lease liability is determined using an incremental interest rate by country, term and currency, based on the type of assets leased.

The lease payments included in the liabilities comprise:

- Fixed payments (including fixed payments in essence), less any incentive to lease receivables;
- Variable lease payments, which depend on an index or rate;
- Amounts the lessee expects to pay as residual value guarantees;
- The exercise price of a call option if the lessee is reasonably sure of exercising that option;
- Payments for penalties resulting from lease termination, if the term of the lease reflects that the lessee will exercise an option to terminate the lease.

Variable lease payments, which do not depend on an index or rate, are not included in the measurement of the lease liability and the right to use the asset, are recorded as an operating expense as they accrue.

The contingent rents, common expenses and other expenses related to the lease do not form part of the determination of the lease liability and of the right of use, and the same accounting criteria are used as under IAS 17. Fixed-rent payments are replaced by the depreciation of the right of use and the interest recognised over the lease liability.

The lease liability is presented in two separate lines on the consolidated Balance sheet, "Long-term lease liability" for the liability to be settled over a period exceeding 12 months and "Short-term lease liability" for the portion to be settled in the next 12 months.

After the commencement date, the lease liability is measured by increasing the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes the corresponding adjustment to the right of use) when:

- There is a change in the term of the lease or a significant change in facts and circumstances that results in a change in the assessment of the exercise of a purchase option, in which case the lease liability is measured by discounting the revised payments at the revised discount rate.
- A change in future lease payments results from a change in an index or a change in the expected payables related to a residual value guarantee, in which case the lease liability is measured by discounting the changed payments at the discount rate before the change.
- A lease is amended and the amendment is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments at a revised discount rate.

The Group applies the exemption relating to leases whose underlying asset is considered to be of low value. For these contracts, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the contract.

The Group applies IAS 36 to determine whether the right to use the asset is impaired, following the procedures described in section f) "Impairment of non-current assets" of this note on accounting principles. In particular, the right of use arising under a lease agreement is deemed to be an asset of the cash-generating unit with which it is associated and the associated lease liability is deemed to be an asset of the cash-generating unit.

Application of IFRS 16 requires significant judgements regarding certain key estimates, such as determination of the lease term and the discount rate.

To determine the lease term there is an assessment of whether the lessee has reasonable certainty that he will exercise the lease extension option, or that he will not exercise the option to terminate the lease. The Group determines the lease term as the non-revocable period of the lease plus those unilateral options for extensions over which there is reasonable certainty of execution, and for which the following aspects are considered:

- The costs related to contract termination;
- The importance of the leased asset for the Group's operations;
- The conditions to be complied with in order to exercise or not exercise the options;
- The historical experience and the business plans approved by the Group's management, which generally cover a 3-year period.

The present value of the lease liability is determined using the implicit interest rate in the lease, and if this cannot be easily determined the lessee will use its incremental debt interest rate. Given the difficulty of determining the implicit interest rate of each lease, the Group uses its incremental borrowing rate by market, term and currency, based on the type of assets leased. The average weighted rate according to the lease of each contract by geographical area is as follows:

Spain	0.45%
Rest of Europe	1.00%
Americas	4.16%
Asia and Rest of the World	3.10%

The Group performs very active management of its lease agreements, which leads to a high volume of additions, removals and contractual amendments. These amendments will add an additional variability factor to the Group's trading figures.

p) Finance income and costs

Interest income and interest expenses are recognised on an accrual basis using the effective interest method. Dividend income is recognised when the right to receive payment is established.

q) Income tax

The income tax expense for the year comprises current tax and deferred tax. Current and deferred tax is recognised as income or as an expense and included in net profit or loss for the period, except to the extent that the tax arises from a transaction which is charged or credited, in the same or a different period, directly to equity, or from a business combination.

Current tax is the tax expected to be paid or recovered in the year, using tax rates in force at the consolidated balance sheet date, in respect of the current period, and any adjustment to tax payable or recoverable in respect of prior periods.

Deferred tax is calculated using the balance sheet liability method, which provides for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for tax purposes. Deferred tax liabilities are the amounts of income taxes payable in the future in respect of taxable temporary differences, while deferred tax assets are the amounts of income taxes recoverable in the future due to the existence of deductible temporary differences, tax loss carryforwards or tax credit carryforwards.

The Group 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 recognised for temporary differences associated with investments in subsidiaries, except to the extent that the Parent is able to control the timing of their reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that are in force at the balance sheet date, and reflecting the tax consequences that would follow from the manner in which the Group expects to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the corresponding unused tax losses or tax credits can be utilised. Deferred tax assets, whether recognised or not, are reviewed at each balance sheet date.

The Group only offsets current tax assets and liabilities if it has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Deferred tax assets and liabilities are recognised in the consolidated balance sheet under non-current assets and liabilities, irrespective of the expected date of realisation or settlement.

r) 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.

s) 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.

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 2019 and 2018 is as follows:

	2019	2018
Net sales in company-managed stores and online	25,933	24,025
Net sales to franchises	2,088	1,887
Other sales and services rendered	264	233
Total	28,286	26,145

The Group's Management considers that there are no differentiated income categories with respect to the way in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors. This consideration is consistent with the breakdown of revenues by operating segments (Note 10).

In FY2019, online sales grew 23% to €3.9 billion, 14% of net sales.

4 Cost of sales

The detail of this line item in 2019 and 2018 is as follows:

	2019	2018
Raw materials and consumables	12,033	11,360
Change in inventories	202	(52)
Change in provisions	245	21
Total	12,479	11,329

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.h).

Based on current information, in accordance with IAS 2 and IAS 10, Inditex has booked an inventory provision of € 287m to account for the impact that the Covid-19 pandemic might have on the net realisable value of the Spring/Summer inventory position at 31 January 2020.

5 Operating expenses

The detail of "Operating expenses" and of the changes therein is as follows:

	2019	2018
Personnel expenses	4,430	4,136
Operating leases (Note 15)	695	2,392
Other operating expenses	3,051	2,801
Total	8,176	9,329

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2020 is as follows:

Categories	Gender		Total
	W	M	
Manufacturing and logistics	4,783	5,894	10,678
Central services	7,034	4,423	11,457
Stores	121,648	32,828	154,476
Total	133,465	43,146	176,611

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2019 is as follows:

Categories	Gender		Total
	W	M	
Manufacturing and logistics	4,713	5,903	10,616
Central services	7,165	4,486	11,651
Stores	119,507	32,612	152,119
Total	131,385	43,001	174,386

The detail of "Other Operating Expenses" is as follows:

Other operating expenses	2019	2018
Indirect Selling Expenses	1,553	1,408
Administrative Expenses	632	578
Maintenance, Repairs and Utilities	498	463
Other	368	352
Total	3,051	2,801

"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 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 recognised as a liability and changes are recognised in profit or loss.

Following there is a description of the main cross put and call options on those investments:

a) Subsidiary domiciled in Mexico

The Group holds a call option on 5% of the share capital of Zara México, S.A. de C.V. owned by a non-controlling shareholder. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

b) Subsidiary domiciled in South Korea

The Group holds a call option on 20% of the share capital of Zara Retail Korea, Ltd. This ownership interest is held by Lotte Shopping Co., Ltd., which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

c) Subsidiary domiciled in South Africa

The Group holds a call option on 10% of the share capital of ITX Fashion Retail South Africa (Proprietary), LTD. This ownership interest is held by Peter Vundla Retail (Proprietary), 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.

7 Amortisation and depreciation

The detail of "Amortisation and depreciation Charge" is as follows:

	2019	2018
Amortisation and depreciation charge (Note 13, 14 and 15)	2,824	1,206
Variation in impairment losses (Note 13, 14 and 15)	8	(1)
Profit/(loss) on assets	5	(109)
Other	(11)	4
Total	2,826	1,100

8 Financial results

The detail of "Financial Results" in the consolidated income statement for 2019 and 2018 is as follows:

	2019	2018
Finance income	31	29
Foreign exchange gains	16	64
Lease foreign exchange gains	1	-
Total income	48	92
Finance costs	(14)	(15)
Lease finance costs (Note 15)	(142)	-
Foreign exchange losses	(39)	(61)
Lease foreign exchange losses	(5)	-
Total expenses	(200)	(76)
Total	(152)	17

Finance income and costs comprise mainly (excluding Lease finance costs) the interest accrued on the Group's financial assets and liabilities during the year (see Note 20). 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.

9 Earnings per share

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group (see Note 23), which totalled 3,114,384,195 in 2019 and 3,113,701,857 in 2018.

Diluted earnings per share are calculated based on the profit for the year attributable to the holders of equity instruments of the Company and the weighted average of the ordinary shares outstanding for the dilutive effects of the potential ordinary shares.

As of 31 January 2020, taking into consideration treasury shares that are subject to the long-term incentive plans (Note 23), the calculation of diluted earnings per share would result in an amount of EUR 1.168 per share (1.105 as of 31 January 2019).

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.

Group Management believes there are no differentiated income categories with respect to the manner in which the nature, amount, timing and uncertainty of revenues from ordinary activities and cash flows are affected by economic factors.

The Inditex Group segment information is as follows:

2019

	Zara / Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	19,685	2,385	6,340	(124)	28,286
Profit before taxes	3,370	349	962	-	4,681
Amortisation and depreciation	1,873	258	688	7	2,826
Segment total assets	22,707	1,440	4,244	-	28,391
ROCE	30%	39%	36%	-	32%
Number of stores	2,866	1,107	3,496	-	7,469

2018

	Zara / Zara Home	Bershka	Other	Inter-segment	Total
Sales to third parties	18,127	2,240	5,886	(109)	26,145
Profit before taxes	3,181	329	918	(1)	4,428
Amortisation and depreciation	710	111	279	1	1,100
Segment total assets	17,345	1,057	3,282	-	21,684
ROCE	28%	50%	43%	-	31%
Number of stores	2,862	1,107	3,521	-	7,490

For presentation purposes Inditex has integrated the reporting of Zara Home into Zara due to the existing synergies between both concepts. The goal is to leverage the operational and brand management of the combined store and online platform.

In addition, the commercial concepts other than Zara, Zara Home and Bershka have been 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 condensed consolidated financial statements, the sales to third parties relate to "Net sales" in the consolidated income statement and the depreciation and amortisation charge corresponds to "Amortisation and depreciation" in the consolidated income statement.

The segment's Profit before taxes refers to "Profit before taxes" in the consolidated income statement. 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. Inter-segment transactions are carried out on an arm's length basis.

Total segment assets relate to "Total Assets" in the consolidated balance sheet.

The ROCE and ROE are calculated as defined in the initial Note to these consolidated annual accounts.

Zara was the first concept created by the Inditex Group and its positioning is based on a fashion offering featuring a wide range of products. Zara Home sells fashionable household products.

Bershka targets the younger consumers and its aim is to offer the latest fashion at affordable prices.

Geographical reporting

In the presentation of information by geographical segment, revenue is based on the geographical location of customers and segment non-current assets are based on the geographical location of assets. Segment non-current assets do not include deferred tax assets neither Other Non-Current Assets.

	Net Sales		Non-current assets	
	2019	2018	31/01/2020	31/01/2019
Spain	4,766	4,557	4,613	3,486
Rest of Europe	13,682	12,388	6,474	3,725
Americas	4,434	4,033	2,538	1,567
Asia and rest of the world	5,403	5,167	1,661	864
Total	28,286	26,145	15,285	9,642

11 Trade and other receivables

The detail of this line item at 31 January 2020 and 2019 is as follows:

	31/01/2020	31/01/2019
Trade receivables	226	229
Receivables due to sales to franchises	272	229
Public entities	179	218
Other current receivables	103	144
Total	780	820

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 15) and outstanding balances from sundry operations.

12 Inventories

The detail of this line item at 31 January 2020 and 2019 is as follows:

	31/01/2020	31/01/2019
Raw materials and consumables	104	111
Goods in process	36	35
Finished goods for sale	2,129	2,570
Total	2,269	2,716

The Group takes out insurance policies to cover the possible risks of material damage to its inventories.

Based on current information, in accordance with IAS 2 and IAS 10, Inditex has booked an inventory provision of € 287m to account for the impact that the Covid-19 pandemic might have on the net realisable value of the Spring/Summer inventory position at 31 January 2020.

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 01/02/2018	2,080	10,425	677	387	13,568
Acquisitions	26	1,114	274	319	1,733
Hyperinflation adjustments	5	19	2	-	26
Disposals	(43)	(606)	(164)	(1)	(814)
Transfers	24	231	16	(271)	-
Foreign exchange translation differences	43	40	(2)	2	82
Balance at 31/01/2019	2,134	11,222	802	436	14,595
Balance at 01/02/2019	2,134	11,222	802	436	14,595
Acquisitions	22	781	258	113	1,174
Hyperinflation adjustments	2	10	1	-	12
Disposals (Note 7)	(18)	(494)	(194)	(1)	(706)
Transfers	148	176	8	(331)	1
Foreign exchange translation differences	21	78	4	1	104
Balance at 31/01/2020	2,308	11,773	879	219	15,179
Depreciation					
Balance at 01/02/2018	354	5,101	334	-	5,789
Depreciation charge for the year	35	812	201	-	1,048
Hyperinflation adjustments	1	15	2	-	18
Disposals	(17)	(530)	(157)	-	(705)
Transfers	41	(41)	-	-	-
Foreign exchange translation differences	4	15	-	-	18
Balance at 31/01/2019	418	5,371	379	-	6,168
Balance at 01/02/2019	418	5,371	379	-	6,168
Depreciation charge for the year (Note 7)	41	857	246	-	1,144
Hyperinflation adjustments	1	6	1	-	7
Disposals (Note 7)	(6)	(414)	(186)	-	(607)
Transfers	-	(1)	-	-	(1)
Foreign exchange translation differences	2	32	2	-	36
Balance at 31/01/2020	456	5,851	442	-	6,749
Impairment losses (Note 2.2-f)					
Balance at 01/02/2018	1	129	6	-	136
Charge for the year	-	48	2	-	51
Amounts charged to profit or loss	-	(51)	(1)	-	(52)
Disposals	-	(44)	(4)	-	(48)
Balance at 31/01/2019	1	83	3	-	87
Balance at 01/02/2019	1	83	3	-	87
Charge for the year (Note 7)	-	33	1	-	34
Amounts charged to profit or loss (Note 7)	-	(26)	(1)	-	(26)
Disposals (Note 7)	(1)	(15)	(5)	-	(21)
Foreign exchange translation differences	-	1	-	-	1
Balance at 31/01/2020	-	76	(1)	-	75
Carrying amount					
Balance at 31/01/2019	1,715	5,768	419	436	8,339
Balance at 31/01/2020	1,852	5,845	438	219	8,355

“Fixtures, Furniture and Machinery” includes mainly assets related to stores.

“Other Items of Property, Plant and Equipment” includes, inter alia, information technology equipment and motor vehicles.

Disposals comprise mainly assets related to the commercial premises at which the Group carries out its commercial activities.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of EUR 1,911 million and EUR 1,930 million at 31 January 2020 and 31 January 2019, 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.f).

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 programs to protect its assets from the various risks, and establishes suitable limits, excesses and conditions in view of the nature of the assets and the financial dimension of the Group.

14 Rights over leased assets and other intangible assets

Under the heading “Rights over leased assets” were the amounts paid for access to commercial premises under a lease as a transfer right, access premium, waiver of rental rights or compensation. The disposals in 2019 correspond to the implementation of IFRS 16.

“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.f).

The detail of the items comprised under this paragraph in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	Rights over leased assets	Patents and similar intangibles	Software	Other intangible assets	Total
Cost					
Balance at 01/02/2018	981	33	240	183	1,437
Acquisitions	64	2	111	101	278
Hyperinflation adjustments	1	-	-	-	1
Disposals	(99)	(3)	(2)	(76)	(180)
Transfers	(17)	-	-	-	(17)
Foreign exchange translation differences	9	-	-	-	9
Balance at 31/01/2019	938	32	349	208	1,528
Balance at 01/02/2019	938	32	349	208	1,528
Adjustment on initial application of IFRS 16 (Note 2)	(938)	-	-	(12)	(950)
Acquisitions	-	2	140	93	235
Disposals (Note 7)	-	-	(12)	(82)	(94)
Transfers	-	-	(15)	-	(15)
Foreign exchange translation differences	-	(1)	-	-	(1)
Balance at 31/01/2020	-	33	463	207	702
Amortisation					
Balance at 01/02/2018	502	22	96	82	703
Amortisation charge for the year	36	2	40	80	158
Hyperinflation adjustments	1	-	-	-	1
Disposals	(79)	(3)	(1)	(75)	(159)
Foreign exchange translation differences	2	-	-	-	2
Balance at 31/01/2019	462	21	135	87	705
Balance at 01/02/2019	462	21	135	87	705
Adjustment on initial application of IFRS 16 (Note 2)	(462)	-	-	-	(462)
Amortisation charge for the year (Note 7)	-	2	67	90	159
Disposals (Note 7)	-	-	(12)	(83)	(95)
Transfers	-	-	(15)	-	(15)
Foreign exchange translation differences	-	(1)	-	-	(1)
Balance at 31/01/2020	-	22	175	95	292
Impairment losses (note 2.2.f)					
Balance at 01/02/2018	22	-	-	-	23
Impairment charge for the year	2	-	-	-	2
Amounts charge to profit or loss	(2)	-	-	-	(2)
Disposals	(10)	-	-	-	(10)
Balance at 31/01/2019	12	-	-	-	12
Balance at 01/02/2019	12	-	-	-	12
Adjustment on initial application of IFRS 16 (Note 2)	(12)	-	-	-	(12)
Balance at 31/01/2020	-	-	-	-	-
Carrying amount					
Balance at 31/01/2019	464	11	214	121	810
Balance at 31/01/2020	-	10	288	112	410

The Group capitalized EUR 140 million in 2019 (EUR 111 million in 2018) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized EUR 93 million (EUR 101 million in 2018) 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.

15 Leases

This heading records the measurement of the right to use the asset underlying the lease contracts during the term of the contract, for those contracts in which the Group is the lessee.

15.1 Right of Use Assets

Cost	
Balance at 01/02/2019	-
Adjustment on initial application of IFRS 16 (Note 2.2)	5,849
Acquisitions	1,643
Disposals (Note 7)	(69)
Transfers	92
Foreign exchange translation differences	56
Balance at 31/01/2020	7,571
Amortisation	
Balance at 01/02/2019	-
Amortisation charge for the year	1,521
Disposals	(26)
Transfers	25
Foreign exchange translation differences	8
Balance at 31/01/2020	1,528
Balance at 31/01/2020	6,043

The Group leases commercial premises in which it carries out its business activity. The changes for the year relate mainly to new leases and to the impacts associated with the revaluation of extension or exit options that have been exercised and with the renegotiation of agreements that modify the term and/or future rent.

The amount of income from leasing and subleasing is not significant.

15.2 Lease liabilities

The breakdown of lease liabilities is as follows:

Non-current	5,163
Current	1,649
TOTAL	6,812

The breakdown of maturity is as follows:

	2019		
	Less than one year	One to five years	Over five years
Lease payments	1,649	3,661	1,502

15.3 Other information

Amounts recognized in the consolidated income statement:

	2019
Amortisation Right of Use (Note 7)	1,521
Lease finance cost (Note 8)	142
Variable rent payments (Note 5)	495
Others * (Note 5)	200

* Mainly includes Common Expenses and other lease services.

Some of the Group's commercial premises leases contain conditions for the payment of variable rent that are linked to the sales generated in such stores, such that the payment for the lease is linked to the development of the store. Variable rent in these stores amounted to 479 million euros.

The amount of income from leasing and subleasing is not significant.

16 Goodwill

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	2019	2018
Opening balance	206	207
Acquisitions	-	-
Foreign exchange translation differences	1	(1)
Closing balance	207	206

Investee	2019	2018
Stradivarius España, S.A.	53	53
Italco Moda Italiana, LDA.	51	51
Zara Polska, S.p. Zo.o.	34	34
Massimo Dutti Benelux, N.V.	20	20
BCN Diseños, S.A. de C.V.	11	10
Zara Eslovenia	9	9
Zao Zara CIS	10	9
Others	19	18
Closing balance	207	206

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.f).

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.f).

17 Financial investments

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	Loans and other credit facilities	Investments accounted for using the equity method	Others	Total
Balance at 01/02/2018	21	214	2	237
Acquisitions	-	54	-	54
Disposals	(4)	(20)	-	(24)
Foreign exchange translation differences	(2)	2	-	-
Balance at 31/01/2019	15	249	2	267
Balance at 01/02/2019	15	249	2	267
Acquisitions	-	61	-	61
Disposals	(9)	(60)	-	(70)
Transfers	(6)	-	-	(6)
Foreign exchange translation differences	-	(4)	-	(4)
Balance at 31/01/2020	1	246	2	249

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.

18 Other non-current assets

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	Guarantees	Other	Total
Balance at 01/02/2018	457	62	520
Acquisitions	9	14	23
Disposals	(40)	(2)	(43)
Profit/(Loss) for the year	-	44	44
Transfers	(1)	13	12
Foreign exchange translation differences	7	1	8
Balance at 31/01/2019	432	132	564
Balance at 01/02/2019	432	132	564
Adjustment on initial application of IFRS 16 (Note 2.2)	-	(58)	(58)
Acquisitions	7	-	7
Disposals	(63)	-	(63)
Transfers	-	4	4
Foreign exchange translation differences	2	-	2
Balance at 31/01/2020	378	78	456

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 15), and to amounts paid to secure compliance with contracts in force.

19 Trade and other payables

The detail of this line item in the consolidated balance sheets at 31 January 2020 and 2019 is as follows:

	31/01/2020	31/01/2019
Trade payables	3,985	3,744
Personnel	491	426
Public entities	516	465
Other current payables	451	463
Total	5,443	5,099

The following table shows the information on the average period of payment to suppliers required by Law 15/2010, of 5 July:

	2019	2018
	Days	
Average period of payment to suppliers	36.31	35.51
Ratio of transactions settled	36.44	35.45
Ratio of transactions not yet settled	34.71	36.38
	Amount	
Total payments made	3,421	3,267
Total payments outstanding	265	218

This information relates to suppliers and creditors of Group companies domiciled in Spain.

20 Net financial position

The detail of the Group's net financial position is as follows:

	31/01/2020	31/01/2019
Cash in hand and at banks	1,792	1,511
Short-term deposits	2,788	3,244
Fixed-income securities	200	110
Total cash and cash equivalents	4,780	4,866
Current financial investments	3,319	1,929
Current financial debt	(32)	(84)
Non-current financial debt	(6)	(5)
Net financial position	8,060	6,705

“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 other financial operations is as follows:

	31/01/2020			31/01/2019		
	Current	Non-current	Total	Current	Non-current	Total
Loans	26	-	26	82	-	82
Other Financial operations	6	6	13	2	5	8
Total	32	6	39	84	5	90

At 31 January 2020, the Group had a limit of EUR 6,464 million on its drawable financing facilities (EUR 6,248 million at 31 January 2019). These include supply chain finance support programs, 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:

	31/01/2020	31/01/2019
Euro	16	9
Turkish lira	2	2
British pound	19	75
Indian rupee	2	3
	39	90

The maturity schedule of the Group's bank borrowings at 31 January 2020 and 2019 was as follows:

	31/01/2020	31/01/2019
Less than one year	32	85
Between one and five years	6	5
	39	90

21 Provisions

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	Pensions and similar obligations with personnel	Liability	Other provisions	Total
Balance at 01/02/2018	92	93	74	259
Provisions recorded during the year	23	7	3	33
Disposals	(2)	(19)	(3)	(24)
Transfers	(44)	5	(4)	(43)
Foreign exchange translation differences	-	-	5	5
Balance at 31/01/2019	69	85	74	229
Balance at 01/02/2019	69	85	74	229
Provisions recorded during the year	10	15	-	26
Disposals	(2)	(12)	-	(14)
Transfers	(24)	1	-	(24)
Foreign exchange translation differences	-	(2)	2	-
Balance at 31/01/2020	53	87	76	217

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 2020. The estimated average period of disbursement of the provisioned amounts is around 3 years.

Provision for liabilities

The amounts shown here correspond to present obligations due to legal claims or constructive obligations arising from past events which will probably result in an outflow of resources and can be reliably estimated. At the date of preparation of these consolidated annual accounts there were no legal proceedings the final outcome of which could significantly affect the Group's equity position.

In estimating the amounts provisioned at year-end, the Group used the following hypotheses and assumptions:

- Maximum amount of the contingency
- Foreseeable evolution and factors on which the contingency depends

The estimated average payment period for the amounts provisioned depends largely on the local legislation of each of the markets in which the Group operates. An analysis is performed each year of the portion that will foreseeably have to be paid the following year and the related amount is transferred to current payables.

The Directors of Inditex consider that the provisions recorded in the consolidated balance sheet adequately cover the risks relating to litigation, arbitration and other contingencies and do not expect any liabilities additional to those recognized to arise therefrom.

22 Other non-current liabilities

The detail of this line item in the consolidated balance sheet and of the changes therein in 2019 and 2018 is as follows:

	Lease incentives	Other	Total
Balance at 01/02/2018	917	89	1,005
Acquisitions	136	-	136
Changes through profit or loss	25	14	39
Transfers	(99)	(14)	(112)
Foreign exchange translation differences	4	-	4
Balance at 31/01/2019	983	89	1,072
Balance at 01/02/2019	983	89	1,072
Adjustment on initial application of IFRS 16 (Note 2.2)	(746)	-	(746)
Acquisitions	103	-	103
Changes through profit or loss	-	25	25
Transfers	(52)	(25)	(78)
Foreign exchange translation differences	4	-	4
Balance at 31/01/2020	291	89	380

The derecognition of the item Lease incentives is due to the implementation of IFRS 16.

23 Capital and reserves

Share capital

At 31 January 2020 and 2019, 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 2020 and 2019 amounted to EUR 20 million, while retained earnings amounted to EUR 19,850 million and EUR 12,130 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 2020 and 2019, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2020 include restricted reserves amounting to EUR 618 million (EUR 529 million at 31 January 2019) 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 2019 Inditex has 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 2020 and 2019, 59.371% and 59.364% respectively of the Parent's share capital (see Note 29). At 31 January 2020 and 2019, Pontegadea Inversiones, S.L. held 50.010% of the shares of INDITEX.

Dividends

The dividends paid by the Parent in 2019 and 2018 amounted to EUR 2,741 million and EUR 2,335 million, respectively. These amounts correspond to payments of EUR 0.88 per share in 2019 and EUR 0.75 per share in 2018.

The distribution proposed by the Board of Directors is shown in Note 28.

Treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 26 of the 2018 consolidated annual accounts) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan. Likewise, the Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for these plans, rendering the previous authorization invalid.

At 31 January 2019, the Company owned a total of 2,950,143 treasury shares, representing 0.095% of the share capital.

Subsequently, in 2019, the first cycle (2016-2019) of the 2016-2020 Long Term Incentive Plan was settled and the corresponding shares were delivered to the beneficiaries of the first cycle of the Plan. Consequently, at 31 January 2020, the Company owned a total of 2,125,384 treasury shares, representing 0.068% of the share capital.

24 Income taxes.

Companies included in the Consolidated Financial Statements pay the Corporate Income Tax individually, except for certain countries (like Spain, Portugal or Netherlands) where they pay taxes under the consolidated tax group regime.

In the case of Spain, the consolidated tax group includes Industria de Diseño Textil, S.A., as the Parent company, and the Spanish subsidiaries that meet the requirements provided for in Spanish legislation regulating the taxation of the consolidated tax groups. The subsidiaries composing the aforementioned Spanish tax group are as follows:

Bershka BSK España, S.A.	Hampton, S.A.	Oysho España, S.A.	Tordera Logística, S.L.
Bershka Diseño, S.L.	Indipunt, S.L.	Oysho Logística, S.A.	Trisko, S.A.
Bershka Logística, S.A.	Inditex, S.A.	Plataforma Cabanillas, S.A.	Uterque Diseño, S.L.
Born, S.A.	Inditex Logística, S.A.	Plataforma Europa, S.A.	Uterque España, S.A.
Choolet, S.A.	Invercarpro, S.A.	Plataforma Logística León, S.A.	Uterque Logística, S.A.
Comditel, S.A.	Kiddy's Class España, S.A.	Plataforma Logística Meco, S.A.	Uterque, S.A.
Confecciones Fíos, S.A.	Lefties España, S.A.	Pull & Bear Diseño, S.L.	Zara Diseño, S.L.
Confecciones Goa, S.A.	Lefties Logística, S.A.	Pull & Bear España, S.A.	Zara España, S.A.
Denllo, S.A.	Massimo Dutti Diseño, S.L.	Pull & Bear Logística, S.A.	Zara Home Diseño, S.L.
Fashion Logistics Forwarders, S.A.	Massimo Dutti Logística, S.A.	Samlor, S.A.	Zara Home España, S.A.
Fashion Retail, S.A.	Massimo Dutti, S.A.	Stear, S.A.	Zara Home Logística, S.A.
Fibracolor, S.A.	Nikole, S.A.	Stradivarius Diseño, S.L.	Zara Logística, S.A.
Glencare, S.A.	Nikole Diseño, S.L.	Stradivarius España, S.A.	Zara, S.A.
Goa-Invest, S.A.	Oysho Diseño, S.L.	Stradivarius Logística, S.A.	Zintura, S.A.
Grupo Massimo Dutti, S.A.			

The balance of the "Current Liability for Income Tax" heading in the consolidated balance sheet corresponds to the provision for Income Tax relating to the profits for the year 2019, net of withholdings and prepayments made in the period. The heading "Creditors" includes the liability corresponding to other applicable taxes.

The balance of "Current Asset for Income Tax" in the consolidated balance sheet corresponds, mainly, to amounts to be recovered from tax authorities for such concept. The balance of the "Accounts Receivable" heading in the accompanying consolidated balance sheet mainly includes the amount by which the input VAT exceeded output VAT for the period.

The income tax expense includes both the part concerning expense for current tax and the corresponding expense for deferred tax. The current tax is the amount to be paid for the income tax related to the fiscal gain of the period and for other fiscal charges derived from compliance with the regulations that regulate the income tax. The deferred tax reflects the amounts of tax on the profits to be paid or recovered in future periods and arises from the recognition of deferred tax assets and liabilities.

The income tax expense comprises the following:

	2019	2018
Current taxes	1,123	1,045
Deferred taxes	(89)	(65)

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 2019 and 2018 is as follows:

	2019	2018
Consolidated accounting profit for the year before taxes	4,681	4,428
Tax expense at tax rate in force in the country of the Parent	1,170	1,107
Net permanent differences	(141)	(140)
Effect of application of different tax rates	(94)	(74)
Adjustments to prior years' taxes	7	6
Tax withholdings and other adjustments	105	85
Adjustments to deferred tax assets and liabilities	4	2
Tax withholdings and tax benefits	(17)	(7)
Income tax expense	1,034	980

The permanent differences correspond, mainly, to expenses not tax deductible and to tax revenues for the contribution of rights to use certain assets to a subsidiary.

The companies that make up the consolidated Group have benefited from the tax benefits provided for in the tax regulations in force in each country amounting to 17 million euros (7 million euros as of 31 January 2019). These deductions and bonuses derive, fundamentally, from investments, the correction of double taxation and, to a lesser extent, bonuses.

Temporary differences are differences between the carrying amount of an asset or liability in the balance sheet and its tax base. The consolidated balance sheet closed as of 31 January 2020 includes the assets and liabilities for deferred taxes existing at that date.

The detail of "Deferred Tax Assets" and "Deferred Tax Liabilities" in the accompanying consolidated balance sheet is as follows:

Deferred tax assets arising from:	2019	2018
Provisions	134	134
Non-current assets	167	142
Lease incentives	-	57
IFRS 16	350	-
Valuation adjustments	102	50
Tax losses	56	73
Intra-Group transactions	229	239
Other	197	163
Total	1,236	858

Deferred tax liabilities arising from:	2019	2018
Leases	-	-
Intra-Group transactions	135	140
IFRS 16	46	-
Non-current assets	93	75
Valuation adjustments	5	15
Other	90	82
Total	370	312

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 2019 and 2018 were as follows:

Deferred tax assets arising from:	2019	2018
Opening balance	858	744
Charge/Credit to profit or loss	93	117
Charge/Credit to equity	227	(5)
Transfers	58	2
Closing balance	1,236	858

Deferred tax liabilities arising from:	2019	2018
Opening balance	312	268
Charge/Credit to profit or loss	5	52
Charge/Credit to equity	(5)	(10)
Transfers	58	2
Closing balance	370	312

The changes in deferred tax assets and liabilities booked against equity mainly relate to the transition adjustment to the new IFRS accounting rule on leases (IFRS 16) as detailed in the Note 2.2, Accounting policies of these consolidated financial statements.

As of 31 January 2020, the Group has tax losses subject to compensation with future benefits amounting to EUR 354 million (EUR 398 million at 31 January 2019). Within the breakdown of assets for deferred taxes previously indicated, those corresponding to tax losses pending to be offset are included, with a balance of EUR 56 million at 31 January 2020 (EUR 73 million at 31 January 2019). The Group, based on the methodology established to verify the existence of signs of impairment in its non-current assets (see Note 2.2.f), constructs the hypotheses to analyse the existence of sufficient fiscal gains in the future that allow offset such tax losses before they prescribe. Additionally, the reversal in the same entity of deferred tax liabilities related to the same tax authority that may give rise to taxable amounts in sufficient quantity to apply the unused tax losses against them is taken into account. Thus, the balance of deferred tax assets recorded in the balance sheet is the result of the aforementioned analysis of the total amount of tax losses that the Group has declared at year end that, for the most part, are not subject to a period of effective compensation.

In addition, some companies that make up the consolidated group have reserves that could be subject to taxation should they be distributed. These consolidated financial statements include the tax effect associated with such distribution insofar as it is likely to occur in the foreseeable future. Temporary differences, associated with investments in subsidiaries, associates and permanent establishments, which have not been registered for the exception provided for in IAS 12, amount to EUR 107 million.

On the other hand, in accordance with the tax legislation applicable to the parent company of the Group, the dividends proposed or declared to the shareholders of said company, before the financial statements have been formulated and that have not been recognized as liabilities, do not generate Consequences in the Income Tax of the parent company.

The years open to inspection in relation to the main taxes vary according to the tax legislation of each country in which the Group operates. At present, verification actions are being carried out on different Group companies, among which we highlight those domiciled in Spain, Korea and the United States. In any case, it is not expected that, as a consequence of the ongoing verification actions, as well as

those that could be carried out in the future in relation to non-prescribed periods, liabilities will be revealed that significantly affect the equity situation or the Group's results.

Lastly, these financial statements include the effect of the entry into force in Spain of Royal Decree-Law 3/2016, of December 2, which has adopted tax measures aimed at consolidating public finances consisting of modification of the limits for the compensation of negative tax bases, the reversal of impairment of shareholdings and non-deductibility of losses as a result of the transfer of shares in certain entities, not being significant for the equity situation or the Group's results.

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 Investments".

The Group's head companies supply their subsidiaries with finished goods for sale to the end customers. With a view to reducing the fluctuations in value of the expected foreign currency cash flows arising from these intra-Group transactions (denominated in currencies other than the euro), the Group uses financial derivatives such as purchased options, zero-premium option combinations and, occasionally, foreign currency forwards.

Certain Group subsidiaries are granted internal financing denominated in currencies other than the euro. In accordance with prevailing foreign currency risk management policies, derivatives are arranged, mainly forwards and cross currency swaps, to hedge the changes in fair value related to exchange rates.

As described in Note 2.2.m, 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.m 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 2019, 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 70% of the cash flows associated with hedges in US dollars are expected to occur in the six months subsequent to year-end, while the remaining 30% are expected to fall due between six months and one year. Also, the impact on the consolidated income statement will foreseeably occur in those periods. The derivatives hedging the cash flows from intra-Group transactions to supply finished goods for sale to end customers have short-term time horizons aligned with the expected cash flows.

The fair value of the hedging instruments was calculated as described in Note 2.2.m.

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. In addition, the Group uses the Value-at-Risk (VaR) method to manage foreign exchange risk in relation to the most relevant accounting items.

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 274 million at 31 January 2020 (31 January 2019 EUR 256 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 Financial Risk Management Policy ensures the measurement, evaluation and mitigation of the credit risk of investment products and the counterparty risk of financial institutions by establishing very detailed analysis criteria.

The rating of investment vehicles is carried out by considering the credit scores issued by the main rating agencies with regard to solvency, liquidity, asset quality and prudence in the management of financial institutions. In addition, the Group uses value-at-risk methodologies to assess the credit risk of its investment portfolio.

A rigorous analysis of the counterparty does not completely eliminate credit risk and, therefore, these limits seek to guarantee a broad diversification of the banks used by the Group. This principle of diversification is also applied to the jurisdiction in which assets are held and the range of financial products used for investing purposes. In the specific case of short-term money market funds, the credit analysis and diversification principles are satisfied by the requisite fulfilment by the investment vehicle of domestic and regulatory requirements.

The credit risk resulting from the arrangement of financial derivatives is mitigated by the requirement that such instruments be subject to an ISDA master agreement. Occasionally, where deemed necessary, the Group requests that additional security be provided in the form of pledged collateral.

The Group estimates that at the closing date there has not been a significant increase in the credit risk of the financial assets that had a low credit risk at the beginning, which is why the expected loss at 12 months has been estimated, and it is not significant.

In relation to accounts receivable of commercial origin, the Group estimates that at closing date there has not been a significant increase in credit risk since its recognition, which is why the expected loss at 12 months has been estimated, not being significant, and it has not been considered necessary to make valuation corrections with accounts receivable not due.

The main financial assets of the Group are shown in the "Financial instruments: other information" section below.

Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Group has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments (see Note 20).

Note 20 contain 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 20), any changes in interest rates at year-end would not significantly affect consolidated profits.
- Financial debt: given the amount of the Group's external financing (see Note 20), any change in interest rates at year-end would not significantly affect consolidated profits.
- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets), goodwill and intangible assets with an indefinite useful life (see Note 2.2.f).
- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

The Group does not have any material financial assets or liabilities designated as at fair value through profit or loss. A potential change in fair value would not imply significant impact.

Country risk

The international presence of the Group's business activities exposes it to the country risk of multiple geographical regions, in both its supply and its sales and distribution activities. The Group adapts its administrative and business processes in order to minimise country risk and take advantage of the benefits of geographical diversification.

One of the most significant manifestations of country risk is foreign currency risk and the possibility of exposure to limits or controls on the free circulation of cash flows due to a lack of currency convertibility, in current or capital account terms, or to unexpected restrictions on the movement of capital. The Group manages cash at corporate level based on a highly active repatriation policy aimed at reducing the aforementioned risks to a minimum.

At 31 January 2020, 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 2020, the Group was not operating in markets in which there was more than one exchange rate.

Brexit-related risk

Although the result of the elections of 12 December 2019 has provided certainty about the United Kingdom's departure from the European Union on 31 January 2020, uncertainty remains about the future relationship of the two parties resulting from the negotiation process that should end on 31 December 2020. During this transitional period, which could possibly extend beyond the time frame, no significant changes are expected in the UK-EU regulatory and commercial environment that could affect the Group's current operations. However, it cannot be ruled out that the course of the negotiations will produce episodes of volatility during 2020.

The group has an action plan that is ready to be executed in the event of a no-deal Brexit. This plan was developed during 2018 and is the result of a comprehensive process of analysis, evaluation and design of the mitigation measures required to minimise the potential impact on the Group's business in general and on the UK market in particular. On the other hand, the business processes have been updated, as far as possible, in anticipation of the expected disruptions in the supply of services and goods, as well as in the country's labour market, which are necessary for the maintenance of the Group's multi-concept commercial proposal in the British market. The degree of divergence between EU and UK regulations following the conclusion of the negotiations will determine the level of disruption to the Group's business in that market. As described in the previous year's economic and financial report, the contingency plan is based on the extreme scenario of a no-deal Brexit, so in principle it should be able to mitigate the potential impacts of different scenarios resulting from the future status between the EU and the UK. As was already evident last year, the residual risk after the implementation of the action plan, even in the most extreme case of a no-deal Brexit, would not be significant for the Group.

Capital management

The Group's capital management objectives are to safeguard its ability to continue operating as a going concern, so that it can continue to generate returns for shareholders and benefit other stakeholders, and to maintain an optimum capital structure to reduce the cost of capital.

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations. The shareholder remuneration policy is detailed in Note 29.

There were no significant changes to capital management in the year.

Financial instruments

At 31 January 2020 and 2019, 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	2019	2018
Fair value of the hedging instruments	14	20
Total	14	20

Other financial liabilities	2019	2018
Fair value of the hedging instruments	15	24
Reciprocal call and put options (Note 6)	26	23
Total	40	47

The detail of the fair value (measured as indicated in Note 2.2.m) of the hedging instruments for 2019 and 2018 is as follows:

2019

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2019	Transfer to Income	Transfer to Income from Equity	Income Recognise Directly in Equity	Fair Value 2018
OTC Derivatives						
Foreign currency forwards	2	14	(4)	(3)	1	20
Total Derivates		14	(4)	(3)	1	20

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2019	Transfer to Income	Transfer to Income from Equity	Income Recognise Directly in Equity	Fair Value 2018
OTC Derivatives						
Foreign currency forwards	2	5	(4)	(11)	-	19
Options	2	6	-	-	6	-
Cross Currency Swap	2	4	(1)	-	-	5
Total Derivates		15	(5)	(11)	6	24

2018

OTHER FINANCIAL ASSETS AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2018	Transfer to Income	Transfer to Income from Equity	Income Recognise Directly in Equity	Fair Value 2017
OTC Derivatives						
Foreign currency forwards	2	20	10	(6)	3	12
Total Derivates		20	10	(6)	3	12

OTHER FINANCIAL LIABILITIES AT FAIR VALUE AND CLASSIFICATION ON A FAIR VALUE HIERARCHY						
Description	Level	Fair Value 2018	Transfer to Income	Transfer to Income from Equity	Income Recognise Directly in Equity	Fair Value 2017
OTC Derivatives						
Foreign currency forwards	2	19	(39)	(31)	11	78
Cross Currency Swap	2	5	2	-	-	3
Total Derivates		24	(36)	(31)	11	81

There were no transfers among the various levels of the fair value hierarchy (see Note 2.2.m).

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:

	2019	2018
Cash and cash equivalents (Note 20)	4,780	4,866
Current financial investments (Note 20)	3,319	1,929
Trade receivables (Note 11)	226	229
Receivable due to sales to franchises (Note 11)	272	229
Other current receivables (Note 11)	103	144
Guarantees (Note 18)	378	432
Total	9,078	7,828

The main financial liabilities of the Group relate to accounts payable on commercial transactions.

In 2019 no significant impairment losses were recognized on financial assets.

26 Employee benefits

Obligations for benefit plans or defined contributions

The Group does not maintain obligations with its employees as a general rule for defined benefit plans or contributions. However, in certain countries, due to the legislation or regulation in force or local labour practice, the Group assumes certain commitments related to the payment of certain amounts for accidents, illness or retirement, among others, sometimes partially paid by the worker and risk is partially or totally externalized through hiring the corresponding insurance policies.

Likewise, in certain countries, the worker participates in a percentage of the profits generated by the Group companies. The liabilities related to these items are recorded in the "Provisions" and "Other long-term liabilities" heading in the consolidated balance sheet. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

Long-term Incentive Compensation Plans

Long-term Incentive Plan 2016-2020

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the "2016-2020 Plan"). 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 share which, after a specified period of time and verified compliance with the specific objectives, 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. Both cycles have ended. The first cycle of the 2016-2020 Plan ran from 1 February 2016 to 31 January 2019. The second cycle ran from 1 February 2017 to 31 January 2020, although the liquidation of this second cycle will take place during the first half of the year 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 Company to any material risks.

The liability related to the Plan 2016-2020 in cash is shown under "Creditors" and "Trade and other payables" in the consolidated balance sheet, and its annual allocation is recorded as an operating expense in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

The amount relating to the equity-settled component of the 2016-2020 Plan is recognised under "Net Equity" in the balance sheet and the related period charge is reflected under "Personnel Costs" in the income statement. The impact of these obligations on the income statement and the balance sheet is not significant.

To cater for this 2016-2020 Plan, the Company has, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 23).

The incentive to be received (see Note 29) will be calculated as provided for in the resolution seventh of the Annual General Shareholders' Meeting held on 19 July 2016.

2019-2023 Long-Term Incentive Plan

The Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the "2019-2023 Plan"). 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 2019-2023 Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time and verified compliance with the specific objectives, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

The 2019-2023 Plan has a total duration of four years and is structured into two mutually independent time cycles. The first cycle of the 2019-2023 Plan runs from February 1, 2019 to January 31, 2022. The second cycle spans the period from 1 February 2020 to 31 January 2023.

The 2019-2023 Plan is linked to critical business targets and the creation of shareholder value. As a more significant innovation, the 2019-2023 Plan also links long-term variable remuneration to objectives related to sustainability and the environment, with this index having a maximum weight of 10% over the whole.

The 2019-2023 Plan does not expose the Company to any material risks.

The liability related to the 2019-2023 Plan in cash is shown registered in the "Provisions" item of the balance sheet, and its annual allocation is included in the "Personnel expenses" item in the profit and loss account. The impact of these obligations on the income statement and the balance sheet is not significant.

The amount relating to the equity-settled component of the 2019-2023 Plan is recognised under "Net Equity" in the balance sheet and the related period charge is reflected under "Personnel Costs" in the income statement. The impact of these obligations on the income statement and the balance sheet is not significant.

To cater for this 2019-2023 Plan, the Company has, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 23). And this, without prejudice to the possibility that the Company may proceed at a later time, and by virtue of the authorisation granted by the General Shareholders' Meeting of 16 July 2019, to derivatively acquire a greater volume of treasury shares to cover said 2019-2023 Plan.

The incentive to be received will be calculated as provided for in the resolution ninth of the Annual General Shareholders' Meeting held on 16 July 2019.

Annual bonus

Inditex approved in 2017 a new plan for employee participation in the growth of the Company's profits for the 2017 and 2018 financial years, with characteristics similar to the previous one, that remained in force in 2015 and 2016 financial years.

In fiscal year 2019, the part corresponding to fiscal year 2018 was executed, following the criteria described in Note 26 of the annual report corresponding to fiscal year 2018.

The liabilities related to this item are recorded under the heading "Creditors" in the consolidated balance sheet, and their annual allocation is included in the heading "Operating expenses" in the profit and loss account. The impact of these obligations on the profit and loss account and on the consolidated balance sheet is not significant.

Following the completion of the aforementioned plan for the financial years 2017 and 2018, the Board of Directors of the Company approved, on 12 March 2019, a new plan for the participation of employees in the growth of the company's profits, with a unique and exclusive application for the year 2019, and also with features similar to the above. This plan is aimed at all Group employees, chains and subsidiaries worldwide, with more than two years of seniority as of 31 January 2020.

The plan is linked to the fulfilment of specific objectives and establishes a maximum incentive to pay for the Group, which corresponds to the average received in each country during the last four years under the previous plan for employee participation in the growth of the Inditex Group profit.

To determine the specific incentive to pay the beneficiaries of the plan, after the established time period, two types of groups are distinguished, store and non-store (offices, factories and logistics), and some metrics and achievement scales defined for each one of the above groups.

During fiscal year 2020, the incentive corresponding to fiscal year 2019 will be settled.

The liability related to this is shown recorded in the "Creditors" item in the balance sheet, and its annual allocation is included in the "Other operative expenses" item in the profit and loss account. The impact of these obligations on the income statement and the balance sheet is not significant.

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 México	Equity method	31-dec	Multi-concept	Sale of footwear
Tempe Logística, S.A.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo Brazil	Equity method	31-dec	Multi-concept	Dormant
Tempe Diseño, S.L.	50.00%	Alicante Spain	Equity method	31-jan	Multi-concept	Design
Tempe Trading	50.00%	Fribourg Switzerland	Equity method	31-oct	Multi-concept	Dormant
Tempe Trading Asia Limited	50.00%	Hong Kong China	Equity method	31-jan	Multi-concept	Sale of footwear
TMP Trading (Shanghai) Co. Ltd	50.00%	Shanghai China	Equity method	31-dec	Multi-concept	Sale of footwear
Tempe Giyim, Ltd.	50.00%	Istanbul - Turkey	Equity method	31-dec	Multi-concept	Sale of footwear

Set forth below is the financial information of the Tempe Group, obtained from its consolidated annual accounts prepared in accordance with IFRS, together with other relevant financial information:

	2019	2018
Fixed assets	249	192
Others	29	38
Non-current assets	278	231
Inventories	230	284
Trade and other receivables	319	370
Cash and cash equivalents	30	10
Current assets	579	663
Non-current liabilities	(21)	(26)
Trade and other payables	(305)	(310)
Others	(9)	(29)
Current liabilities	(314)	(339)
Net assets	522	529
Revenues	1,399	1,317
Gross profit	369	354
Operating expenses	(201)	(191)
Amortisation and depreciation	(23)	(23)
Net operating profit (EBIT)	145	140
Net profit	117	113

In 2019 the Group received dividends totalling EUR 60 million (EUR 20 million in 2018) from Tempe (see Note 17).

28 Proposed distribution of the profit of the Parent

The Directors will propose as distribution EUR 10,418 million of the 2019 net profit of the Parent, which is the maximum amount distributable.

The Board of Directors of Inditex, following the proposal of the Audit and Compliance Committee, in view of the current uncertain situation due to the Covid-19 pandemic, considers that it is not the right moment to take a decision on the dividend to be proposed relating to FY2019. They have decided to submit a final proposal on dividends at a later Board Meeting prior to the Annual General Shareholders' Meeting which will take place in July.

Consequently, the net income generated will be allocated to voluntary reserves amounting to EUR 10,228 million and to the capitalisation reserve amounting to EUR 190 million.

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 2019 is shown in the section on related party transactions.

Other information concerning the Board of Directors

At 31 January 2020, per the Parent's shareholder register, and also per the public registers of the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly held the following ownership interests in the share capital of Inditex:

Name or company name of director	% Voting rights attributed to the shares		% Voting rights through financial instruments		% Total voting rights	% Voting rights that can be sold through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Mr Pablo Isla Álvarez de Tejera ¹	0.063%	-	0.008%	-	0.071%	-	-
Mr Amancio Ortega Gaona ²	-	59.294%	-	-	59.294%	-	-
Mr Carlos Crespo González ³	0.001%	-	0.004%	-	0.005%	-	-
Mr José Arnau Sierra	0.001%	-	-	-	0.001%	-	-
Pontegadea Inversiones, S.L. ⁴	50.01%	-	-	-	50.01%	-	-
Bns Denise Patricia Kingsmill	-	-	-	-	-	-	-
Ms Anne Lange	-	-	-	-	-	-	-
Ms Pilar López Álvarez	0.0001%	-	-	-	0.0001%	-	-
Mr José Luis Durán Schulz	0.0001%	-	-	-	0.0001%	-	-
Mr Rodrigo Echenique Gordillo	-	-	-	-	-	-	-
Mr Emilio Saracho Rodríguez de Torres	-	-	-	-	-	-	-
Total					59.371%		

¹ In accordance with the 2016-2020 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 95,651 shares, i.e 0.003%. In accordance with the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 161,361 shares, i.e 0.005%.

² Through Pontegadea Inversiones, SL and Partler 2006, S.L.

³ In accordance with the 2016-2020 Long-Term Incentive Plan, the CEO may receive up to a maximum of 20,666 shares, i.e 0.001%. In accordance with the 2019-2023 Long-Term Incentive Plan, the Executive Chairman may receive up to a maximum of 106,752 shares, i.e 0.003%.

⁴ Represented by Ms Flora Pérez Marcote.

Pursuant to the provisions of article 229 of the Spanish Companies Act, as amended by Law 31/2014, of December 3, no director has communicated any situation that, directly and/or indirectly, through persons related to they could place them in a potential conflict of interest with the Parent Company.

Notwithstanding the foregoing, Mr. Rodrigo Echenique Gordillo, Mr. Emilio Saracho Rodriguez de Torres and Ms. Pilar López Álvarez, hold positions on the Boards of Directors of Banco Santander, International Consolidated Airlines Group and Microsoft Ibérica, respectively, and perform their duties as Inditex directors as independent parties, without prejudice to the commercial relationships that Inditex has with these companies for years. In any case, the Board of Directors ensures, through the Audit and Compliance Committee that the transactions with directors and/or significant shareholders, or with respective related persons, are carried out under market conditions and respecting the principle of equal treatment to shareholders.

When the Board of Directors deliberated on the appointment, re-election, acknowledgment of resignation, making available a position, compensation or any other agreement referred to a director or to a person or company related to a director, the affected party was absent from the Company meeting during the deliberation and voting of the corresponding agreement.

Related party transactions

Related parties are the subsidiaries, jointly controlled entities (Note 27) and associates detailed in Appendix I to the notes to the consolidated annual accounts, the significant or controlling shareholders, the members of the Board of Directors of Inditex and Senior Management of the Inditex Group, as well as their close family members, as defined in Article 2.3 of Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, on information on related party transactions that issuers of securities listed on official secondary markets must disclose.

The transactions with related parties were performed on an arm's length basis.

Inditex Group companies

The transactions between Inditex and its subsidiaries, which form part of the normal course of business in terms of their purpose and terms and conditions, were eliminated in full on consolidation and, therefore, they are not disclosed in this Note.

The following tables detail the transactions and the outstanding balances between Inditex and its jointly controlled entities in the consolidated balance sheet:

Transactions:

Type of company	2019	2018
Jointly controlled entities	(1,082)	(1,009)

Balances:

	31/01/2020	31/01/2019
Current financial investments	-	1
Trade and other receivables	14	11
Non-current financial investments	246	258
Trade and other payables	284	308
Current financial debt	1	1

The detail of the transactions with significant shareholders, the members of the Board of Directors and Senior Management is as follows:

Significant shareholders

In 2019 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., 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	Other income	7
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

In 2018 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Partler 2006, S.L. or with persons or companies related to them, or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Pontegadea Inversiones, S.L., S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(44)
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Sale of assets(land)	1
Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services (construction work)	2
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1)

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 2019:

Name or social name of the director	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration 2019	Multiannual variable remuneration (in shares and in cash) 2019	Total 2019
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	1,447	1,412	6,209
Mr José Arnau Sierra	Proprietary	100	80	150	-	-	-	-	330
Mr Carlos Crespo González ⁽¹⁾	Executive	54	-	-	-	800	365	71	1,290
Mr Amancio Ortega Gaona	Proprietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. ⁽²⁾	Proprietary	100	-	-	-	-	-	-	100
Bns Denise Patricia Kingsmill	Independent	100	-	150	-	-	-	-	250
Ms Anne Lange ⁽³⁾	Independent	15	-	14	-	-	-	-	29
Ms Pilar López Álvarez	Independent	100	-	150	-	-	-	-	250
Mr Jose Luis Durán Schulz	Independent	100	-	150	50	-	-	-	300
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		969	80	914	150	4,050	1,812	1,483	9,458

Notes:

(1) From 16 July 2019

(2) Represented by Ms Flora Pérez Marcote

(3) From 10 December 2019

An itemised breakdown of the remuneration of the members of the Board of Directors in 2018 is as follows:

Name or social name of the director	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration 2018	Multiannual variable remuneration (in shares and in cash) 2018	Total 2018
Mr Pablo Isla Álvarez de Tejera	Executive	100	-	-	-	3,250	3,087	3,052	9,489
Mr José Arnau Sierra	Propietary	100	80	150	-	-	-	-	330
Mr Amancio Ortega Gaona	Propietary	100	-	-	-	-	-	-	100
PONTEGADEA INVERSIONES S.L. ⁽¹⁾	Propietary	100	-	-	-	-	-	-	100
Bns Denise Patricia Kingsmill	Independent	100	-	150	-	-	-	-	250
Ms Pilar López Álvarez ⁽²⁾	Independent	54	-	80	-	-	-	-	134
Mr José Luis Durán Schulz	Independent	100	-	150	50	-	-	-	300
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós ⁽³⁾	Other external	46	-	70	-	-	-	-	116
Mr Rodrigo Echenique Gordillo	Independent	100	-	150	50	-	-	-	300
Mr Emilio Saracho Rodríguez de Torres	Independent	100	-	150	50	-	-	-	300
TOTAL		900	80	900	150	3,250	3,087	3,052	11,419

Notes:

(1) Represented by Ms Flora Pérez Marcote

(2) From 17 July 2018

(3) Cassation of employment at 17 July 2018.

The total remuneration and termination benefits earned by Senior Management of the Inditex Group in 2019 were as follows:

2019

	SENIOR MANAGEMENT
Remuneration	30,834
Termination benefits	-
Total	30,834

The aforementioned remuneration for 2019 includes fixed remuneration, short-term variable remuneration and long-term variable remuneration accrued by Senior Management (as defined in section C.1.14. "Identify the members of senior management who are not, in turn, executive directors, and indicate the total remuneration accrued in their favor during the year" of the Annual Corporate Governance Report for the 2019) as well as fixed salary regarding 2019. Remuneration of Directors for 2019 includes fixed items of remuneration of Directors in their status as such, as well as fixed salary, short-term variable remuneration and long-term variable remuneration of Executive Directors.

With regard to the annual variable remuneration, taking into account the exceptional situation due to the global Covid-19 pandemic, the Board of Directors has resolved, following the proposal of the Remuneration Committee, that the annual variable remunerations of the Executive Chairman, the CEO and the Senior Management be halved.

As refers to the long-term variable remuneration includes the amount accrued for the second cycle (2017-2020) of the 2016-2020 Long-term Plan. The amount accrued in 2019 by the Executive Directors in terms of this incentive is EUR 1,483 thousand (EUR 1,412 thousand by the Executive Chairman and EUR 71 thousand by the CEO). In turn, the sum of EUR 7,262 thousand was accrued by Senior Management. This incentive materialised as follows:

- Executive Directors: (i) an incentive in cash in the gross amount of EUR 769 thousand for the Executive Chairman and EUR 46 thousand for the CEO; and, (ii) an incentive in shares

materialised in 31,888 shares for the Executive Chairman, equivalent to the gross amount of EUR 643 thousand, and 1,259 shares for the CEO, equivalent to the gross amount of EUR 25 thousand.

- Senior Management (i) an incentive in cash in the gross amount of EUR 4,702 thousand and, (ii) an incentive in shares materialised in 126,919 shares, equivalent to the gross amount of EUR 2,560 thousand.

For such purposes, it should be noted that in order to quantify the part of the incentive that will materialise in shares, Inditex's closing share price as of the date of the meeting of the Remuneration Committee where the level of achievement of the objectives of the second cycle of the 2016-2020 Plan was evaluated (i.e. 16 March 2020) has been taken into account.

The liquidation of the incentive in cash and in shares will take place during the month following the publication of the annual accounts corresponding to fiscal year 2019.

The total remuneration and termination benefits earned by senior management of Inditex Group in 2018 were as follows:

2018	
	SENIOR MANAGEMENT
Remuneration	42,768
Termination benefits	2,168
Total	44,936

The aforementioned remuneration for 2018 includes fixed remuneration, short-term variable remuneration, long-term variable remuneration and the corresponding compensation, accrued by Senior Management as defined in section C.1.14. "Identify the members of senior management who are not, in turn, executive directors, and indicate the total remuneration accrued in their favor during the year" of the Annual Corporate Governance Report for the 2018). Remuneration of Directors for 2018 includes fixed items of remuneration of Directors in their status as such, as well as fixed salary, short-term variable remuneration and long-term variable remuneration of the Executive Chairman.

Long-term variable remuneration includes the amount accrued in 2018 for the first cycle (2016-2019) of the 2016-2020 Long-term Plan, which was paid within the first half of 2019. The amount accrued in 2018 by the Executive Chairman in terms of this incentive was EURO 3,052 thousand and by Senior Management EUR 15,302 thousand. This incentive materialized as follows: (i) an incentive in cash in the gross amount of eur 1,348 thousand for the Executive Chairman and EUR 8,384 thousand for the Senior Management; and, (ii) an incentive in shares materialised in 69,985 shares, equivalent to the gross amount of EUR 1,704 thousand for the Executive Chairman, and 284,100 shares, equivalent to the gross amount of EUR 6,918 thousand for the Senior Management.

The incentive in shares accrued by the Executive Chairman and the Senior Management regarding the first cycle (2016-2019) of the 2016-2020 Plan for 2018, shown in Note 26 of 2018 consolidated annual accounts, has been adjusted in accordance with the share price as at the date of delivery of the above referred shares.

During 2019 and in 2018 no contributions were made to the Pension Scheme Plan.

30 External auditors

In 2019 and 2018 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:

	2019	2018
Audit services	7.5	6.5
Other assurance services	0.6	0.5
Total audit and similar services	8.1	7.0
Other services	0.1	0.1
Total professional services	8.2	7.1

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 0.0200% of their total revenue.

31 Environment

Inditex has developed a flexible and integrated business model, with a strong customer focus and a clear sustainable approach. In this respect, Inditex's environmental strategy is reflected in its Environmental Sustainability Policy. This policy sets out the environmental commitments, which are applied transversally in all its business areas and throughout its entire supply chain.

At the year-end, Inditex has no environmental liabilities, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position and profits (losses).

Section 5 of the Group's Non-Financial Statement includes information on Inditex's commitment to the environment through its Environmental Sustainability Policy.

32 Events after the reporting period

Coronavirus (COVID-19) was first reported in China in January 2020 and has since then largely spread around the world. As a result of this, the World Health Organization declared the coronavirus outbreak a pandemic on 11 March 2020.

Taking into account the potential impact of the above described situation on the financial information of the Inditex Group as of 31 January 2020, Directors and Management have assessed the situation based upon the best information available to date, and pursuant to the provisions of IAS 2 "Inventories" and IAS 10 "Events after the reporting period".

Based upon such evaluation, the Group has booked a provision in the amount of 287 million euros, in the gross profit line of the consolidated income statement, to adjust the estimated net realizable value of inventories for the Spring/Summer campaign as of 31 January 2020 further to the COVID-19 pandemic impact.

33 Explanation added for translation to English

These consolidated annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Group in Spain (see first page of the Notes). Certain accounting practices applied by the Group that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

Annex I – Composition of the Inditex Group

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Subsidiaries:						
Industria de Diseño Textil, S.A.	Parent	A Coruña - Spain	Full Consol.	31-jan	-	Parent
Comditel, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Zara	Buyer
Zara Asia, Ltd.	100%	Hong Kong SAR	Full Consol.	31-jan	Zara	Retail sales
Choolet, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Confecciones Fíos, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Confecciones Goa, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Denllo, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Hampton, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Nikole, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Buyer
Samlor, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Stear, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Trisko, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Zintura, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Glencare, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textile Manufacturing
Indipunt, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Zara España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Zara Argentina, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Retail sales
Zara Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Zara	Retail sales
Zara Chile, S.A.	100%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara	Retail sales
Zara USA, Inc.	100%	New York - USA	Full Consol.	31-jan	Zara	Retail sales
Zara France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Zara	Retail sales
Zara UK, Ltd.	100%	London - UK	Full Consol.	31-jan	Zara	Retail sales
Zara Mexico, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Zara	Retail sales
Zara México, S.A. de C.V.	95%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Zara Portugal- Confeçoes, S.A.	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
G.Zara Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-jan	Zara	Retail sales
Zara Financiën B.V. Ireland	100%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Dormant
Zara Brasil, LTDA.	100%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara	Retail sales
Zara Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Retail sales
Zara Österreich Clothing, GmbH	100%	Vienna - Austria	Full Consol.	31-jan	Zara	Retail sales
Zara Danmark, AS.	100%	Copenhague - Denmark	Full Consol.	31-jan	Zara	Retail sales
Zara Sverige, AB.	100%	Stockholm - Sweden	Full Consol.	31-jan	Zara	Retail sales
Zara Norge, AS.	100%	Oslo - Norway	Full Consol.	31-jan	Zara	Retail sales
Zara Canada, Inc.	100%	Montreal - Canada	Full Consol.	31-jan	Zara	Retail sales
Zara Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Zara	Retail sales
Zara Luxembourg, S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-jan	Zara	Retail sales
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Zara	Retail sales
Zara Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Retail sales
Zara Japan Corp.	100%	Tokyo - Japan	Full Consol.	31-jan	Zara	Retail sales
Zara Česká Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Zara	Retail sales
Zara Puerto Rico, Inc.	100%	San Juan - Puerto Rico	Full Consol.	31-jan	Zara	Retail sales
Za Clothing Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Zara	Retail sales
Zara Magyarorszag, KFT.	100%	Budapest - Hungary	Full Consol.	31-jan	Zara	Retail sales
Zara Holding, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara Monaco, SAM	100%	Monte Carlo - Monaco	Full Consol.	31-jan	Zara	Retail sales
Zara Commercial (Shanghai), Co Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Zara Commercial (Beijing), Co Ltd.	100%	Beijing - China	Full Consol.	31-dec	Zara	Retail sales
Zara Macau, Ltd.	100%	Macao SAR	Full Consol.	31-dec	Zara	Retail sales
Zara Polska, Sp. Zo.o.	100%	Warsaw - Poland	Full Consol.	31-jan	Zara	Retail sales
JSC "Zara CIS"	100%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Zara Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-jan	Zara	Holding company
Zara Bucuresti, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Zara	Retail sales
Zara Ukraine LLC	100%	Kiev - Ukraine	Full Consol.	31-dec	Zara	Retail sales
Zara Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Zara	Retail sales
ITX Taiwan B.V. Zara - Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Zara	Retail sales
Zara Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Zara	Retail sales
Zara Retail Korea, Co Ltd.	80%	Seoul - South Korea	Full Consol.	31-jan	Zara	Retail sales
Zara Bulgaria Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Zara	Retail sales
Zara Immobiliare Italia SRL	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Zara Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Zara Management, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Retail NZ Limited	100%	Auckland - New Zealand	Full Consol.	31-jan	Zara	Retail sales
KG ZARA Deutschland B.V. & Co.	100%	Hamburg - Germany	Full Consol.	31-jan	Zara	Retail sales
Zara Retail South Africa (Proprietary), LTD.	90%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
Group Zara Australia Pty. Ltd.	100%	Sydney - Australia	Full Consol.	31-jan	Zara	Retail sales
Limited Liability Company "ZARA BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Zara	Retail sales
Zara S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Zara	Retail sales
ITX Financien, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Taiwan, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Vittorio 11 Italia S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
Zara BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Zara	Retail sales
Zara Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Zara	Retail sales
Nikole Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100%	Podgorica - Montenegro	Full Consol.	31-dec	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100%	Seoul - South Korea	Full Consol.	31-jan	Zara	Real estate
Inditex Trent Retail India Private Ltd	51%	Gurgaon - India	Full Consol.	31-mar	Zara	Retail sales
Kiddy's Class España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Fibracolor, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Zara	Dormant
Zara Finland, OY	100%	Helsinki - Finland	Full Consol.	31-jan	Zara	Retail sales
Retail Group Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara	Retail sales
ITX Financien III, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Albania SHPK	100%	Tirana - Albania	Full Consol.	31-dec	Multi-concept	Retail sales
Zara Fashion (Shanghai) CO., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara	Retail sales
Oysho España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Retail sales
Oysho Portugal - Confecções, S.A.	100%	Lisbon - Portugal	Full Consol.	31-jan	Oysho	Retail sales
Oysho Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Oysho	Retail sales
Oysho Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Oysho	Retail sales
Oysho Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Oysho	Retail sales
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Oysho	Retail sales
Oysho Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Oysho	Retail sales
Oysho CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Oysho	Retail sales
Oysho France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Oysho	Retail sales
Oysho MAGYARORSZAG, KFT	100%	Budapest - Hungary	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Oysho	Retail sales
Oysho Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Oysho	Retail sales
Oysho Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Design
Oysho Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Oysho	Retail sales
Oysho Commercial & Trading (Shanghai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Oysho	Retail sales
Oysho Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Oysho	Retail sales
Oysho Croacia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Oysho	Retail sales
Oysho Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Oysho	Retail sales
Oysho Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Oysho	Retail sales
Oysho Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Oysho	Retail sales
Limited Liability Company "OYSHO BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Oysho	Retail sales
Oysho Suisse SÄRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-jan	Oysho	Retail sales
Grupo Massimo Dutti, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Giyim Ithalat Ih.Ve.Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti UK, Ltd.	100%	London - UK	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Norge, AS.	100%	Oslo - Norway	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti USA, INC.	100%	New York - USA	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Danmark AS	100%	Copenhagen - Denmark	Full Consol.	31-jan	Massimo Dutti	Retail sales
LLC Massimo Dutti	100%	Moscow - Russia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Deutschland, GmbH	100%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Holding company

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Massimo Dutti Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100%	Hong Kong SAR	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp z.o.o.	100%	Warsaw - Poland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Macau Ltd.	100%	Macao SAR	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ceská Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Design
Massimo Dutti Commercial Shanghai CO, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Österreich Clothing, GMBH	100%	Vienna - Austria	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Canada, INC.	100%	Montreal - Canada	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Finland OY	100%	Helsinki - Finland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Limited Liability Company "MASSIMO DUTTI BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Massimo Dutti	Retail sales
ITX Taiwan B.V. Massimo Dutti Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Massimo Dutti	Retail sales
MD Benelux, SA	100%	Bruges - Belgium	Full Consol.	31-jan	Massimo Dutti	Retail sales
Italco Moda Italiana, SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Massimo Dutti	Retail sales
KG Massimo Dutti Deutschland, B.V. & CO.	100%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Magyarorszá KFT	100%	Budapest - Hungary	Full Consol.	31-jan	Massimo Dutti	Retail sales
Master Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti BH, D.O.O	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Duttil India Private Ltd	51%	Gurgaon - India	Full Consol.	31-mar	Massimo Dutti	Retail sales
Pull & Bear España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ithrac.Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ceska Republika, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ireland, Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Magyarorszá Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Polska, Sp z.o.o	100%	Warsaw - Poland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Uk Limited	100%	London - UK	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Commercial Beijing Co, Ltd.	100%	Beijing - China	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Design
Pull & Bear Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Österreich Clothing, Gmbh	100%	Vienna - Austria	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Pull & Bear	Retail sales
Limited Liability Company "PULL AND BEAR BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull&Bear S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Pull & Bear	Retail sales
ITX Taiwan B.V. Pull & Bear Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Pull & Bear	Retail sales
Plataforma Cabanillas, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
P&B Gmbh	100%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Holding company
Pull & Bear Deutschland BV& CO	100%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Retail sales
Pro Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Suisse, SÄRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Pull & Bear	Retail sales
Uterqüe, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Buyer
Uterqüe España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Hellas	100%	Athens - Greece	Full Consol.	31-jan	Uterqüe	Retail sales
Gruputerqüe Portugal Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Giyim Limited	100%	Istanbul - Turkey	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe México S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Design
"ITX KOSOVO" L.L.C.	100%	Pristina	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Italia, Srl.	100%	Milan - Italy	Full Consol.	31-jan	Uterqüe	Retail sales
ITX Finance Asia, LTD	100%	Hong Kong SAR	Full Consol.	31-jan	Zara	Financial services
Inditex USA, LLC	100%	New York - USA	Full Consol.	31-jan	Multi-concept	Holding company
Uterqüe Commercial & Trading (Shanghai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Polska SP. Z O.O.	100%	Warsaw - Poland	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Kazakhstan LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Ukraine, LLC	100%	Kiev - Ukraine	Full Consol.	31-jan	Uterqüe	Retail sales
Bershka BSK España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Retail sales
Bershka Portugal Conf. Soc. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Bershka	Retail sales
Bershka Mexico, S.A. de CV	100%	Mexico City - Mexico	Full Consol.	31-dec	Bershka	Retail sales
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Bershka	Retail sales
Bershka Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Bershka	Retail sales
Bershka France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Bershka	Retail sales
Bershka Suisse, S.A.R.L.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Bershka	Retail sales
Bershka Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Bershka	Retail sales
Bershka U.K., Ltd.	100%	London - UK	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ireland., Ltd.	100%	Dublin - Ireland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ceska Republica, S.R.O.	100%	Prague - Czech Republic	Full Consol.	31-jan	Bershka	Retail sales
Bershka Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Polska Sp Z O.O.	100%	Warsaw - Poland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Carpati, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Bershka	Retail sales
Bershka Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Bershka	Retail sales
Bershka Magyaroszag Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Bershka	Retail sales
Bershka Cis, Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Osterreich Clothing GmbH	100%	Vienna - Austria	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hong Kong Limited	100%	Hong Kong SAR	Full Consol.	31-jan	Bershka	Retail sales
Bershka Commercial Beijing Co, Ltd	100%	Beijing - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Bershka	Retail sales
Bershka Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Bershka	Retail sales
Bershka Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Design
Bershka Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Bershka	Retail sales
Bershka Japan, Co	100%	Tokyo - Japan	Full Consol.	31-jan	Bershka	Retail sales
BSKE, GMBH	100%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Holding company
Bershka BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Deutschland B.V. & CO. KG	100%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Retail sales
Bershka Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Bershka	Retail sales
Best Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Bershka	Retail sales
Bershka Commercial (Shanghai) Co, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Bershka	Retail sales
Bershka USA INC	100%	New York - USA	Full Consol.	31-jan	Bershka	Retail sales
Limited Liability Company "BK GARMENTS BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Bershka	Retail sales
Bershka S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Bershka	Retail sales
ITX Taiwan B.V. Bershka Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Bershka	Retail sales
Stradivarius España, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Stradivarius	Retail sales
ITX RE DAC	100%	Dublin - Ireland	Full Consol.	31-jan	Multi-concept	Insurance
Stradivarius Portugal, Conf. Unip. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Stradivarius	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Stradivarius Ireland Limited	100%	Dublin - Ireland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Italia SRL	100%	Milan - Italy	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Magyarorszag Kft.	100%	Budapest - Hungary	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Croatia, Ltd.	100%	Zagreb - Croatia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ceská Republika, s.r.o.	100%	Prague - Czech Republic	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Commercial Shangai CO, Ltd	100%	Shanghai - China	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Bulgaria, Ltd	100%	Sofia - Bulgaria	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Diseño, S.L.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Design
Stradivarius Macau, Ltd	100%	Macao SAR	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Korea, Ltd	100%	Seoul - South Korea	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hong Kong, Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius México, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius BH, D.O.O.	100%	Sarajevo - Bosnia	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Serbia, D.O.O. Belgrade	100%	Belgrade - Serbia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius UK LIMITED	100%	London - UK	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Stradivarius	Retail sales
Limited Liability Company "STRADIVARIUS BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius S, TRGOVSKO PODJETJE D.O.O.	100%	Ljubljana - Slovenia	Full Consol.	31-jan	Stradivarius	Retail sales
Spanish Retail Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Japan Corporation	100%	Tokyo - Japan	Full Consol.	31-jan	Stradivarius	Retail sales
ITX Trading, S.A.	100%	Fribourg - Switzerland	Full Consol.	31-jan	Multi-concept	Buyer
Zara Home España, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Portugal, Conf. SA	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home U.K., Ltd.	100%	London - UK	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Hellas, S.A.	100%	Athens - Greece	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Nederland, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Mexico, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100%	Istanbul - Turkey	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Francia, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Ro, Srl	100%	Bucharest - Romania	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home CIS, Ltd.	100%	Moscow - Russia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ukraine, Llc	100%	Kiev - Ukraine	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Polska, Sp zo.o	100%	Warsaw - Poland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Diseño, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Retail sales
ZHE, GmbH	100%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100%	Sao Paulo - Brazil	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Croatia, Ltd	100%	Zagreb - Croatia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Belgique, S.A.	100%	Brussels - Belgium	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Commercial & Trading (Shanghai) Co., Ltd.	100%	Shanghai - China	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Japan Corp.	100%	Tokyo - Japan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Canada, Inc	100%	Montreal - Canada	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Macao SUL	100%	Macao SAR	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Sverige AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Kazakhstan, LLP	100%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Hong Kong Ltd	100%	Hong Kong SAR	Full Consol.	31-jan	Zara Home	Retail sales
G. Zara Home Uruguay, S.A.	100%	Montevideo - Uruguay	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Suisse SÄRL	100%	Fribourg - Switzerland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Chile SPA	100%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Australia Pty Ltd	100%	Sydney - Australia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Magyarorszag KFT.	100%	Budapest - Hungary	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Danmark A/S	100%	Copenhagen - Denmark	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home SRB DOO Beograd	100%	Belgrade - Serbia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Bulgaria EOOD	100%	Sofia - Bulgaria	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ireland Limited	100%	Dublin - Ireland	Full Consol.	31-jan	Zara Home	Dormant
Limited Liability Company "ZARA HOME BLR"	100%	Minsk - Belarus	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ceska Republica, SRO	100%	Prague - Czech Republic	Full Consol.	31-jan	Zara Home	Retail sales
ITX Taiwan B.V. Zara Home Taiwan Branch	100%	Taipei - Taiwan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Concept	Line of business
Plataforma Europa, S.A.	100%	Zaragoza - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística León, S.A.	100%	León - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística Meco, S.A.	100%	Madrid - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Pull & Bear Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Logistics
Bershka Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Logistics
Oysho Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Logistics
Stradivarius Logística, S.A.	100%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Logistics
Zara Home Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Logistics
Uterqüe Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Logistics
Uterque Fashion RO S.R.L.	100%	Bucharest - Romania	Full Consol.	31-dec	Uterqüe	Retail sales
Lefties Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Inditex Logística, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Tordera Logística, S.L.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Nueva comercializadora global XXI, S.A. DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Services
Goa-Invest, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Construction
Goa-Invest Deutschland GMBH	100%	Hamburg - Germany	Full Consol.	31-jan	Multi-concept	Construction
Zara Vastgoed, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Real estate
ITX Global Solutions LIMITED	100%	Hong Kong SAR	Full Consol.	31-jan	Multi-concept	Services
SNC Zara France Immobiliere	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Ferreol P03302	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed France P03301	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Nancy P03304	100%	Paris - France	Full Consol.	31-dec	Zara	Real estate
Invercarpro, S.A.	100%	Madrid - Spain	Full Consol.	31-jan	Zara	Real estate
Robustae Confecciones, S.A	100%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
Lefties España, S.A,	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Real estate
Born, S.A.	100%	Palma de Mallorca - Spain	Full Consol.	31-jan	Zara	Real estate
LFT RUS Ltd	100%	Moscow - Russia	Full Consol.	31-dec	Zara	Retail sales
Lelystad Platform, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Logistics
Robustae Mexico, S.A DE C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Inditex Cogeneración, A.I.E.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Combined heat and
Inditex, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara Holding II, B.V	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara, S.A.	100%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
ITX Asia Pacific Enterprise Management, Co., Ltd	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
FSF New York, LLC	100%	New York - USA	Full Consol.	31-jan	Zara	Real estate
FSF Soho, LLC	100%	New York - USA	Full Consol.	31-jan	Zara	Real estate
ITX USA, LLC	100%	New York - USA	Full Consol.	31-jan	Multi-concept	Retail sales
Fashion Retail , S.A.	100%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Retail sales
ITXR Macedoniaia Dooel Skopje	100%	Skopje - North Macedonia	Full Consol.	31-dec	Multi-concept	Retail sales
ITX E-commerce (Shanghai) Co. Ltd	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Financien II, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX TRYFIN B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX RUBFIN, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Korea LIMITED	100%	Seoul - South Korea	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Services India Private Ltd	100%	Gurgaon - India	Full Consol.	31-mar	Multi-concept	Buyer
Inditex France, S.A.R.L.	100%	Paris - France	Full Consol.	31-jan	Multi-concept	Dormant
ITX Merken, B.V.	100%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Services
Zara Home Österreich Clothing GMBH	100%	Vienna - Austria	Full Consol.	31-jan	Zara Home	Retail sales
Massimo Dutti Slovakia, S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Massimo Dutti	Retail sales
ITX LUXEMBOURG S.A.	100%	Luxembourg - Luxembourg	Full Consol.	31-jan	Multi-concept	Retail sales
Zara Vittorio 13 Italia, S.R.L.	100%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
CDC Trading (Shanghai) Co. LTD.	100%	Shanghai - China	Full Consol.	31-dec	Multi-concept	Buyer
Oysho Sverige, AB	100%	Stockholm - Sweden	Full Consol.	31-jan	Oysho	Retail sales
Oysho Slovakia S.R.O.	100%	Bratislava - Slovakia	Full Consol.	31-jan	Oysho	Retail sales
Zara Home Retail South Africa (PTY) LTD.	100%	Johannesburg - South Africa	Full Consol.	31-jan	Zara	Retail sales
FGI Gestión Mex, S.A. de C.V.	100%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Construction

Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain. In the event of a discrepancy, the Spanish-language version prevails.

CONSOLIDATED DIRECTORS' REPORT AT 31 JANUARY 2020

(Amounts expressed in millions of euros)

Situation of the entity

The information relating to the "Situation of the entity" is detailed in section "3. Inditex: Integrated and Sustainable Business Model" in the accompanying Annex IV that contains the "Non-financial information and information on diversity" of Inditex Group.

Organizational 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 Compliance Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- Supervisory Board and Office of the Chief Compliance Officer
- Ethics Committee

Business performance and results

Key financial and non-financial indicators

Inditex continues to roll out its global, fully integrated store and online platform.

Inditex remains very active in the differentiation of its store base. Global online sales launches are on track. In 2019, Zara launched online in Brazil, Egypt, Indonesia, Israel, Lebanon, Morocco, Serbia, South Africa, Kuwait, UAE, Qatar, Saudi Arabia, Bahrein, Jordan, Oman, Colombia, Philippines and Ukraine.

During FY2019, Inditex adopted the new lease accounting standard, IFRS 16, using the modified retrospective transition method. The implementation of IFRS 16 does not affect the cash flow or business, but some lines of the income statement become non-comparable with 2018 reported figures.

In FY2019, Inditex achieved a strong operating performance. Net sales reached €28.3 billion, with growth of 8%. Sales in local currencies grew 8%.

Like-for-like sales increased 6.5% in FY2019 (5% in the first half and 7.5% in the second half), on 4% in FY2018. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of fiscal years 2019 and 2018) and online. This represents 86% of total sales.

Initial collections for the Spring/Summer season have been very well received by our customers. The Covid-19 pandemic is having a very significant impact. The online business continues to develop as normal in all markets. Our supply chain continues to operate normally due to the flexibility of our business model.

While it is too early to quantify the future impact of the Covid-19 pandemic on our operations in 2020, we are following events closely. We remain fully confident in the strength and flexibility of our business model and long-term competitive position.

In 2019, online sales grew 23% to €3.9 billion, 14% of net sales.

In FY2019 gross new space in prime locations increased 5% (2.5% net). Total selling area at FYE reached 5,086,732 square metres:

	2019	2018	2019/2018
Zara (Zara and Zara Home)	3,345,519	3,256,381	3%
Pull&Bear	428,969	419,387	2%
Massimo Dutti	278,052	274,563	1%
Bershka	553,853	541,310	2%
Stradivarius	337,893	332,279	2%
Oysho	127,294	122,841	4%
Uterqüe	15,152	15,320	(1%)
Total	5,086,732	4,962,081	3%

Inditex has been very active in store optimisation activities in 2019 (307 openings, 328 absorptions, and 182 refurbishments which include 87 enlargements). At the end of FY2019 Inditex operated 7,469 stores. In FY2019 Inditex opened stores in 43 markets.

A list of the number of stores is included in the table below:

Concept	31 January 2020	31 January 2019
Zara	2,142	2,131
Zara Kids	128	128
Zara Home	596	603
Pull&Bear	970	974
Massimo Dutti	754	766
Bershka	1,107	1,107
Stradivarius	1,006	1,011
Oysho	677	678
Uterqüe	89	92
Total	7,469	7,490

Company-managed stores and franchised stores at the end 2019:

Concept	Company Managed	Franchised	Total
Zara	1,879	263	2,142
Zara Kids	128	-	128
Zara Home	512	84	596
Pull&Bear	810	160	970
Massimo Dutti	638	116	754
Bershka	930	177	1,107
Stradivarius	801	205	1,006
Oysho	586	91	677
Uterqüe	73	16	89
Total	6,357	1,112	7,469

Sales in company-managed and franchised stores:

Concept	Company Managed	Franchised
Zara (Zara and Zara Home)	87%	13%
Pull&Bear	82%	18%
Massimo Dutti	85%	15%
Bershka	83%	17%
Stradivarius	79%	21%
Oysho	88%	12%
Uterqüe	86%	14%
Total	86%	14%

A list of the stores' locations by concepts and by market at FYE is included in Annex III.

Net sales by concept are shown in the table below:

	2019	2018
Zara (Zara and Zara Home)	19,564	18,021
Pull&Bear	1,970	1,862
Massimo Dutti	1,900	1,802
Bershka	2,384	2,240
Stradivarius	1,750	1,534
Oysho	604	585
Uterqüe	115	101
Total	28,286	26,145

The Group operates a global store and online platform. Store & Online sales by geographical area are shown in the table below:

Area	2019	2018
Europe ex-Spain	46.0%	45.1%
Asia & RoW	22.5%	23.2%
Spain	15.7%	16.2%
Americas	15.8%	15.5%
Total	100.0%	100.0%

Inditex sees strong growth opportunities and continues to expand its global, fully integrated store and online sales platform.

Gross profit reached €15.8 billion, 7% higher than in FY2018. The gross margin reached 55.9% (-79 bps). Based on current information, in accordance with IAS 2 and IAS 10, Inditex has booked an inventory provision of €287m to account for the impact that the Covid-19 pandemic might have on the net realisable value of the Spring/Summer inventory position at 31 January 2020. Excluding this provision, gross profit would have reached €16.1 billion, 9% higher than in FY2018 and a gross margin of 56.9% (+22 bps).

The implementation of efficiencies has resulted in operating expenses being tightly managed over FY2019. Inditex reports under the new IFRS 16 rules, which mainly changes the accounting treatment of leases. The fixed rental expenses charge is replaced in the income statement with depreciation and financial charges, while variable rental expenses remain in the operating expenses line. Operating expenses growth was 7.5% excluding IFRS 16 new rules effects in FY2019.

	2019	2018	19/18
Personnel expenses	4,430	4,136	7%
Rental expenses	695	2,392	(71)%
Other operating expenses	3,051	2,801	9%
Total	8,176	9,329	(12)%

At FYE 2019 the number of employees was 176,611 (174,386 at FYE 2018).

EBITDA in FY2019 came to €7.6 billion vs. €5.5 billion in FY2018. Excluding the inventory provision, EBITDA would have increased 44.5% in FY2019.

EBIT came to €4.8 billion vs. €4.4 billion in FY2018. Excluding the inventory provision, EBIT would have increased 16.1% in FY2019.

The breakdown of profit before tax by concept is shown below:

Concept	2019	2018	19/18	19/18 ex Covid-19
Zara (Zara and Zara Home)	3,370	3,181	6%	12%
Pull&Bear	301	300	0%	9%
Massimo Dutti	282	269	5%	16%
Bershka	349	330	6%	13%
Stradivarius	300	256	17%	25%
Oysho	70	86	(18)%	(9)%
Uterqüe	9	5	60%	84%
Total PBT	4,681	4,428	6%	12%

The following chart shows the breakdown of financial results:

	2019	2018
Net financial income (losses)	17	14
Lease finance costs	(142)	-
Foreign exchange gains (losses)	(26)	3
Total	(152)	17

Results from companies consolidated by the equity method came to €61 million.

Net income in FY2019 grew 6% to €3.6 billion vs. €3.4 billion in FY2018. Excluding the inventory provision, net income would have increased 12% in FY2019.

The IFRS 16 new rules effects in net income amounted to +88 million FY2019.

Return on Equity, defined as net income on average shareholder's equity:

	2019	2018
Net income	3,639	3,444
Shareholders equity - previous year	14,653	13,497
Shareholders equity - current year	14,913	14,653
Average equity	14,783	14,075
Return on Equity	25%	24%

Return on Capital Employed (ROCE), defined as PBT on average capital employed (shareholder's equity plus net financial debt):

	2019	2018
PBT	4,681	4,428
Average capital employed		
Average shareholders' equity:	14,783	14,075
Average net financial debt (*)	-	-
Total average capital employed	14,783	14,075
Return on Capital employed	32%	31%

(*) Zero when net cash

Return on Capital Employed by concept:

Concept	2019	2018
Zara (Zara and Zara Home)	30%	28%
Pull&Bear	39%	48%
Massimo Dutti	31%	38%
Bershka	39%	50%
Stradivarius	47%	49%
Oysho	26%	40%
Uterqüe	16%	12%
Total	32%	31%

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached there is Annex II showing the 2019 results by quarter.

Issues relating to sustainability and employees

See Annex IV "Non-financial information and information on diversity".

Liquidity and capital resources

Inditex continued to show a strong financial position in 2019. Due to the strong operating performance, the full store and online integration, and the store optimisation programme we are seeing a lower inventory on sales and an increased cash generation.

The cash position increased 20% to €8.1 billion.

	31 January 2020	31 January 2019
Cash & cash equivalents	4,780	4,866
Short term investments	3,319	1,929
Current financial debt	(32)	(84)
Non current financial debt	(6)	(5)
Net financial cash (debt)	8,060	6,705

The operating working capital position remains negative as a result of the business model. Inventory decreased 16% in 2019. Inventory excluding the €287 million provision fell 6%.

	31 January 2020	31 January 2019
Inventories	2,269	2,716
Receivables	780	820
Payables	(5,585)	(5,251)
Operating working capital	(2,536)	(1,715)

Cash from operations excluding the IFRS 16 impacts would have increased 26%.

Ordinary capital expenditure for FY2019 amounted to €1.1 billion, 26% lower than the prior year. Extraordinary capex came to €30 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 FY2020.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see Note 20 to the consolidated annual accounts), that guarantee access to such additional funds as might be required.

Analysis of contractual obligations and off balance sheet transactions

Also, commitments exist in relation to investments envisaged in the opening of new stores in FY2020, detailed under "Information on the outlook for the group".

Main risks and uncertainties

To facilitate unified and comprehensive risk management, the Group has established a common definition of risk for the Organization as a whole. Accordingly, the Group defines a risk as "any potential event that may have a negative impact on the fulfilment of the business objectives".

The risks reviewed are classified and grouped in the following categories:

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, public health crises 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. The potential consequences of climate change could also have an impact, such as sharp changes to climate cycles that could affect consumers' demand patterns, supply and demand of textiles materials used in manufacturing of garments, among others.

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.

2. Legislative and regulatory

These are the risks to which the Group is exposed as a result of the legislation in force in the countries in which it carries out its business activities.

The risks included in this category include risks relating to tax, customs, labour law, commercial and consumption-related regulations, intellectual and industrial property regulations, data protection and privacy regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk (including, without limitation, potential risks of criminal offences relating to corruption, fraud or bribery, the regulations on cybersecurity and the environment), regardless of whether or not they determine the criminal liability of legal entities, and other risks of non-compliance with legislation.

General Counsel's Office - Compliance Office supervises and manages the Inditex Group's regulatory compliance system to prevent legal (including criminal) and reputational risks arising from possible regulatory breaches, and to achieve the best ethical standards and monitor corporate best practices.

Although the election result of 12 December 2019 has confirmed the UK's exit from the EU on 31 January 2020, there is currently some uncertainty surrounding the conditions of the deal on the future relationship between the two parties as a consequence of a negotiation process that should finalise on 31 December 2020. During this transitional period, which could possibly extend beyond the time frame, no significant changes are expected in the UK-EU regulatory and commercial environment that could affect the Group's current operations.

The degree of divergence between EU and UK regulations following the conclusion of the negotiations will determine the level of adaptation for the Group's business in that market.

Among the main risks arising from the so-called Brexit for the Group are potential delays in the transit of goods, economic impacts arising from the imposition of tariffs, and currency fluctuations, possible restrictions on the free movement of persons, as well as those arising from the contractual or management risks of key third parties.

3. Reputation

These are risks which have a direct influence on the perception of the Group held by its stakeholders (customers, employees, shareholders and suppliers) and society in general.

They arise from the possibility of the inappropriate management of issues relating to social and environmental sustainability, responsibility on account of health and safety of the products, the corporate image of the Group, as well as its image on social networks, and any other potential regulatory breach that might have an impact on the Organization's reputation.

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.

5. Operational

The principal operational risks to which the Group is exposed arise from the possible difficulties involved in recognizing and taking on board the ongoing changes in fashion trends, and in manufacturing, buying and putting on the market new items that meet customer expectations. Also the risks arising from the growing importance of technological innovations and evolutions in the broadest sense, both in the interaction with customers and the improvement of operating processes, to ensure commercial success.

The risk arising from the interruption of operations is associated with the possible occurrence of extraordinary events beyond the Group's control (natural disasters, fires, transport or key supplier strikes, interruptions in energy and fuel supplies, withholding of goods in freight, etc.), which could have a significant effect on the normal functioning of the Group's operations.

In view of the Group's operating structure, the main operational risks are concentrated at logistics centres and at third-party operators transporting goods. The clothing, footwear, accessories and household products of all the concepts are distributed from 14 logistics centres located throughout Spain. Distribution logistics is also complemented through a logistics connection point in Lelystad (the Netherlands), and by means of other smaller logistics centres located in other countries and with third-party logistics operators that carry out small-scale distribution operations.

Other risks included under this category would be those associated with property management, particularly in relation to the search for and selection of commercial premises and the profitability thereon. Furthermore, the relationship with certain supplies of goods and providers of services is subject to certain risks that are not directly under our control and which could have an impact on the normal performance of some of the Group's operations.

6. 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 negative interest rate environment in the Economic and Monetary Union brings with it a risk of negative profitability in the Group's financial position

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.

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.

8. Technology and information systems

These include the risks associated with the technological infrastructure, the effective management of information, IT and robotic networks and communications. They also include those relating to the physical and technological security of systems, in particular, the risk of cyberattacks on information systems, which could potentially affect the confidentiality, integrity and availability of critical data.

9. Corporate governance

This category includes the risk relating to the possibility of inadequate Group management arising from possible breach by the management team or members of the Board of Directors of the standards, recommendations or best practices that exist in issues of Corporate Governance, of the transparency regulations of the supervisory authorities, or even the lack of professional ethics in management.

Risk management at the Group is a process driven by the Board of Directors and Senior Management and is the responsibility of each and every member of the Group, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved, as an answer to social and environmental challenges, furnishing shareholders, other stakeholders and the market in general with sufficient guarantees to ensure that the value generated will be protected.

In this context, the Group's Risk Management and Control Policy establishes the basic principles, key risk factors and the general action guidelines for managing and controlling the risks that affect the Group. This Policy is enforced on the entire Group and forms the basis for an Integral Risk Management System.

The Risk Management and Control Policy is implemented and complemented by specific policies and internal regulations relating to certain units or areas of the Group. The policies and internal regulations developed and implemented by these areas for the management of the different types of risk include most notably:

- The Investment Policy.
- The External Financing Policy.
- The Payment Management Policy.
- The Financial Risk Management Policy.
- The Policy on Management of Insurable Risks.
- The Code of Conduct and of Responsible Practices.
- The Policy on Criminal Risk Prevention.
- The Internal Regulations of Conduct regarding Transactions in Securities.
- The Corporate Social Responsibility Policy.
- The Code of Conduct of Manufacturer and Supplier.
- The Occupational Health and Safety Policy.
- The Environmental Sustainability Policy.
- The Information Security Policy.
- The Standard for Procurement Management.
- The Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisers.
- The Policy and Procedure for Representatives and Attorneys.
- The Policy on Human Rights.

- The Diversity and Inclusion Policy
- The Compliance Policy.
- The Tax Strategy and Tax Policy.
- The Anti-Money Laundering and Terrorism Financing Policy.
- The Due Diligence Policy.
- The Conflicts of Interest Policy.
- The Donations and Sponsorship Policy.
- The Policy on Gifts and Business Courtesies.
- The Policy on Relations with Civil Servants.

For further details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2019.

Significant events after the reporting period

Coronavirus (COVID-19) was first reported in China in January 2020 and has since then largely spread around the world. As a result of this, the World Health Organization declared the coronavirus outbreak a pandemic on 11 March 2020.

Taking into account the potential impact of the above described situation on the financial information of the Inditex Group as of 31 January 2020, Directors and Management have assessed the situation based upon the best information available to date, and pursuant to the provisions of IAS 2 "Inventories" and IAS 10 "Events after the reporting period".

Based upon such evaluation, the Group has booked a provision in the amount of 287 million euros, in the gross profit line of the consolidated income statement, to adjust the estimated net realizable value of inventories for the Spring/Summer campaign as of 31 January 2020 further to the COVID-19 pandemic impact.

Information on the outlook for the Group

Inditex would like to express solidarity with the people affected by the Covid-19 pandemic.

Our main priority is the health and safety of local communities and our employees. We have put in place appropriate procedures to deal with the situation and we will continue cooperating in full with the authorities. We would like to express our gratitude to our dedicated teams who have been an inspiration during this period.

The Covid-19 pandemic is having a very significant impact. The online business continues to develop as normal in all markets. Our supply chain continues to operate normally due to the flexibility of the business model. Initial collections for the Spring/Summer season have been very well received by our customers.

Store and Online sales in local currencies decreased 4.9% from 1 February to 16 March 2020. Store and Online sales in local currencies decreased 24.1% from 1 March to 16 March 2020. As of today 3,785 stores are temporarily closed in 39 markets. All stores in China are open with the exception of 11 stores.

While it is too early to quantify the future impact of the pandemic on our operations in 2020, we are following events closely. We remain fully confident in the strength and flexibility of our business model and long-term competitive position. The underlying growth rate in LFL sales of Inditex continues to be 4%-6%.

Inditex is actively managing operating expenses in order to minimise the overall impact of the situation.

Inditex enjoys a strong financial condition. Net Cash and Cash Equivalents at FYE 2019 reached €8.1 billion.

While it is too early to quantify the future impact of the pandemic on our operations in 2020, we are following events closely. We remain fully confident in the strength and flexibility of our business model and long-term competitive position. In the current situation, generated by temporary external factors, we reaffirm our vision over the long term potential and the fundamentals of the business model.

R,D&I activities

The Inditex Group carries out research, development and innovation activities in all areas of its activity to improve manufacturing and distribution processes and to develop, using its own resources or with the help of third parties, technologies that facilitate business management. In particular, we highlight the activity of designing clothing, accessories and household items, logistics and those related to technology linked to point-of-sale terminals, to administration and inventory management systems, to delivery systems at distribution centres, to communication with stores, to garment labelling and, finally, to the activity linked to the digital transformation of the business.

Acquisition and sale of treasury shares

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 26 of the 2018 consolidated annual accounts) and authorized the Board of Directors to derivatively acquire treasury shares to cater for this plan. Likewise, the Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan (see Note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for these plans, rendering the previous authorization invalid.

At 31 January 2019, the Company owned a total of 2,950,143 treasury shares, representing 0.095% of the share capital.

Subsequently, in 2019, the first cycle (2016-2019) of the 2016-2020 Long Term Incentive Plan was settled and the corresponding shares were delivered to the beneficiaries of the first cycle of the Plan. Consequently, at 31 January 2020, the Company owned a total of 2,125,384 treasury shares, representing 0.068% of the share capital.

Other salient information

Stock market information

The Inditex share price closed 2019 at EUR 30.37 per share on 31 January 2020. The average daily trading volume was approximately 6.1 million shares. In the same period, the Dow Jones Stoxx 600 Retail rose by 17% while the Ibex 35 was up by 3%.

Inditex's market capitalization stood at EUR 94,653 million at the end of the period, up 933% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with a 3% decrease in the Ibex 35 index in the same period.

The dividend for 2018 totalling EUR 0.88 per issued share was paid in May and November 2019.

Dividend policy

The Board of Directors of Inditex, following the proposal of the Audit & Compliance committee, in view of the current uncertain situation due to the Covid-19 pandemic, considers that it is not the right moment to take a decision on the dividend to be proposed relating to FY2019.

Consequently, the net income generated will be allocated to reserves (to voluntary reserves amounting to EUR 10,228 million and to the capitalisation reserve amounting to EUR 190 million) with

a view to submitting a final proposal on dividends at a later board meeting prior to the AGM which will take place in July.

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 2019 that substantially affected its financial position or results.

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 2019 is available at www.inditex.com and was published in the section on Other Relevant Event Communications of the CNMV (Spanish National Securities Market Commission) website (www.cnmv.es) on 18 March 2020.

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.

Alternative performance measures

The Gross Margin, EBITDA, EBIT, PBT, ROE, ROCE, working capital, net financial position, Average net financial debt and Quarterly results are defined in the introduction to the Consolidated Annual Accounts 2019.

The information disclosed in this document may contain statements in relation to future intentions, expectations and projections. All such statements, except for those based on historical data, are forward-looking statements, including, inter alia, those that address our financial position, business strategy, management plans and objective for future transactions. The aforementioned intentions, expectations or projections are subject per se to risks and uncertainties which could cause actual results to differ from those anticipated.

These risks include, but are not limited to, competition within the sector, consumer preferences and spending trends, economic and legal conditions, restrictions on free trade and/or political instability in those markets where the Inditex Group has a presence or in those countries in which Group products are manufactured or distributed.

The risks and uncertainties that could potentially have an impact on the information disclosed are difficult to predict. The Group undertakes no obligation to publicly update or revise any of the forward-looking statements in the event that any unforeseen changes or events arise which might affect them.

Annex II

Income statement: FY2019 quarterly results:

	2019 Quarterly results			
	Q1	Q2	Q3	Q4
Net sales	5,927	6,893	7,000	8,466
Cost of sales	(2,402)	(3,134)	(2,746)	(4,197)
Gross profit	3,524	3,759	4,254	4,268
	59.5%	54.5%	60.8%	50.4%
Operating expenses	(1,842)	(1,981)	(1,988)	(2,365)
Other net operating income (losses)	(8)	(6)	(11)	(8)
Operating cash flow (EBITDA)	1,675	1,772	2,255	1,896
	28.3%	25.7%	32.2%	22.4%
Amortisation and depreciation	(696)	(712)	(747)	(672)
Operating income (EBIT)	980	1,060	1,508	1,224
	16.5%	15.4%	21.5%	14.5%
Financial results	(36)	(41)	(34)	(41)
Results from companies consolidated by equity method	9	15	12	25
Income before taxes	952	1,035	1,486	1,208
Taxes	(216)	(218)	(312)	(287)
Net income	736	817	1,173	921
	12.4%	11.8%	16.8%	10.9%
Minorities	2	1	2	2
Net income attributable to the controlling company	734	816	1,171	919
	12.4%	11.8%	16.7%	10.9%

Annex III

Detail of stores by concept and market as at 31 January 2020

Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
ALBANIA	1		1	1	2	2		1		8
GERMANY	74		11	15	13			14		127
ANDORRA	1		1	1	1	1	1	1	1	8
SAUDI ARABIA	44		19	11	31	46	17	8	5	181
ALGERIA	2		2		3	3		2		13
ARGENTINA	11									11
ARMENIA	2		2	2	2	2	1	1		12
ARUBA	1									1
AUSTRALIA	19									19
AUSTRIA	13		4	3	7			3		30
AZERBAIJAN	3		2	3	3	2	1			14
BAHREIN	2		1	2	1	1	1	1		9
BELGIUM	32		9	20	14	2	3	7		87
BELARUS	2		2	1	2	2	1	1		11
BOSNIA	3		4	1	4	4				16
BRAZIL	56							14		70
BULGARIA	7		6	6	8	5	6	1		39
CANADA	32			8				2		42
CHILE	9							4		13
MAINLAND CHINA	179		65	89	62	35	87	52	1	570
HONG KONG SAR	14		6	2	5		2	1		30
MACAO SAR	2		1	2	1	1	1	1		9
TAIWAN, CHINA	9		4	5	3			2		23
CYPRUS	7		5	5	6	7	5	5		40
COLOMBIA	14		9	4	13	12	4	4		60
SOUTH KOREA	41		2	6			4	6		59
COSTA RICA	2		2	1	2	2	1	1		11
CROATIA	10		7	4	10	7	3	2		43
DENMARK	4			1				1		6
ECUADOR	2		3	1	3	3	1			13
EGYPT	7		7	6	7	6	5	5		43
EL SALVADOR	2		2		2	2	1			9
UAE	13		9	8	10	7	9	9	2	67
SLOVAKIA	3		3	1	5	4				16
SLOVENIA	5		2	1		4				16
SPAIN	302	107	198	180	191	277	170	123	32	1,580
UNITED STATES	99									99
ESTONIA	3		1	2	1	1		1		9
PHILIPPINES	9		2	2	4	4				21
FINLAND	6			1						7
FRANCE	121		39	14	53	28	10	19		284
GEORGIA	4		2	4	3	3	2	1		19
GREECE	41	6	25	13	29	22	20	10		166
GUATEMALA	3		3	1	3	3	1	1		15
NETHERLANDS	29		11	4	18	6		8		76
HONDURAS	2		2	1	2	2	1	1		11
HUNGARY	8		8	3	9	7	2	2		39
INDIA	22			3						25
INDONESIA	17		14	5	8	14	4	3		65
IRELAND	9		3	2	6	4				24
ICELAND	1									1
ISRAEL	25		24	3	17	8		2		79
ITALY	99		56	7	71	88	34	29		384
JAPAN	94				25	8		18		145
JORDAN	3		2	3	2	4	2	2	1	19
KAZAKHSTAN	5		5	4	6	6	5	4	1	36
KUWAIT	6		3	3	4	3	4	4	2	29
LATVIA	3		2	4	2	2	2	1		16
LEBANON	7		4	6	8	6	5	5	1	42
LITHUANIA	5		3	5	4	4	1	2		24
LUXEMBOURG	4		2	2	1	1	1	1		12
MACEDONIA	1		1	1	1	1				5
MALAYSIA	9		4	5	2					20
MALTA	1		3	1	1	1	1	3		11
MOROCCO	7		2	3	3	7	3	4	1	30
MEXICO	91		70	43	78	52	56	32	16	438
MONACO	1									1
MONTENEGRO	1		1		1	1	1			5
NICARAGUA	1		1		1	1				4
NORWAY	5									5
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		33	28	49	52	21	15	4	248
PORTUGAL	70	15	49	41	48	44	33	28	6	334
PUERTO RICO	3									3
QATAR	6		5	4	5	4	5	5	2	36
UNITED KINGDOM	63		8	13	7	6		11		108
CZECH REPUBLIC	6		4	2	5	5	1	1		24
DOMINICAN REPUBLIC	3		1	2	2	2	2	2		14
ROMANIA	24		25	12	28	25	13	8	1	136
RUSSIA	100		87	55	103	82	70	49	12	558
SERBIA	6		5	4	5	5	4	3		32
SINGAPORE	10		3	6	3	1	1			24
SOUTH AFRICA	9							1		10
SWEDEN	11		1	4			1	4		21
SWITZERLAND	20		4	7	6		1	4		42
THAILAND	12		3	4	1		1	2		23
TUNISIA	5		3	2	4	4	3	2		23
TURKEY	44		34	26	36	35	30	25		230
UKRAINE	10		15	7	15	13	8	3	1	72
URUGUAY	2							2		4
VENEZUELA	8		5		9					22
VIETNAM	2		1	1		1				5
INDITEX	2,142	128	970	754	1,107	1,006	677	596	89	7,469

Annex IV

STATEMENT ON NON-FINANCIAL INFORMATION

INDITEX GROUP

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Note: unless otherwise stated, all the amounts included in this Annex are expressed in euros

1. RELEVANT DATA

- **Inditex (hereinafter, also known as the “Group”, the “Inditex Group” and the “Company”)** is a **predominantly young company**, covering several generations, with the stores at the core of its business: 61% of our employees are under the age of 30; the average age is 28.9 years and **87% of our workforce work in the stores**. In this regard, all areas of the Group conduct business through an integrated platform of stores and online that operates 202 markets with a network of 7,469 stores in 96 markets, of which 66 are fully integrated – via our eight brands (Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe).
- **The Inditex workforce is largely female**, with women accounting for 76% of our 176,611 employees and 79% of management positions. Moreover, we have wage parity in the company: on a global basis, women are paid 0.2% more than men.
- The **sustainability strategy of Inditex** was updated at our Ordinary General Shareholders’ Meeting held on 16 July 2019. The strategy includes action measures for application in the various stages of our business activity, consisting of a set of goals defined for each one.
- **Following the renewal in 2019 of the Global Framework Agreement** entered into with the international trade union federation **IndustriALL Global Union**, Inditex has agreed to set up a **Global Union Committee** to represent the workers in our supply chain, becoming the world’s first fashion distribution company to have such a structure in place.
- **In line with our Global Energy Strategy and the Paris Agreement, in 2019** we became one of the founding members of the **Fashion Pact** designed to drive environmental sustainability in the fashion and textile industries; its main lines of action seek to fight climate change, care of the oceans and biodiversity conservation.
- Throughout 2019 we have been working to define the **new 2019-2022 social strategy for the supply chain, which we have called “Workers at the Centre”** and which follows on from the previous “2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain”.
- **A boost to energies from clean sources:** 63.29% of our global electricity consumption in 2019. Reduction of Scope 1 and 2 emissions, having achieved 43,97 kg CO₂ eq. per square metre¹. With respect to 2018, a reduction of 36.82% has been achieved.
- **Progress in environmental sustainability:** involved in the *Closing the Loop* programme, since 2015 the Company has supported circularity, having donated over 49,479 tons of clothing, footwear and accessories.
- We seek to provide our customers with increasingly sustainable products. In 2019, 19% of our garments was *Join Life*.
- According to the report *The Dirty Fashion Disrupted: Leaders and Laggards Revealed* prepared by *Changing Markets Foundation*, for the second year in a row the Company has been included in the frontrunner category of the retail industry for its firm support for the production and sale of responsible viscose.

¹ Ratio per square metre (m²) = (absolute figure for the year/total surface for the year in m²) x 1000

- **In 2019 the global supply chain of Inditex** was made up of 1,801 suppliers², in 44 markets, working with 7,799 factories³, grouped into 12 clusters⁴: Spain, Portugal, Morocco, Turkey, India, Bangladesh, Vietnam, China, Cambodia, Brazil, Argentina and Pakistan.
- During 2019, and seeking to ensure compliance with Human and Labour Rights of the workers in our supply chain, as well as with the Code of Conduct for Manufacturers and Suppliers, we have carried out a total of **1,396 traceability audits, 2,789 pre-assessment audits, 6,411 social audits and 1,619 special audits**.
- **At Inditex we strive to achieve Zero Discharge of Hazardous Chemicals (ZDHC) in 2020**. For this purpose we have designed three own and pioneering programmes in the textile industry: *The List by Inditex*; *Ready to Manufacture* and *Green to Wear*.
- To guarantee the excellence of our products, at Inditex we have implemented the **most demanding product health and safety standards**, of mandatory and global application to all items we sell: *Safe to Wear* (product safety) and *Clear to Wear, I+Cosmetics* and *I+FCM* (product health safety). These standards are subject to continuous review and expansion in order to adapt to the latest regulations in force. During 2019 we have updated and reviewed all the standards, and two new ones have been developed: I+ Home Fragrance & Candles and I + Child Care Furniture
- **Inditex continues to be leader in the environmental dimension in the retail sector according to the Dow Jones Sustainability Index**, with a result of 95 points out of 100 (91 points out of 100 in 2018). For the second year running, Inditex is among the ranking of the **Global 100 Most Sustainable Corporations, from Corporate Knights**, which includes leading companies in financial, environmental, social and governance performance. In addition, **Inditex maintains its position of Leadership according to the Carbon Disclosure Project (CDP) in Climate Change**, which lays out the actions in place in the various companies to combat climate change.
- In 2019, our corporate community investment has exceeded 49 million euros, 7% more than the previous year. This investment has materialized in the development of numerous social initiatives that have directly benefited more than 2.4 million people.

2. MATERIALITY

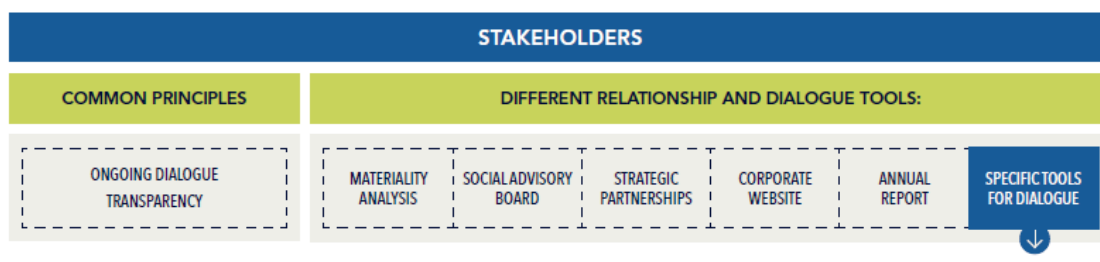
Pursuant to our Corporate Social Responsibility Policy, permanent dialogue and transparency are the core principles that govern Inditex's relations with its stakeholders, as defined therein: customers, employees, manufacturers and suppliers, shareholders and society at large. Getting to know and work with each and every stakeholder, understanding their expectations and meeting them are key to Inditex's strategy.







We use several means to communicate with our stakeholders, as shown in the table below:

² Suppliers of fashion items, mainly apparel, footwear and accessories with a production of over 20,000 units/year in the 2019 spring/summer and autumn/winter campaigns. Suppliers with lower productions account for 0.24% of total production.

³ Factories producing clothing, footwear and accessories declared by the suppliers in the product traceability system for 2019 orders.

⁴ In order to improve both the processes related to supply chain sustainability and the scope of the information compiled, this year this scope has been extended to include information on non-textile item suppliers (hereinafter, "Extended Scope"). To this end, the number of suppliers, also including non-textile items, amounts to 1,985, located in 51 markets, working with 8,155 factories. Suppliers producing less than 20,000 units account for 0.27% of overall production. This information on the Extended Scope is not comparable to that reported in previous years, but is included in this statement as a reference for comparability in future statements.

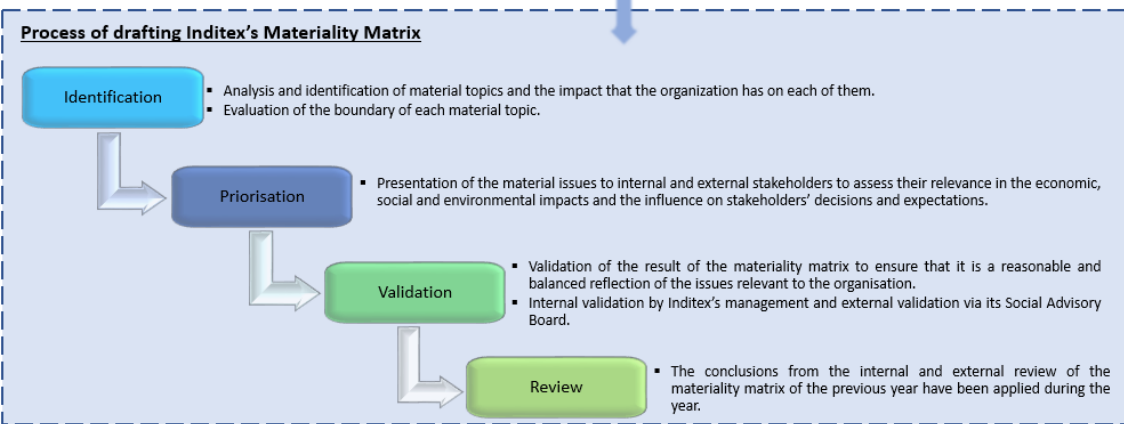


STAKEHOLDERS	TOOLS FOR DIALOGUE	FREQUENCY	OUR COMMITMENTS	EXAMPLES OF STAKEHOLDERS
 <p>EMPLOYEES Any person who works for the Inditex Group, whether at stores, offices or logistics centres.</p>	<ul style="list-style-type: none"> - Ethics Committee - UNI Global Union agreement - Training and internal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

Materiality analysis is one of the most important tools for dialogue with the various stakeholders. Through this analysis, Inditex is able to identify information requirements in order to determine the priorities which allow it to take a step further in building economic, social and environmental value, and which are at the basis of its sustainable strategy, thus ensuring that the requirements of its stakeholders are met, while at the same time business thrives and value is created.

Inditex identifies material topics and determines their scope based upon the recommendations laid down in *Global Reporting Initiative (GRI) standards*, namely in “*GRI 101: Foundations 2016*” standard, which provides that materiality is one of the four reporting principles to draft sustainability reports.

GRI Reporting Principles:



This process has been carried out in 2019 for the ninth year running, with the involvement of representatives from the various stakeholders of Inditex, both internal and external. In addition, the participation of our Social Advisory Board plays a key role in such process, as this collegial body, made up of external independent experts, advises the Company in sustainability issues. The result of the materiality process carried out in 2019 is a materiality matrix covering 32 material topics.



3. INDITEX: AN INTEGRATED AND SUSTAINABLE BUSINESS MODEL

Related material topics: Brand management; integrated customer experience; technological innovation; risk management and control systems; customer relationship management.

Inditex is a global fashion group operating on five continents, in the Northern and Southern hemispheres alike.

Our main activity consists of **offering latest fashion trends** (apparel, footwear, accessories and home textiles) **with high quality and sustainability standards, at attractive prices and inspired in customer requirements.**

This activity is carried out through eight commercial brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each format operates through an online and store model, that is managed in a direct and integrated way, except in certain markets where, for several reasons, the business is carried out through franchises.

In order to offer the latest fashion trends at the right time, meeting high standards of sustainability and with the required quality, at Inditex we have developed an integrated and flexible business model that is clearly customer-oriented.

This model helps face business environment challenges. The strong competitiveness in the sector, driven by new technologies and an increasingly awareness of environmental challenges, defines a context with a constantly evolving customer profile.

Furthermore, geopolitical, demographic and socioeconomic changes in supplier or distribution countries, or the retraction in consumption in certain markets, are, among others, factors which could affect the optimal achievement of our business targets. Business can also be affected by potential consequences of climate change, which could influence consumer demand patterns and the supply and demand of textile raw materials used to manufacture the garments, among others.

The internationalisation policy, the Group's multi-brand format, its sustainable production commitments and the support for total integration of channels and new technologies as alternatives for customer communication and sales, represent a means of risk diversification that mitigates our overall exposure to risks in the market.

The operation of this business model would not be feasible without the integration and flexibility of every stage of our value chain: design, production, logistics, stores and customers (with integrated points of sale, both physical and online).

The sales and design teams are strongly focused on the customer and firmly committed to sustainability in the processes and materials used in our products. The permanent contact with stores and online teams by our team of designers, through the Product Management Department, helps them to learn about customer preferences. In addition, their active promotion and search for more sustainable materials and production processes help to raise standards of quality and to reduce the social and environmental impact of our activity.

Manufacture and supply have been designed with a mixed model which ensures reasonable flexibility to allow production to adapt to market demand. During 2019, 54% of the factories in which the Company has produced its articles are in proximity (in countries such as Spain, Portugal, Morocco and Turkey) with the remaining 46% being medium and long distance (57% and 43% of factories respectively in 2018). This enables us to achieve the capacity to adapt our

own production or that of suppliers to the trend changes of each season, thus reducing the amount of merchandise leftovers from each campaign.

The logistics and distribution system enables the Company to make continuous shipments to physical and online stores from the logistics centres of every commercial format throughout every season. This system operates mainly with centralised logistics centres for every brand, where stocks are kept and which distribute the products to physical and online stores worldwide.

The people working in our Company make the sustained and sustainable development of this model possible: a diverse human team with 172 nationalities (154 nationalities in 2018), marked by its creative talent, its passion for fashion, teamwork, an enterprising spirit, permanent innovation and responsible effort.

Our goal is to provide fashion products that meet the most demanding sustainability and health and safety criteria, built on respect and promotion of Human Rights, transparency and continuous dialogue with stakeholders.

4. OUR SUSTAINABILITY GOALS

The **Inditex sustainability strategy** was updated in our Ordinary General Shareholders' Meeting that was held on 16 July 2019. The action plans agreed are based around two main areas:

- **A commitment to the circular economy and decarbonisation.**
- **Full support of the Sustainable Development Goals** established by the **United Nations** as part of the 2030 Agenda.

The Strategy considers action measures for the various phases of Inditex activity, summarised in a set of goals defined for each one:

Year 2020

- 100% of eco-efficient stores in all formats.
- Over 25% of *Join Life* garments.
- Total elimination of plastic bags in all our formats.
- Used clothing containers in 100% of our stores.
- Zero Discharge Commitment, which calls for the implementation of better wet-processing throughout our supply chain.
- The *Canopy* commitment: 100% sustainable forest certified garments.
- 100% of designers trained and specialised in circularity (*Global Fashion Agenda* commitment).

Year 2023

- Zero waste from our facilities: corporate offices, logistics centres and own stores (Zero Waste).
- 100% of sustainable cellulose fibres, supporting the responsible viscose commitment (*Changing Markets RoadMap*).
- 100% elimination of single use plastic for customers.
- 100% collection of all packaging materials for recycling or reuse in the supply chain (*Green to Pack*).

Year 2025

- 80% of renewable energy consumption in all facilities (main offices, logistics centres and own stores).
- 100% sustainable cotton (organic, *Better Cotton Initiative* and recycled).
- 100% sustainable polyester.
- 100% sustainable linen.

In addition to the update of the Strategic Sustainability Plan, it is important to mention that 2019 saw the creation of the **Sustainability Committee**, a delegate committee of the Board of Directors.

The Sustainability Committee is an information and consultation body in charge of advising the Board of Directors on matters of sustainability and overseeing and controlling sustainability proposals in the social, environmental and health and safety aspects of our products, as well as the relations with the various stakeholders in matters of sustainability.

In addition, the Committee is responsible, along with the Audit and Compliance Committee, for overseeing the information included in the statement on non-financial information and other public documentation on matters within its purview.

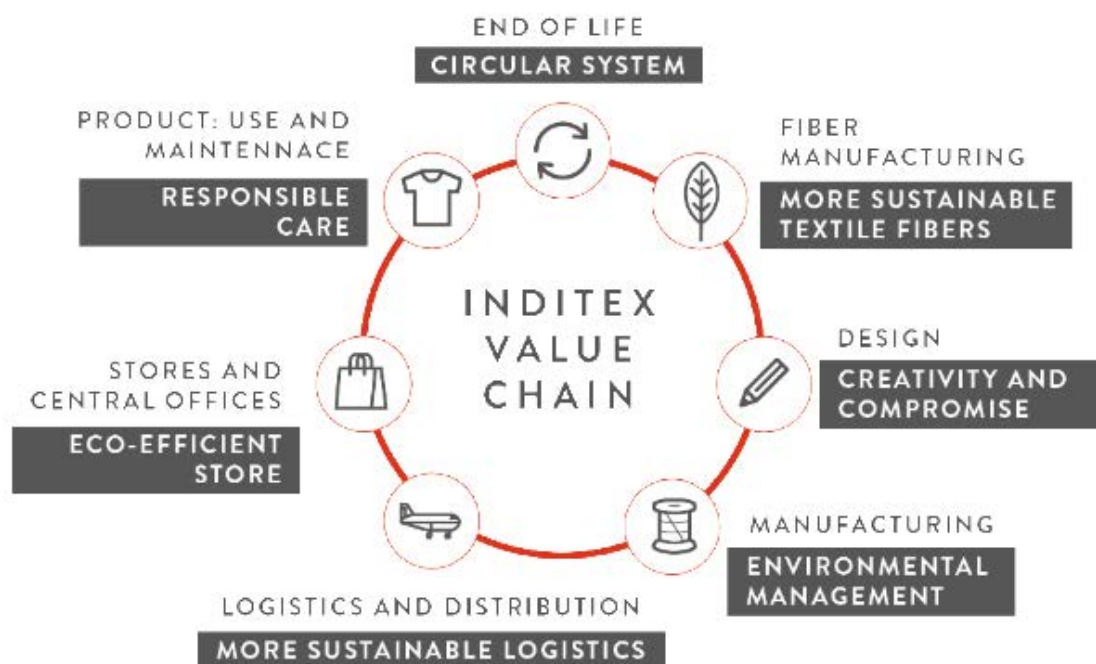
Furthermore, throughout 2019 we have worked to define the new 2019-2022 social strategy for the supply chain, which we have called “Workers at the Centre”, an extension of the previous “2014-2018 Plan for a Stable and Sustainable Supply Chain”.

5. SUSTAINABLE MODEL



Related material topics: *responsible purchasing practices; promotion of socially sustainable production environments; respect for human and labour rights in the supply chain; transparency and traceability of the supply chain; protection of biodiversity; sustainable products; management of chemical substances and sustainable processes in manufacturing; product quality, health and safety; product information and labelling; circularity; energy and climate change; use of water ; packaging; relationships with stakeholders.*

At Inditex, sustainability is present in all our processes and decision-making, covering design, selection of materials and production processes, logistics management, stores, headquarters and all items that make up our value chain.



5.1. Design

Our commitment: All designers in the Group to be trained in Circular Economy Principles before 2020.

The creation of a new garment begins with a design process which, in addition to inspiration and creativity, must also consider the various materials to be used, the processes required for production and the possibilities of extending its useful life, whether through greater durability or recyclability.

Along these lines, at Inditex we have defined a **training programme** to disseminate and ensure knowledge of the principles of Circular Economy among all our **designer teams**.

As a first step, an **online course** is being provided, which addresses both the **concept and the main strategies of circular design**: training on the technical and functional characteristics of the various types of fibres and raw materials to enable the incorporation of alternative recycled materials to be assessed, design set out to increase the recyclability possibilities of the components of the garments and design focused on extending product durability. This technical training includes materials, procedures and tools, in line with the commitment assumed by Inditex to the **Global Fashion Agenda** ensuring that all our designers have been trained in the Principles of Circular Economy by 2020.

In order to complete the dissemination of knowledge on these matters among our people, during 2019 we have continued to develop content and methodologies for environmental sustainability training. We have provided training at our headquarters, logistics centres, factories and own stores, in Spain (where the headquarters of Inditex are located) and in many other markets where the company is present, such as France, UK, Netherlands, China, Korea, Japan, United States, Argentina and Brazil. Specific content has been developed according to the needs of every group,

ranging from basic sustainability concepts or a review of the Inditex sustainability strategy, to product knowledge and how to make it more sustainable.

Overall, **22,012 employees have received training on environmental sustainability** since 2014 (11,526 employees at the close of 2018).

To encourage employee participation, we have implemented **commitment actions** such as the *Earth Hour Selfie*. In this competition, we invited our employees in over 40 markets to tell us, using photographs, the actions they carry out to care for the environment. The winners get to visit our headquarters in Arteixo, where they are given full environmental training along with the chance to become acquainted first-hand with the actions and policies our Group is developing in this area.

In 2019 we carried out a number of commercial initiatives where the design of collections was based on the selection of especially sustainable materials:

- In Bershka we launched a collection jointly with *National Geographic* inspired in nature and made using materials such as **recycled polyester or organically grown cotton**.
- In Zara we created the *Upcycled Outerwear Collection*, a collection **made using recycled polyester obtained from plastic waste** recovered from beaches and river banks along the Mayan Riviera, some 50 km away from a number of rivers and coastal areas with no waste management systems.
- Also in Zara, we launched a **denim clothing collection made from recycled jeans**. We used jeans recovered from non-profit organisations that collaborate with our clothing collection programme *Closing the Loop*, to create new garments using recycled materials, thus extending their life cycle.
- In addition, the capsule collection *Care for Water* is the beginning of a **collaboration between Water.org, Organic Cotton Accelerator (“OCA”) and Zara**, an initiative born to **bring about a positive impact on water management in organic cotton producing communities**. All the items have been made paying special attention to water usage, using materials and technologies that help reduce its consumption and preserve fresh water resources.

5.2. Selection of Materials

Our commitment: 100% of viscose, cotton, polyester and linen used in our products will be recycled or will come from more sustainable sources in 2025.

At Inditex we are committed to the protection and development of biodiversity through responsible and sustainable management of natural resources. We **pay special attention to the raw materials** we choose to make our products, as these decisions have a direct impact on biodiversity and the use of natural resources:

- We have increased the use of sustainable raw materials such as organic cotton, TENCEL® Lyocell and recycled fibres.
- We train our supply chain to manage their resources responsibly.
- We use sustainable sources in our wooden furniture and paper products.

Below are the data on the number of tons of sustainable raw materials used for the garments made available for sale, with goals for 2025, showing the evolution throughout the year:

	2019	2018	
Raw material	Tons	Tons	Variation (%)
Sustainable cotton (organic, BCI & recycled)	38,676	18,851	105.17%
Recycled polyester	5,332	1,881	183.44%
Sustainable linen	1,813	266	580.89%
Sustainable viscose	6,692	3,178	110.58%

In order to advance in the compliance of the goals set, during 2019 we have continued to promote innovation in the development of new materials and technologies to improve the sustainability of the textile fibres used. The new lines of research consider improvements focusing both in the optimisation of the consumption of virgin materials and their subsequent recycling. We continue to foment various lines of collaboration, both with members of our supply chain and with renowned academic institutions, to encourage research on sustainability in the textile industry. In this regard, at Inditex we work with prestigious entities such as the *Massachusetts Institute of Technology* (MIT) or *Cáritas*, among others, to advance in textile recycling processes and technologies to help us comply with our strategic circular economy goals. It is also worth mentioning the collaboration with the Austrian company *Lenzing* to transform textile waste into a new material, *REFIBRA™ Lyocell*, for reuse in our products.

We seek to highlight and promote the best technologies and the use of more sustainable raw materials such as *TENCEL® Lyocell*, organic cotton and linen, the most sustainable viscose meeting the standards of the *European Union Best Available Techniques* and fabrics made from recycled polyester, polyamide, cotton and wool. Moreover, as a novelty, during 2019 we have added recycled leather as a new raw material.

During 2019 we have launched into the market items made with a total of 7,589 tons of recycled materials, which means an increase in the use of these materials of 250.67% over 2018.

As a result of this strong support for the use of more sustainable raw materials, the independent organisation *Textile Exchange* positioned Inditex in 2018, in its last public report, as the fourth company in the world in terms of volume of use of organic cotton⁵. It also ranked our company second in the use of the *Lyocell* sustainable fibre and in fourth place worldwide in the consumption of sustainably sourced cellulose fibres.

In the classification of companies with the highest volume of consumption of recycled cotton, Inditex ranks eighth.

According to *The Dirty Fashion Disrupted: Leaders and Laggards Revealed* report prepared by the *Changing Markets Foundation*, the Company is included, for the second year in a row, in the frontrunner category in the retail industry thanks to its strong support of production and sale of responsible viscose. The latest edition of this study assesses the efforts made in transparency, sustainability and environmental impact in the production and sale of viscose and other cellulose fibres of 91 companies worldwide, as well as its main suppliers.

In 2019 we consumed approximately hundreds of different raw materials. For information purposes, all these raw materials have been grouped, according to their origin, into two main categories: fibres and non-fibres.

⁵ Source: *Organic Cotton Market Report 2018*, *Textile Exchange*. According to *Textile Exchange* forecasts, the new report for 2019 will become available in April 2020. The updated results of this report will be included in the Inditex Group annual report

% OVER TOTAL RAW MATERIALS CONSUMPTION				
	FIBRES		NON FIBRES	
	2019	2018	2019	2018
RAW MATERIALS	89,20%	88,24%	10,80%	11,76%

The fibres have been subdivided according to origin into 3 groups: natural fibres⁶, synthetic fibres⁷ and lastly, manmade fibres⁸, the weight of which in terms of consumption has been as follows) in 2019:

% OVER TOTAL CONSUMPTION	FIBRES	
	2019	2018
NATURAL	49,92%	48,90%
SYNTHETIC	38,10%	38,70%
MANMADE	11,98%	12,40%
TOTAL	100%	100%

“Non-fibres” include many different raw materials of a natural origin (vegetable, animal and mineral) and artificial, whose relative importance in the overall consumption of the Group does not merit an individual breakdown.

COLLABORATIONS

At Inditex we are committed to the protection and development of biodiversity through the responsible and sustainable management of natural resources.

The collaboration with other publics of interest is key to acting in a unified and consistent way to protect biodiversity. For this reason, and as part of our Biodiversity Strategy based on the principles of the UN Convention on Biological Diversity, we cooperate with international groups such as *CanopyStyle*, *Better Cotton Initiative*, *Sustainable Apparel Coalition* and *Textile Exchange*, among others. We are one of the founding members and part of the **Investment Committee on Organic Cotton** Accelerator, a multi-sectorial initiative that supports organic cotton producers to ensure the sustainable growth of the organic cotton industry and that all players are benefited, from the grower to the end consumer. The growing of organic or ecological cotton only uses natural fertilizers and pesticides, and avoids the use of genetically modified organisms (GMOS). During 2019, at Inditex we have taken part in four OCA projects in direct collaboration with over 5,000 growers to promote the production of organic cotton (500 growers in 2018).

With regard to manmade cellulose fibres, we continue to advance in meeting our **Forest Product Policy** goal and all other commitments announced in our last General Shareholders' Meeting, which establish that in **2020 any manmade fibres used, as the case may be, to make Inditex items shall not come from protected forests.**

⁶ Natural fibres are natural filaments that can be threaded to obtain strands, threads or twine.

⁷ Synthetic fibres are made of polymers that are not naturally produced, but fully created in a chemical plant or a laboratory, almost always using petroleum or natural gas by-products.

⁸ Manmade fibres are made using a natural component as a raw material that undergoes a number of processes in a chemical plant or a laboratory.

To this end, we work with the organisation **Canopy Planet**, in the *CanopyStyle* initiative. Inditex and other brands in the textile sector promote the adoption of positions in line with the protection of primary forests of high environmental value among the main world manufacturers of fibres sourced from forests. Over 200 brands are currently adhered to this initiative (170 brands in 2018), thanks to which, in 2019 we have managed to achieve that 88.6% of the world's fibre production now comes from manufacturers who support a policy that is committed to eliminating supply of materials from primary and protected forests and advance in innovative solutions to reduce the pressure on the forests (72% of production in 2018). Moreover, 64.7% of world production comes from manufacturers who have completed the audit process and 42.5% of world production is free from the risk of being supplied from primary/endangered forests (52% and 28% of world production in 2018, respectively).

Similarly, within the framework of our forestry strategy, we have been collaborating since 2007 with the Xunta de Galicia and the Forestry Research Centre of Lourizán, supporting its programme of genetic improvement of the many forest species of Galicia.

In addition, since 2015 at Inditex we have worked with *Forest Stewardship Council* ("FSC") Spain and the Forestry Association of Galicia to design and create the demonstration forest Pico Sacro, to be used as a model of a biological carbon sink, and for use as a forestry laboratory to disseminate the results of the project, supporting Galician foresters by transferring the findings obtained from the project and defining and publishing environmental indicators for forestry and CO₂ absorption. Since its inauguration, 21 activities have been organised, from pruning training courses, planting of trees, chestnut picking, training sessions for forestry technicians, practical training on forestry certification and protection of the territory, and various training visits designed to disseminate and publicise the forestry methods being implemented.

Throughout the year we have continued to monitor the evolution of the fauna and flora and have organised several training and information events for more than 85 people. We have also carried out the necessary steps for the certification of non-wood forestry products and SCLO (*Small and Community Label Option*) labelling, with a view to ensuring the manufacture of FSC certified products for sale under the FSC SCLO label.

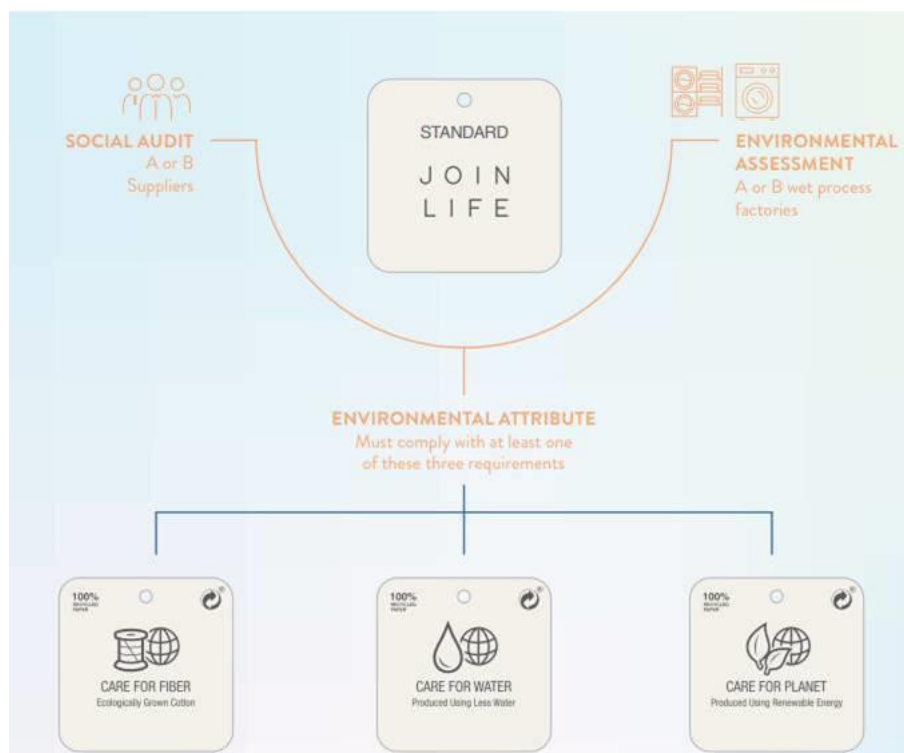
In addition, we have obtained the FSC certification for ecosystem services for carbon and diversity for the aforementioned demonstration forest, having become the first SLIMF (*Small and Low Intensity Managed Forests*) in Spain to obtain it, marking an important milestone for the improvement of forestry management in Galicia.

According to the calculation process recommended by the Spanish Climate Change Office, it is estimated that the new plantings carried out at 30 January 2020, CO₂ absorption by trees will reach, over the next 30 years, the figure of 683.3 tons (639.5 tons in 30 June 2018).

JOIN LIFE

Our commitment: over 25% of garments to be *Join Life* in 2020.

At Inditex we use our *Join Life* label for all garments **made of the most sustainable raw materials** and the **production processes that are most respectful of the environment.**



All *Join Life* garments are produced by suppliers classified as A or B (see section “5.3.3.Social Management of the Supply Chain”), both from a social and environmental perspective, and who use raw materials and production processes that reduce environmental impact.

- **CARE FOR FIBER**
We use the *Care for fiber* label for garments produced **using the most sustainable raw materials** such as organic cotton, TENCEL®Lyocell or recycled fibres, among others.
- **CARE FOR WATER**
Garments produced using **technologies that reduce water usage in their production processes**. The garment dyeing and washing processes use the largest amounts of water. The use of closed cycles that allow for water reuse or technologies such as ozone or cold pad batch help us to preserve freshwater resources.
- **CARE FOR PLANET**
Garments produced using processes which help **reduce emissions and/or the use of chemical products in production processes**. The use of technologies such as renewable energy consumption or tanneries certified by Leather Working Group enable us to carry out washing, dyeing or tanning processes in a more sustainable way.

All our formats have worked throughout 2019 on our *Join Life* standard. During 2019, 19% of our garments were sold under the *Join Life* label, in line with the 2020 target of 25% of Inditex garments in the market sold under this label. Specifically, Zara has managed to close the year with more than 20% of garments sold under the *Join Life* label.

5.3. Our Supply Chain



EXTENDED SCOPE

As a novelty, in 2019 we have extended the scope of the information reported on suppliers, including those producing non-textile products.

This Extended Scope information is not comparable with that provided in previous years, but is included in this report as a reference for comparability in future reports.

Inditex currently has **twelve clusters of suppliers, accounting for 96% of total production:** Spain, Portugal, Morocco, Turkey, India, Bangladesh, Pakistan, Vietnam, China, Cambodia, Brazil and Argentina (12 clusters and 96% production in 2018).

5.3.1. Traceability

In recent years, in Inditex we have worked to have the tools and processes to enable us to **identify all suppliers and factories involved in production**. This is what Inditex terms as the **traceability** of the supply chain.

The identification of each of the locations and players involved in our supply chain is carried out in order to ensure that they all meet Inditex sustainability commitments.

To achieve the traceability of all players and processes involved in the production of our garments, we perform the following tasks:

1. **We demand that our suppliers inform us**, at all times, **of the factories** involved in our production, from raw materials through to finishing processes.
2. **We digitalise** the information using an in-house developed **“Traceability Management System”**.
3. We verify on site the authenticity of the information provided by the suppliers in the management system, through **Traceability Audits**.

1,396 traceability audits were performed in financial year 2019 (2,546 audits in 2018).

5.3.2. Pre-Assessment

The first verification of compliance with Inditex requirements on product environmental, social and health & safety management takes place even before the supplier begins his business relationship with Inditex.

This is done through **pre-assessment audits**, which consist of prior assessments of all potential suppliers and factories, performed by internal and external auditors, with no advance notice.

These audits **help to ensure that only suppliers and manufacturers who meet our standards** are able to form part of the Inditex supply chain.

Inditex carried out 2,789 pre-assessment audits during 2019 (2,177 audits in 2018).

5.3.3. Social Management of the Supply Chain

Code of Conduct for Manufacturers and Suppliers

All suppliers and manufacturers involved in the production of our products are expressly bound to observe the values and principles of ethical conduct of the Inditex Group.

These values and practices, based on respect for Human Rights, make up our Code of Conduct for Manufacturers and Suppliers ("CCMS"), which defines the minimum standards of ethical and responsible conduct to be observed by any supplier throughout the value chain.

Among the contents of the CCMS are:

- No forced labour;
- No child labour;
- No discrimination;
- Respect for freedom of association and collective bargaining;
- No harsh or inhumane treatment;
- Safe and hygienic working conditions;
- Wages are paid;
- Working hours are not excessive;
- Regular employment;
- Traceability of production;
- Health and Safety of products;
- Environmental awareness;
- Confidentiality of information;
- Implementation of the CCMS; and
- Inditex's Committee of Ethics, as a grievance mechanism.

The express acceptance of all the CCMS standards is required for a manufacturer or supplier to form part of the Inditex supply chain, as well as passing audits to verify compliance with the Code of Conduct for Manufacturers and Suppliers. The breach of any of the above referred standards may entail the termination of the relationship.

The CCMS is inspired by the principles provided by:

- The Organization for Economic Cooperation and Development (hereinafter, the "OECD"),
- The Base Code of the Ethical Trading Initiative
- The principles of the United Nations Global Compact,

- The following ILO Conventions: 1, 14, 26, 29, 79, 87, 98, 100, 105, 111, 131, 135, 138, 142, 155, 164 and 182.

Social Audits

CCMS compliance verification is not only performed at the start of the business relationship with a manufacturer or supplier; it is regularly assessed by performing Social Audits to each and every supplier and factory included in the Inditex supply chain.

The purpose of **social audits** is to **ensure that the fundamental rights of the workers involved in our supply chain are respected.**

The methodology of the Social Audits implemented in Inditex was initially designed in 2007 in partnership with the former International Textile, Garment and Leather Worker’s Federation (currently integrated in IndustriALL Global Union), the University of Northumbria and the Centre for Business and Public Sector Ethics of Cambridge University.

This methodology has been updated several times (2014 and 2017) and includes, among other procedures:

- Interviews of workers and their representatives (if any) as well as management.
- Review of documentation related to the working conditions of workers.
- Visits to the facilities of the audited company.

The verification system is carried out by independent external auditors, as well as by internal auditors, with no advance notice of the date of the review.

During 2019, 6,411 social audits were carried out (5,359 audits in 2018).

Based on the results of these audits, the degree of compliance by our supply chain of all the aspects of the CCMS for factories in operation in 2019⁹ is shown below:



*Includes the lack of suitable systems for checking the age of workers.
 **Includes the lack of suitable systems for registering and informing workers.

⁹ Factories blocked in 2019 not included.

Special Audits

Special Audits focus on a **specific area for improvement**. Examples of areas addressed in these visits are structural and technical assessments or the assessment of working conditions of the workers exclusively from a health and safety perspective.

1,619 special audits have been performed in 2019 (1,982 audits in 2018).

Follow-up: Corrective Action Plans

The control system of our supply chain does not only focus on the identification of all the factories and suppliers and on the verification that they all meet the standards and requirements of the CCMS. The philosophy behind its creation and its evolution is to continue improving practices in the supply chain.

Therefore, the control system, with its verifications and audits, identifies improvement areas on the basis of which **Corrective Action Plans (CAPs) are designed**.

The two main objectives of the CAPs are:

- (i) The establishment of measures aimed at mitigating and/or remedying potential non-compliances with the Code of Conduct for Manufacturers and Suppliers.
- (ii) Prevention, to avoid further breaches in future.

These Corrective Action Plans include exacting goals and deadlines that must be met properly and promptly by the supplier.

In order to comply with the CAPs, the supplier/manufacturer will be given full support by Inditex as well as, as the case may be, other stakeholders, such as non-governmental organisations, trade unions and other civil society organisations.

Our control methodology includes a follow-up of the evolution and compliance of these CAPs, including competence visits performed by our staff.

The duration of the CAP will depend on the degree of compliance of the CCMS. Where any breach of the most sensitive aspects of the Code of Conduct for Manufacturers and Suppliers is detected, the duration of the corrective action plan is restricted to six months. Once this period is over, a new social audit is carried out to assess the degree of compliance with the plan. If during this audit it is found that the plan has not been complied with, the factory or supplier will be rejected and its business relationship with Inditex suspended.

400 corrective action plans were carried out in 2019 (417 plans in 2018).

Classification of Suppliers

Inditex has developed a supplier classification system according to the results of its regular audits:

SUPPLIER	AUDIT RESULT
A	Complies with the CCMS
B	Breaches a non-material aspect of the CCMS
C	Breaches a sensitive but non-crucial aspect of the CCMS
PAC	Breaches of the CCMS that trigger the immediate implementation of a Corrective Action Plan
PR	Undergoing an auditing process

The current classification of our suppliers in 2019 (and its comparable in 2018) is as follows:

Classification	2019 Extended Scope		2019		2018	
	Number of suppliers	Percentage (%)	Number of suppliers	Percentage (%)	Number of suppliers	Percentage (%)
A	784	40%	713	40%	661	35%
B	1,051	53%	985	55%	1,045	56%
C	44	2%	39	2%	80	4%
CAP	38	2%	36	2%	47	3%
PR	68	3%	28	1%	33	2%
TOTAL	1,985	100%	1,801	100%	1,866	100%

EXTENDED SCOPE

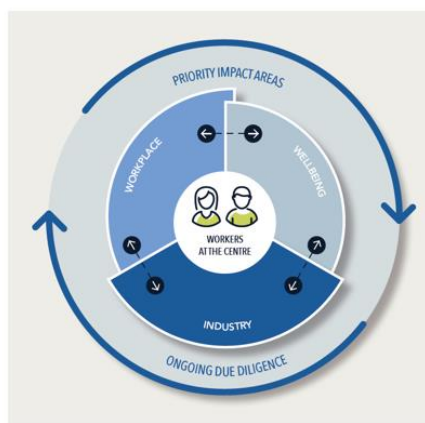
In 2019 we have extended the scope of the information reported on suppliers, including those pertaining to non-textile items. This extended scope information is not comparable to that reported in previous years, but is included in this report as a reference for comparability purposes in future reports.

New Social Strategy for the Supply Chain

All the foregoing information regarding traceability, audits, supplier categories, Corrective Action Plans and follow-up was part of the 2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain ("Plan 2014-2018").

The methodologies, tools and activities of identification, assessment, optimisation and sustainability included in the 2014-2018 Strategic Plan continue to be implemented but, as of 2019, will be supplemented with the principles laid out in a new strategy which we have termed "**Workers at the Centre 2019-2022**".

“Workers at the Centre 2019-2022”



Three dimensions

The 2019-2022 Strategy Plan considers three dimensions: **workplace, wellbeing and industry**, seeking with our actions to have a positive impact on any of these areas for the workers.

The three dimensions are connected with one another, insofar as the benefit from improvements made in the workplaces of our supply chain will affect the general wellbeing of the workers. We are thus looking to have a positive impact in order to achieve changes in the sector.

Priority Impact Areas

The activities included in the 2019-2022 Strategy are classified into **priority impact areas**.

To identify these areas, and on the basis of our Human Rights Policy and CCMS compliance, due diligence processes and procedures have been established.

This has helped create a model for identification and prioritisation of potential impacts on Human Rights in the supply chain.

As a result of this process, **7 Priority Impact Areas have been identified**, on which the 2019-2022 Strategy will be focusing its activities:

1. **Worker Participation;**
2. **Living Wages;**
3. **Women Empowerment;**
4. **Occupational Health and Safety;**
5. **Protection of Migrants;**
6. **Social protection; and**
7. **Protection of labour rights in the production of raw materials.**

In each of these 7 Priority Impact Areas, the 2019-2022 Strategy has its own plan and an internal team of specialists who in turn work alongside relevant stakeholders.

Partnerships and Collaborations

At Inditex we consider that in order to develop solutions that improve supply chain practices which are global and able to benefit the largest possible number of communities and agents, this must be done in a collaborative manner.

For this reason we are on the lookout for partners, organisations or any other stakeholders with whom to work in pursuit of common solutions for the industry.

As a result of this conviction, Inditex works with local and international trade unions in the various countries of its supply chain, through a **Global Framework Agreement** entered into in 2007 with the international union federation **IndustriALL Global Union**.

This Agreement was the first of its kind for a company within the sector to cover the entire supply chain. Its main goal consists of ensuring compliance with international labour standards arising from ILO and UN Conventions, as well as with OECD Guidelines. The Framework Agreement highlights the essential role that freedom of association and the right to collective bargaining must have in all countries. Thus, both organizations directly work together to ensure compliance with Inditex's CCMS.

The Global Framework Agreement was renewed on 13 November 2019. In this new phase a Global Trade Union Committee has been created, to represent the workers in our supply chain. The aim is to share and promote best industry practices on the right of trade union freedom and collective bargaining.

We are the world's first fashion distribution company with a structure of this kind in place, made up of trade union representatives of the main production clusters and representatives of the Spanish trade unions Comisiones Obreras and Unión General de los Trabajadores.

As well as the Global Framework Agreement with *IndustriALL Global Union*, some of the main global alliances in matters of sustainable supply chain management are:

- **Ethical Trading Initiative (ETI):** a dialogue platform to improve working conditions of workers of the distribution sector in developing countries. It is an alliance of companies, international trade unions, and non-governmental organizations. Inditex has been a member of ETI since 2005 and is an active participant of its programmes in different countries.
- **ACT (Action, Collaboration, Transformation):** a collaboration initiative between retail brands, suppliers and trade unions to transform the industry and achieve living wages in the sector. Inditex has been an active participant in ACT and its work groups since 2015.
- **ILO's Better Work Programme:** a platform to improve compliance with labour regulations and competitiveness of global supply chains. Inditex has been a member since October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work programme.
- **Public-Private Partnership with ILO:** aimed at the joint promotion between Inditex and ILO of respect for the fundamental principles and rights at work in the supply chain of the cotton sector. It was executed in 2017 and its expected term is three years.
- **United Nations Global Compact:** a United Nations initiative to promote social dialogue between the businesses and civil society. We adhered in October 2001 and actively participate in various working platforms alongside other stakeholder groups.
- **Better than Cash Alliance:** an alliance of governments, companies and different international organisations, promoted by the United Nations, aiming at the global promotion of the transition towards a digital economy. We focus our collaboration with this Alliance on the financial education and digitalisation of the supply chain. Inditex adhered in 2018.
- **Accord on Fire and Building Safety in Bangladesh.** This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in said country. Inditex is a founding member and sits on the

Steering Committee. This Agreement was signed on 13 May 2013 and renewed in June 2018.

5.3.4. Environmental Management of the Supply Chain

At Inditex we have a health, safety and environmental sustainability strategy in place based on the control and improvement of quality throughout the production chain, thus ensuring that all our products meet the exacting health, safety and environmental sustainability standards.

						
Facilities involved in the manufacturing of a t-shirt	SPINNING	WEAVING	DYEING	PRINTING	LAUNDRY/ FINISHING	STITCHING
Implementation of Our Programs	The List	The List	The List RCA GtW+ (GtW+RtM)	The List RCA GtW+ (GtW+RtM)	The List RCA GtW+ (GtW+RtM)	The List Picking RCA

The List by Inditex, innovation in the chemical industry

Designed and implemented in 2013, *The List by Inditex* is a pioneering programme in the textile and leather industry, which seeks to improve, with the involvement of the chemical industry, the quality of the chemical products used in production, thus ensuring conformance to the chemical restrictions covered in Clear to Wear, Inditex health of the product standard, and the assumption of Inditex commitment to the Zero Discharge of Hazardous Chemicals by 2020.

Through a comprehensive process for evaluation of manufacturers and the analysis of the chemical products they supply, *The List by Inditex* includes a register of chemical products classified in accordance with their degree of conformance to *Clear to Wear* and to the Zero Discharge commitment.

Likewise, work is also done to perfect the existing production processes, as this has a direct impact on improvement of chemical products. Where such improvement cannot be achieved, R+D programmes are defined to create new chemical products, alternative to the existing ones.

The List by Inditex in 2019

- 25 new applications to be included in the programme (31 received in 2018)
- Performance of 19 audits and 17,641 analysis that have enabled the classification of 27,756 chemical products belonging to 26 companies (15 audits and 57,267 analysis which classified 25,943 chemical products from 26 different companies in 2018).
- We published the IV Edition of *The List by Inditex*, available on our website, with a total of 23,373 chemical products classified and sold by 24 manufacturers.

Ready to Manufacture, strengthening the manufacturing chain

Designed and launched in 2013, *Ready to Manufacture* (hereinafter, “RtM”) is a benchmark programme in the textile and leather sector that seeks, with the direct involvement of the supply chain, to improve manufacturing practices at the facilities used at the different production stages, thus ensuring conformance to *Clear to Wear* and to the commitment to the Zero Discharge of Hazardous Chemicals by 2020.

RtM includes a code of best practices for the production of textile and leather items, applicable at wet processes facilities (dyeing, washing, printing and tanneries) across the suppliers’ production chain, and relies on a unit of technological experts who assist with the appropriate implementation of the above mentioned RtM, through recurring training and audits.

In particular, RtM allows the correct selection of chemicals. Therefore, *The list by Inditex* is a tool directly linked to RtM.

During 2019, Inditex has added the RtM programme to the Green to Wear environmental standard, in order to strengthen the sustainable management of chemical substances within its supply chain and ensure its commitment to the 2016-2020 Environmental Strategic Plan.

During 2019 and in application of the methodology described above, a total of 1,373¹⁰ audits in 1,169 facilities have been carried out, with an overall improvement of 76% over the initial and/or follow-up audit (2,008 audits and 1,385 facilities in 2018, respectively).

The audits performed and the improvement achieved per geographical area is summarised below:

Geographical Area	2019			2018		
	Audits	%	Improvement	Audits	%	Improvement
Europe	292	21%	67%	491	24%	65%
North Africa	19	1%	65%	77	4%	52%
Turkey	288	21%	71%	383	19%	66%
India	173	13%	74%	253	13%	67%
Bangladesh	162	12%	72%	248	12%	72%
China	346	25%	68%	395	20%	64%
Other Asian countries	93	7%	76%	161	8%	57%
TOTAL	1,373	100%	76%	2,008	100%	65%

Water management throughout the supply chain

Our commitment: Zero Discharge Commitment – implementation of the best wet processes throughout the supply chain in 2020.

a) Zero Discharge Commitment: Green to Wear

The main backbone of water management throughout the Group’s supply chain is based on our own Green to Wear standard, with which we progress, year after year, in our Commitment to Zero Discharge of Hazardous Chemicals. This standard aims to reduce the environmental impact of textile production and to improve the health of the articles and safety of the workers throughout the supply chain.

The wet process facilities we work with, are assessed according to the Green to Wear standard, which includes indicators that assess the sustainable and efficient management in areas such as raw materials, water, technology and processes, chemical products, waste and wastewater. Since

¹⁰ The difference in audits compared to the previous year is due to the change of strategy – addition of the RtM audits to the Green to Wear standard. This means that the programme only affected the first eight months of 2019.

its launch in 2014, 1,776 environmental assessments have been performed (1,364 assessments at the close of 2018).

These assessments include improvement proposals to advance in the environmental management of these production units, subsequently carrying out a follow-up of their environmental improvement. Consequently, 136 corrective environmental improvement plans have been successfully performed in our suppliers' facilities in 2019 (135 plans in 2018), which enables us to move towards a supply chain that is increasingly exacting in environmental terms.

At the start of 2020, the Company has taken a step further with a remarkable evolution in the standard –now known as *Green to Wear 2.0*– by adding the management of chemical substances (hitherto included in the *Ready to Manufacture* code) and also managing to meet the product health standard *Clear To Wear*.

As a result of our commitment to transparency, Inditex has made available to the public at large, through its website, the list of factories that carry out wet processes and which form part of our supply chain.

Greenpeace recognises our commitment to Zero Discharge, including us in the Detox Catwalk leadership category, which is used by the organisation to measure compliance with the commitments of textile companies to its 2020 Detox Plan. *Greenpeace* stated that “*Inditex has taken tangible steps to meet its Detox commitment, having eliminated the PFCs from all its clothing, footwear and accessories and informing its suppliers of its intention to eliminate APEOs and phthalates from its global supply chain.*”

Moreover, *Greenpeace* recognised Inditex as a “*leader in this change of paradigm*” in its report entitled *Destination Zero*, most recently published in 2018.

b) Collaboration with ZDHC and the Chinese Institute of Public and Environmental Affairs (IPE)

Along with ZDHC and other retailers, Inditex seeks to change the approach of the textile industry and lay down the foundations for sustainable management of chemical substances. We collaborate with our suppliers to disclose the results of wastewater analysis obtained from the *Green to Wear* assessments on the Platform *ZDHC Gateway*, a portal designed by ZDHC.

Our collaboration with the Chinese Institute of Public and Environmental Affairs (IPE) in the improvement of environmental management in the China supply chain and the publication of the results of wastewater analysis on the IPE website is also very important.

Furthermore, in 2019 we included over 150 textile suppliers in the IPE green supply chain roadmap, where the environmental data of the facilities are made public in real time. These actions have resulted in Inditex being among the top 5 out of 438 brands in the Corporate Information Transparency Index (CITI) of the IPE in 2019. In addition, in Inditex we have invested more effort in the environmental management of the supply chain beyond textile facilities, having included upstream suppliers such as chemical product suppliers and centralised effluent treatment plants.

5.4. Product Health and Safety

Inditex has in place the most exacting product health and safety standards, which are mandatory and which apply to all the goods¹¹ we sell, and are a benchmark for manufacturing practices of all the suppliers across our supply chain.

Likewise, in partnership with technology companies, research centres and international laboratories of reference, we verify the appropriate implementation of our standards using own and innovative programmes that include:

- The analysis of both the goods and the chemical products used in the production thereof, and
- Conducting recurrent audits both at the facilities involved in manufacturing the goods, and at the factories that produce the chemical products used to produce the above referred goods.

This requirement for our products is also applicable to the chemical industry, responsible for producing dyes, pigments and ancillary chemicals used in the textile and leather industries within *The List* programme.

Our product health and safety commitments



a) Clear to Wear

This is our product health standard, which applies and is mandatory for the apparel, footwear, accessories, trimmings and fabrics supplied.

Clear to Wear has been developed in partnership with scientific and technological advisers, research centres and academic institutions, pursuant to the most exacting laws and regulations regarding health of the product. In addition to covering parameters and substances whose use is restricted, it limits the use of certain substances not addressed in the prevailing laws and regulations which could be potentially hazardous, and encompasses the provisions of REACH, (European Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals), being the EU regulation that all our suppliers must observe.

¹¹With regard to items outside the scope of the product health and safety standards of the Group, they are subject to minimum requirements reports especially created pursuant to the statutory requirements which apply to the type of product and the markets where they are sold

During 2019 we have introduced novelties and updates to this standard, which will be applied in 2020.

b) Safe to Wear

Safe to Wear is our product safety standard, which applies and is mandatory for the apparel, footwear, accessories, trimmings and fabrics supplied.

Safe to Wear has been developed in partnership with international safety experts in clothing for children, in accordance with the most exacting laws and regulations in the field. In addition to covering the design, the fastening degree of small parts, sharp points and sharp edges in clothing for children, the standard restricts parameters such as flammability in goods for both children and adults.

During 2019 we have made inroads in this standard, such as adapting to the main regulatory changes affecting the various types of items sold by the Inditex Group.

To make progress in the field of excellence of the products, we not only improve our product health and safety standards applicable to our main items (apparel, footwear and accessories), but we also take further steps towards standardisation concerning other types of goods such as cosmetics and products designed to be in contact with food. All these new standards have been developed under the general I+ (I PLUS) (Inditex Precautions and Limits for Users' Safety) framework.

c) I+Cosmetics

This is our product health standard, which applies and is mandatory for all our cosmetic products.

I+Cosmetics, has been developed in partnership with scientific and technological advisers, research centres and academic institutions, pursuant to the most exacting laws and regulations regarding health of the product in the cosmetics sector. In addition to covering parameters and substances which use is restricted by law, it limits the maximum level of impurities allowed in starting materials.

In 2019 we have continued to introduce novelties and updates in the standard, for application in 2020.

d) I+FCM

I+FCM is the product health standard, which is mandatory for all the products designed to be in contact with food.

I+FCM has been prepared in partnership with scientific and technological advisers, research centres and academic institutions, pursuant to the most exacting laws and regulations regarding food safety. In addition to covering parameters and substances which use is restricted by law for all types of materials used in goods in contact with food (polymer, rubber, crockery, glass, metal, paper, wood and others) it restricts the transmission in ordinary or foreseeable use conditions, of chemicals comprising the goods to the food they are in contact with.

In 2019 we have introduced novelties and updates in the standard, for application in 2020.

Moreover, unlike *Clear to Wear* y *Safe to Wear* and in accordance with statutory provisions applicable to this type of goods, *I + Cosmetics* and *I + Food Contact Materials* include mandatory information and manufacturing best practices requirements.

During 2019, we have designed the following standards to be applied in 2020:

I + Home Fragrance & Candles for home fragrances and candles (standard that includes the previous ones *I + Air Fresheners* and *I + Candles*); and *I + Child Care Furniture* applicable to children's furniture and childcare articles (formerly *I + Childcare Articles*).

Control and continuous improvement in product manufacturing

a) *Picking*: production control and analysis

In 2011, we designed and implemented, *Picking*, a control and analysis programme which seeks the effective identification of nonconforming items, with the involvement of scientific and technological advisers and the support of benchmark international suppliers of analytical services.

Namely, *Picking* is our inspection and analysis instrument permanently adapted to our production and logistics model, that ensures that all items that we sell meet the exacting product health and safety standards.

During the design stage, units of experts on health and safety at the brands assess the potential risk of each item. During manufacturing process, supervisors from external facilitators take representative samples of all hazardous items *in situ* at the facilities. External labs carry out analysis and tests on such samples. A detailed evaluation of such samples determines whether the product is approved, rejected, or requires changes to be compliant with Inditex standards.

A total of 56,352 inspections have been carried out in 2019, with the performance of 899,046 analysis and tests (63,420 inspections and 933,980 analysis in 2018, respectively).

The evolution of the degree of initial compliance with the product health and safety standards (*Clear to Wear* and *Safe to Wear*) is shown below:

Degree of compliance	2019	2018
CTW – chemical substances	98.9%	99.1%
CTW – Parameters	98.8%	98.6%
CTW	97.8%	97.7%
STW – Parameters	99.8%	99.8%
STW – Design	99.7%	99.8%
STW	99.6%	99.6%
CTW+STW	97.4%	97.4%

Laboratories that support the programme, found in the main manufacturing clusters, play a relevant role in the *Picking* Programme, and work in a standardized way using their own ground-breaking optimized analytical methods, and the quality of their results and the service they provide is subject to strict follow-up.

External Labs Network	2019	2018	Variation
Picking programme	24	19	26%
Other programmes	42	45	-7%
Total	66	64	3%

The Picking programme is a ground-breaking activity that continuously develops analysis methodologies that are alternative to the existing ones, providing greater efficiency to the use of resources in the control process. In this regard, the Minilab is worthy of mention. This is a portable laboratory that uses innovative screening methods to reduce analysis times, perform analysis and trials on site, at the facility itself, enabling faster decision making and, specifically, the production rectification of any articles affected by a non-conformity at the start of manufacture.

During 2019, 2,977 Picking-Minilab inspections were performed, having carried out 36,929 analysis and screening trials on a total of 6 Clear to Wear parameters (1,276 inspections, 17,212 analysis in 2018, respectively).

b) Root cause analysis

If a good fails to comply with health and safety requirements and cannot undergo new processing under the available protocols, production thereof is automatically rejected by Inditex. Additionally, we would carry out Root Cause Analysis (RCA).

In this type of analysis, experts from the textile and/or leather sector visit the facilities (dye, wash, print and tannery) where production of the affected item takes place, in order to determine the origin of the incident and provide a corrective action plan for the facility in question.

During 2019, a total of 27 RCA audits were performed (47 audits in 2018), with the main causes of the non-conformity being, in first place, the use of low quality chemical products (89%) (79% in 2018) and, in second place, manufacturing conditions with cross-contamination (11%) (13% in 2018). Additionally, no other sources of non-conformity, such as the use of fabrics with the presence of restricted substances resulting from prior processing stages (2% in 2018) or inconclusive audits (4% in 2018) have been detected.

As part of the continuous improvement of the product health and safety programmes, both the causes of the incidents detected and the solutions provided to the facilities, are used as feedback in the manufacturing programmes (RtM and *The List by Inditex*).

Training and awareness-raising

Inditex relies on scientific teams and technology experts who identify regulatory developments, construe the restrictions thereof, select analytical methodologies and carry out in partnership with the chemical industry, a thorough evaluation of chemical products and manufacturing processes which may contribute to the appearance of non-conformities.

As part of this careful process, the design and preparation of our standards goes beyond the limitations of a classic Restricted Substances List (RSL), bringing in additional expertise that allows us first to identify hazardous chemicals and manufacturing processes and secondly, to propose alternative products or manufacturing technologies to avoid non-conformities. This information is very helpful for our manufacturers and is a key strategic element of the training and information programme across our supply chain.

Likewise, we recurrently develop supporting training programmes on specific and relevant elements of the health and safety standards addressed to technical and managerial staff of suppliers. In 2019, experts on product health and safety from Inditex Sustainability Department provided training and gave technical advice in certain manufacturing clusters: Portugal, Morocco, Turkey, China, Bangladesh, India and Pakistan.

Additionally, regarding awareness-raising among internal design and buyers teams, we have reinforced the units of experts on product health and safety across all our brands for the purposes of:

- Giving ongoing training to commercial and design teams of each format on product health and safety issues;
- Providing technical assistance onsite to commercial and design teams; and,

- Cutting the time required to detect potential breaches and providing solutions or technical assistance best suited to each specific type of product.

Refreshment training is provided to these units of experts in partnership with academic institutions and scientific and technology companies.

During 2019, a total of 13 training sessions have been provided to 139 attendees from internal groups of design, procurement and the department of product health and safety itself (21 training sessions and 250 attendees in 2018, respectively).

Health and Safety-related claims

Safeguarding health and safety of our customers is a top priority at Inditex. Therefore, we have in place exacting standards, constant training and awareness-raising schemes, as well as thorough prevention and control programmes allowing it to reach the highest security standards in respect of appearance of nonconformities. Notwithstanding this, in the event of any potential incidents, product health and safety teams are permanently in contact and liaising with our customer service, countries management teams, and teams from any other areas within the Company which might serve as a potential communication channel of incidents and/or claims. In particular, any notice given or claim laid by any customer, inspection body, non-governmental organization or any other health, safety and/or environmental sustainability-related body, is addressed to our health and safety teams for evaluation and monitoring. As part of our commitment, where there are signs that a product on sale is likely to be hazardous, such product would be withdrawn from the market and all units thereof sold would be recalled, bringing such measures to the attention of our customers through the relevant channels.

During 2019 and 2018, there have been no product recalls from the market for reasons of product health and safety.

5.5. Circularity

The circular economy is one of **two core axis of Inditex's sustainability strategy**, considering both the materials and the processes used to make its garments.

Consequently, at Inditex we aim to select more sustainable raw materials, to reduce the consumption of paper, plastic, cardboard, etc... in order to:

- Give garments a second life
- Transform waste into raw materials
- Generate the least possible waste

Three initiatives have been developed to achieve these goals:

- ***Closing the Loop***
- ***Zero Waste***
- ***Green to Pack***

5.5.1. Circularity at point of sale: Closing the Loop

Our commitment: 100% of stores with containers to collect used garments in 2020.

COLLECT, REUSE AND RECYCLE

These are the three core areas of our **Closing the Loop** Programme, which aims to extend the useful life of textile products through their reuse, giving them a second life if possible, or recycling them when they can no longer be used.

- **Collect**

Inditex seeks to close the life cycle of the products and materials used during its activity.

In the case of **fabric cutting waste** in the factories in which we produce our garments, we are developing programmes to collect this cutting waste for subsequent recycling and creation of new textile fibres, such as recycled viscose, polyester or cotton.

As for **used garments**, we have developed a proprietary collection programme to prevent them ending up in a landfill, being able to give them a second life or a new use.

We have called the collection programme **Closing the Loop** and this is our home-grown initiative with which Inditex offers its customers and employees the best collection channel for used clothing, footwear and accessories, to give a second life to the garments and promote closing the cycle of the textile product. At the same time, this project helps to promote social employment and collaboration with social entities and the third sector.

To implement it, we have installed clothing collection containers in our stores and logistics centres and have funded the installation of containers on the streets of various cities, in collaboration with several non-profit organisations, business specialising in recycling, social institutions and the Third Sector.

The collected garments are donated to non-profit organisations such as Caritas, Red Cross, CEPF, Le Relais, Liga Solidaria or Casa de la Amistad, where they are separated and classified for best use.

In 2020, this system will be installed in all the Group's stores worldwide, in order to benefit the local community in every area of influence where this programme is under way.

In addition, Zara also offers home collection in Spain and in China and, since 2019, in Paris, London and New York, free of charge when online orders are delivered.

Inditex Chairman, Mr Pablo Isla and the Chairman of Cáritas Española, Mr Manuel Bretón, have entered, along with the Secretary General of the latter entity, Ms Natalia Peiro, into the renewal of the agreement whereby Inditex will contribute EUR 3.5 million to the Cáritas textile project over the next three years, encouraging the collection of used clothing and footwear to be reused or recycled as part of a process that promotes the integration and hiring of people at risk of social exclusion. The funding will be used to install 300 containers to collect garments in cities all over Spain and to improve the traceability systems of this collection and promote the Caritas network of second-hand stores known as "Moda re-".

- **Reuse**

Once collected, and depending on their conditions, the donated garments will be repaired, recycled or sold to fund the community projects of these non-profit organisations.

Since 2015, over 49,479 tons of garments, footwear and accessories have been donated (34,157 tons at the close of 2018).

- **Recycle**

To close the cycle of garments that cannot be reused or the fabric cutting waste, we work with various business organisations and universities to promote the innovation and development of new more sustainable materials and technologies to help recycle textile waste.

As Inditex we collaborate with renowned entities such as the Massachusetts Institute of Technology (MIT) and Cáritas, among others, to advance in textile recycling processes and technologies that help us to meet our circular economy strategic goal. In 2019 we have managed to exceed the commitment set for 2020 with the Global Fashion Agenda of an investment of USD 3.5 million in this area.

In 2019 we entered into an agreement with the Massachusetts Institute of Technology (MIT), resulting in the creation of the Inditex *Materials Science and Engineering Fellowship Fund* with the MIT Department of Materials Science and Engineering. The goal of this chair is the promotion of research in sustainability, with funding of USD one million.

In addition, 2019 saw the conclusion of the first triennial edition of the MIT-Spain INDITEX Sustainability Seed Fund, through the MISTI (*International Science and Technology Initiatives*) to encourage research collaboration between MIT professors and students and their colleagues in universities and research institutes in Spain. The purpose of the fund is to finance research in areas such as new textile recycling techniques or the creation of new fibres using sustainable technologies. In this first edition, at Inditex we have contributed USD 450,000. The second edition will cover the 2020-2022 period.

As for Cáritas, 2019 has been the third year of execution of the collaboration agreement to enhance the management of the end of life of textile products. Pursuant to this agreement, involving EUR 3.5 million, together with Cáritas we have developed a number of projects to strengthen industrial activity and recycling. In addition, in January 2020 both entities have renewed the agreement, under which Inditex will donate a further EUR 3.5 towards Cáritas textile project over the next three years.

Closing the Loop in figures

This programme has currently been fully implemented in corporate headquarters, logistics centres and own factories. Moreover, the programme is active in a total of 2,299 stores in 46 markets, in collaboration with 45 different social organisations (1,382 stores, 24 markets and 22 social entities in 2018) thus fulfilling the commitment undertaken by Inditex with the *Global Fashion Agenda* one year earlier than expected.

Zara has continued to implement the programme, having reached a total of 1,206 stores in 46 worldwide markets (834 Zara stores and 24 markets in 2018, respectively). In addition, during 2019, all other Group brands have been developing the garment collection programme, and some of them have even deployed the programme in other international markets, as is the case with Bershka, Oysho and Pull&Bear.

In 2019, the used garment collection programme was also available for online customers of Zara in Paris, London and New York, to be added to those already in existence in Spain and in China (only in Beijing and Shanghai). In Spain, in collaboration with Cáritas, collection containers have also been placed in the streets, reaching a total of 1,856 containers by the end of the year subject to this statement (1,856 containers at the end of 2018).

5.5.2.Zero Waste

Our commitment: to achieve that by **2023, none of the waste generated by our activities in offices, logistics and stores ends up in a landfill.**

To achieve this goal we have *Zero Waste*, a programme designed to collect, classify, recycle or recover the waste generated at our facilities.

The appropriate waste classification at our facilities is the main essence of the *Zero Waste* programme, as duty classified waste becomes material resources. We have developed internal devices to optimize the separation and compacting of such materials, reducing greenhouse gas (hereinafter, GHG) emissions associated with their transport and improving ergonomics during operation.

Our waste is channelled through our own collection circuits and treated by legally authorised waste managers, favouring recycling (mainly paper, cardboard, wood, plastic, metal and textile waste) or recovery, transforming waste into new material resources.

Likewise, associated with Group's products, we place packing and packaging material on the market (bags, labels and protective items) which are managed by the Packing and Packaging Management Integrated Systems available in the markets in which Group operates. This means that each one of our brands pays an authorised non-profit waste manager in every market (for instance, Ecoembes in Spain) for the cost to collect and manage the packing and packaging materials used for customers.

Below are the absolute figures for waste generation at headquarters, logistics centres and own factories (excluding stores data) in 2019 and 2018:

Type of waste	2019		2018	
	Kg	%	Kg	%
Cardboard and Paper	14,662,698	62.79%	14,193,929	64.99%
Wood	3,769,554	16.14%	3,609,294	16.53%
Other urban waste	3,182,099	13.63%	2,574,914	11.79%
Plastic	892,516	3.82%	712,435	3.26%
Textile waste	498,217	2.13%	521,229	2.39%
Metal	267,715	1.15%	166,363	0.76%
Hazardous waste	78,479	0.34%	62,794	0.29%
TOTAL	23,351,279	100%	21,840,958	100%

ZERO WASTE INITIATIVES

- *Reused or Recycled Waste*

During 2019, **91.21% of the Group's waste (headquarters, logistics centres and Inditex factories) was sent for reuse and recycling** via the abovementioned circuits, thus preventing the use of virgin raw materials (88.09% of waste in 2018).

Our recycling and reuse activity covers many other areas. For instance, **alarm tags are also reused, having collected 1,302 million** over the year (1,201 million units in 2018).

- *Single Hanger*

In addition, in 2019 Zara has begun implementing the "Single Hanger" project in stores all over the world. This consists of one single hanger to transport the garments from the textile suppliers to the stores and subsequent display in the store.

Thanks to this programme, we are working with hanger suppliers to unify models and materials for these products, thus improving traceability and reuse and recycling capacity. We promote a circular economy, whereby the hangers that are being

removed from the stores are being recycled to generate new materials for use in other new products.

- *Training*

At Inditex we encourage actions to reduce at source and to enhance recycling via training projects designed for our employees. In 2019 a number of waste management training courses have been provided at the Group's facilities, with 1,905 employees (1,233 employees in 2018). To support such training, a pilot project based at Inditex headquarters has been developed, consisting of a web application allowing employees to check the use of every waste product depending on the type of container available in each of the areas.

5.5.3.Green to Pack

Our *Green to Pack* programme **sets the quality standards of our packaging, enabling the use of recycled materials, the extension of its useful life and subsequent recycling.** This helps to reduce consumption of resources and to optimise transport.

- *Cardboard Boxes*

One of the *Green to Pack* initiatives is based on **improving the quality of the cardboard boxes** used to ship our garments from the suppliers. This increases the useful life of our boxes which can be used up to five times before being recycled.

At the same time, we strive to recycle the boxes at the end of their useful life, This recycled cardboard is used to manufacture the cardboard boxes used in Zara online shipments.

At present all the Group's brands form part of this programme, which has enabled the project to be consolidated during this year, having acquired 14,740,028 certified boxes via 827 suppliers.

- *Plastic*

Our commitment: Elimination of plastic bags in all brands of the Group by 2020. Elimination of single use plastic for the customer by 2023.

Zara has eliminated 100% of plastic bags in its stores in 2019, and other brands – like Zara Home– have also changed over to paper bags before the target date.

Throughout this year, Zara Home has eliminated plastic from its online shipments, which no longer have an outer bag and the padding is also made of paper. During the year, all other Group brands have advanced in terms of eliminating the outer plastic bag in online shipments.

Equally in 2019, Zara online shipments increased their use of envelopes by 15 percentage points instead of traditional boxes, and three new markets have embraced the paperless purchase receipt, currently present in 54 markets, and achieving savings of 221 tons of paper.

Likewise, **Inditex is innovating so that all plastic used in its activity can be reused or recycled**, being reintroduced into the circuit. In line with this outlook, the Group signed the *New Plastics Global Economy Commitment*, promoted by the *Ellen MacArthur Foundation*, in collaboration with *United Nations Environment*.

5.6. Water and Energy: Distribution and Point of Sale

Our work in the field of biodiversity is closely related with our actions to reduce energy consumption and improve water quality. For instance, our commitment to zero discharge of hazardous chemicals in our supply chain helps protect the biodiversity of rivers and marine ecosystems. Similarly, the reduction of our energy consumption and of carbon emissions helps to reduce global warming and its effects on biodiversity.

Our Environmental Sustainability Policy is available on our website. This contains our environmental commitments that cut across all our business areas and throughout our supply chain.

Three environmental strategies, seeking to ensure the highest possible protection of environmental resources, stem from this Policy:

- The Biodiversity Strategy.
- The Global Water Management Strategy.
- The Global Energy Strategy.

In line with such three strategies, we are also committed to protecting forest products, as specifically addressed in our Forest Product Policy.

The commitment to clean energy and the implementation of circular management models in our headquarters and logistics centres are the cornerstones of our Environmental Management System (“EMS”), which is certified under the ISO 14001 international standard. The EMS is implemented in all logistics centres, corporate headquarters and Company-owned factories, except for the new textile warehouse (in A Laracha, Spain) and the new Logistics Platform in Lelystad (Netherlands). During 2019 we have been working to obtain the ISO certification for the textile warehouse, which is underway. In 2020 the Lelystad Logistics Platform, which became operational during 2019, is expected to obtain the certification. Against this backdrop, we have a 25-people team responsible for monitoring and assessing the appropriate implementation of the EMS and the prevention of environmental risks associated with these centres (25 people in 2018).

Meanwhile, our Risk Management and Control Policy sets the basic principles, key risk factors and the general framework of action for the management of the risks affecting the Group. The scope of application of this Policy extends to the entire Group and forms the basis of an Integrated Risk Management System. Within the context of the Risk Management and Control Policy, the business units constitute the first line of defence in the management and control of the different risks to which the Group is exposed, including those of a climate-related nature.

Bearing the Group’s business activity in mind, the Group has no liabilities, expenses, assets, provisions or contingencies of an environmental nature that could play a significant role in terms of the net assets, the financial situation and results of the Company. For this reason, such specific breakdowns are not included in this statement.

During 2019 and 2018, the Inditex Group has not been charged through available channels any significant penalty or sanction for non-compliance with environmental laws and has no facilities located in protected areas.

5.6.1. Water management

The Global Water Management Strategy constitutes the roadmap that allows us to work with all our stakeholders towards a sustainable and rational water management. Our Company follows the principles laid down in the CEO Water Mandate, a United Nations Global Compact initiative, to which environmental and social aspects are associated, as the water affects the quality of rivers

ecosystems, being on the other hand an essential resource for the development of many communities.

During 2019, we have consumed, with our activities, a total 2,068,661 m³ of water¹²¹³ in our corporate headquarters, Company-owned factories, logistics centres and own stores. In the calculation of this consumption we have performed direct meter readings and utilities' bill charges (public water utilities companies). We have been able to follow our downward trend in relative water consumption per m², with a drop of 12.76%, over 2018, thanks to the water savings and efficiency measures implemented in our facilities (2,173,931 m³ of water in 2018).

Authorized public supply networks provide water to all centres and are used both for consumption and processes. The largest consumption of water corresponds to domestic use, namely cleaning and toilets, ensuring discharge through municipal wastewater systems. On the other hand, in industrial processes water is mainly used to generate steam and for closed-circuit cooling systems, which use recirculation systems. As the cooling systems are closed-circuit systems, the amount of water discharged can be estimated to be the same as the water used. Wastewater in all facilities is discharged to the appropriate wastewater systems. Inditex activity does not affect protected habitats.

In order to reduce our water usage and improve reuse, we have installed storm tanks to collect roof rainwater for irrigation, road cleaning and other services. Moreover, it is worth mentioning that, during this year, the Company has been granted authorisation from Aguas de Galicia to reuse 100% of water from the outflow of the treatment plant located in the facilities of Indipunt in Narón. The advanced technology installed in this facility enables water to be reused for irrigation of gardens and toilet systems, resulting in significant savings in water usage for the Indipunt facility. This water recovery project is the first project of its kind approved in Galicia, after having successfully passed the strict control procedures established by the Public Administration.

Water is a fundamental resource for the textile industry and we are committed to responsible water consumption. Ensuring that drinking water is available in the communities is critical for social development and economic strength, as well as for health and safety. In light thereof, we work with *Water.org* to improve access to drinking water and sanitation for low income populations in Bangladesh, Cambodia and India. Through a cooperation agreement with *Water.org* entered into in 2015, lasting four years and with a contribution of USD 4 million, access to drinking water and adequate sanitation by low income people has been improved in Bangladesh and Cambodia, two of the main regions where suppliers are based. The aim of the programme is to increase access to drinking water and sanitation by providing microcredits to women in developing countries. To date, the project has improved the health conditions of over 1 million people. Another share of the overall financial contribution made to *Water.org* is used to fund research and development –*New Venture Fund*– for *Water.org* to explore new means of fighting the water crisis.

5.6.2. Energy management

Our commitment: 80% of consumption from renewable sources in all our facilities (headquarters, logistics and stores) by 2025.

To help us to fulfil our commitment we have our Global Energy Strategy, designed to promote the rational and efficient use of energy throughout the value chain, while also reducing GHG emissions and helping to mitigate their effects. To this end, renewable energy sources are being incorporated into all processes at our facilities and, since 2009, the eco-efficient store programme, due for completion in 2020 has been under way.

¹² When calculating the water consumption of centres, certain consumption figures for January have been estimated, as the data were not available at the time of preparing this statement.

¹³ The consumption by own stores has been calculated based on the net expenditure per store. The specific average price of 20 markets has been used. For all other markets, we have used the average of m³/m² per format.

At Inditex we believe that the challenges posed by climate change affect us all. Since the early 90s we have been developing our own systems for improving energy consumption and reducing GHG emissions. Since then, our commitment in this area has grown exponentially, as has our activity. In 2019, 63.29% of our overall electricity consumption comes from clean sources. This commitment to fight climate change has been recognised in the *Carbon Disclosure Project*, having been granted once again the Leadership A- category.

In 2019 we became one of the founding members of the *Fashion Pact*, designed to drive environmental sustainability in the textile and fashion industries, mainly geared to fight climate change, protect the oceans and conserve biodiversity. Moreover, the pact encourages the participation of member companies in other complementary industry initiatives, supporting the development of accelerators to help achieve the challenges ahead.

As a signatory Company, we are committed to working within the framework of the *Science-Based Targets* (SBT) initiative, which establishes reduction targets based on scientific research, and whose strategy can be summarised into three aspects that are essential for the protection of the planet:

- Stop climate change: focusing its actions to achieve zero net GHG emissions by 2050, seeking to control global warming below 1.5 degrees centigrade by 2100.
- Restore biodiversity: development and application of SBT goals to protect and restore ecosystems, as well as the implementation of specific actions in the supply chain such as the elimination of raw materials whose extraction requires intensive and high impact consumption.
- Protect the oceans: some of the measures laid out are the elimination of single use plastic by 2030 and the development of research on microplastic to be carried out along with the valuable work already carried out by other initiatives also supported by Inditex, such as the Ellen MacArthur Foundation, Sustainable Apparel Coalition, Textile Exchange, the United Nations Framework Convention on Climate Change, Better Work and Zero Discharge of Hazardous Chemicals (ZDHC).

The *Fashion Pact* is aligned with another commitment undertaken by the Group in December 2018, known as *Fashion Industry Charter for Climate Action*, under the auspices of the UN Climate Change Office. To achieve specific progress in this commitment, six working groups were set up to enable the signatories to define the steps to be taken, as well as the establishment of an initial target to cut GHG emissions by 30% by 2030 and other specific measures such as the gradual elimination of coal boilers and other carbon sources to generate heat and electricity at their own companies and direct suppliers.

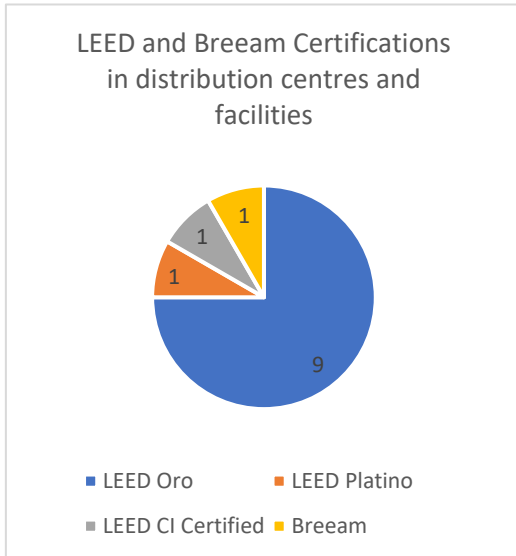
Logistics and Distribution

Our commitment to renewable energies continues to be strong, through the generation of power from renewable facilities at our logistic centres and the purchase of energy of certified renewable origin. Thanks to all such sources, our consumption from renewable sources in 2019 has reached 1,144,020¹⁴ MWh meeting 63.29% of our electricity requirements (836,442 MWh and 44.86% of electricity requirements in 2018, respectively).

We also have co-generation plants, which enable the simultaneous production of heat and energy using low-carbon fuel. During 2019 a total of 7,785 MWh of electrical energy and 11,002 MWh of thermal energy were generated by these plants (17,317 MWh of electricity and 16,634 MWh thermal in 2018). In addition, in 2019 a total of 577 MWh of thermal energy has been generated from renewable installations using geothermics and solar panels (329 MWh in 2018).

¹⁴ In the case of Spain, China, Italy and Portugal, the period for the data is the calendar year, instead of the tax year (time period of this statement).

Eco-efficiency is a priority in all Group facilities; therefore, significant investments are being made in this area in order to meet the standards set out in the *Instruction for Proper Environmental Management* for the logistics centres, thus ensuring that all our facilities and platforms are eco-efficient.



In order to ensure that our facilities meet the most cutting-edge requirements in terms of sustainable construction, since 2009 we have been certifying our more emblematic facilities under the most prestigious standards in sustainable construction: *LEED* and *Breeam*.

The *LEED* certification has been secured for the Inditex central services (Phase I, II, III) and the *LEED* Gold has been granted for the new Central Services headquarters. The Zara Logistics offices have also been *LEED* Gold certified. Meanwhile, the Inditex Data Processing Centre in Arteixo has obtained the *LEED* Platinum standard and, in addition, in 2019 and 2018 it maintained its ISO 50001 standard, certifying its energy management and more sustainable and efficient energy use.

It is worth mentioning that in 2019 we have increased in the Group the number of canteens under the *Restaurantes 360°* philosophy, having achieved a total of four *360°* restaurants by the end of 2019, of which two are located in our Inditex headquarters in Arteixo, one in the textile warehouse in A Laracha and another at the Narón facility. These canteens served over 4,000 daily meals, with an average of 65% purchased according to *KM 0* (the ingredients are sourced within a radius of under 100 km away from the consumer) which encourages the use of local varieties and breeds, ensures sustainable management of water and land and reduces the carbon footprint and impact on climate (1,700 meals and 65% *KM 0* purchase in 2018, respectively).

Atmospheric emissions and noise pollution

Our logistics centres meet the requirements of applicable legislation on control of atmospheric emissions from combustion equipment. Authorised control bodies carry out regular verifications and checks of the limit values of emissions generated by the combustion equipment (heating boilers and steam boilers) subject to control according to the legislation in force. Such regular controls verify compliance with the emission limit values for the parameters applicable to each case (i.e.: CO, NOx, SO2 or Opacity)

In addition, the night-time distribution model includes the product supply to the stores at night, when noise pollution levels are more restrictive than in the daytime. Moreover, we have developed an *Unloading Equipment Protocol* calling for reduction of noise during unloading operations.

Stores

Our commitment: all Zara stores to be eco-efficient in 2019 and all other stores by 2020

Eco-efficiency is a priority upon designing our stores. To achieve this, we rely on the Eco-efficient Store Manual, which seeks to ensure that its efficiency and sustainability requirements are fulfilled. Such Manual defines the technical requirements for the different installations and systems of all the stores, as well as the operations to be carried out. These stores represent a 20% reduction in electricity consumption and a saving of up to 40% of water when compared to a conventional store (20% and 40% savings in 2018, respectively). At Inditex we have continued opening and refurbishing our stores and in 2019, 397 stores have embraced the requirements laid down in the Manual, with a total of 5,891 eco-efficient stores, representing 92.67% of the

Group's own stores (426 added stores, a total of 5,494 eco-efficient stores and 85.68% of the total in 2018 respectively). In 2019, Zara has become the first brand of the Group whose stores meet the Eco-efficient Store Manual criteria.

At the close of 2019, 3,587 Inditex-owned stores were connected to Inergy, the Inditex Group energy management platform (3,191 stores at the close of 2018). Inergy enables connected stores to be supervised in order to ensure optimisation of energy consumption and therefore greater efficiency in energy use as well as a reduction of the environmental impact.

Meanwhile, at the end of the year, the Group has 40 owned stores that have been certified under the sustainable construction standards *LEED* and *Breeam*: 29 of them *LEED* Gold, 10 *LEED* Platinum and one *Breeam* (38, 27, 10 and 1 stores in 2018, respectively). During 2019, we have obtained 2 new certifications (Oysho – Place du Molard Geneva, Zara – Brickell City Center Miami) (8 certifications in 2018 (Massimo Dutti - Colón Valencia, Uterqüe - Serrano, Zara - Kangnam Seoul, Pull&Bear - Preciados, Zara Home - Paseo del Borne, Zara Home - The Place, Zara - Oslo Karl Johansgate and Zara - Plaza de Cataluña)).

Energy consumption and greenhouse gas emissions

Our commitment: 80% of consumed energy in our facilities (corporate headquarters, logistic centres and own stores) from renewable sources in 2025.

At Inditex we support the fight against climate change and we strongly support the use of certified energy from renewable sources. Hence our commitment to actively contribute to the protection of the environment by reducing our environmental impact and making changes that help our planet to remain under the 2°C global warming limit established in the Paris Climate Agreement.

To this end, we have developed our own systems to optimise energy consumption and reduce GHG emissions in corporate headquarters, logistics centres, own stores and own factories.

During 2019, the global energy consumption of all Group headquarters, own factories, logistics centres and own stores has amounted to a total of 1,892,947 MWh¹⁵ (1,968,394 MWh in 2018). In this regard, the measures we have implemented to promote energy savings have resulted in a reduction of 11.86% of energy use per square metre (2.55% in 2018).

We strongly support the use of certified energy from renewable sources and have committed to 80% of the energy used in our facilities (headquarters, logistics and stores) being renewable by 2025.

In 2019, the Group has achieved a total of 1,144,020 MWh in its buildings located in Spain, Germany, Austria, Belgium, Brazil, China, South Korea, United States, France, Greece, India, Italy, Netherlands, Ireland, Luxembourg, Norway, Poland, Portugal, United Kingdom, Switzerland and Turkey, thus avoiding the emission of over 415,474 tons¹⁷ of GHG emissions (835,866 MWh and 274,339 tons in 2018, respectively). At year end, 63.29% of the electrical energy consumed at our facilities was generated from renewable sources.

We have set up a plan to replace air conditioning equipment with other more efficient class A systems in existing stores, thus ensuring the absence of gases that are harmful for the ozone layer. Moreover, thanks to the eco-efficiency measures implemented in Inditex-owned stores,

¹⁵ The electricity consumption in stores has been calculated on the basis of actual data on the central monitoring platform. In order to estimate average consumption, the data from 1,639 stores has been used, 100% of which are eco-efficient.

¹⁶ When calculating the consumption of electricity and natural gas of the logistics centres, certain consumption figures for January 2019 have been estimated, as the data were not available at the time of preparing this statement.

¹⁷ The emission factors applied to the energy mix of each of the countries are those pertaining to the *GHG Protocol Tool for Purchased Electricity*, Version 4.9 of the *World Resources Institute*, 2017.

significant energy savings have been achieved, particularly in air conditioning systems, as these are able to achieve an energy yields and efficiency that are at least 20% better than conventional equipment.

All these actions to encourage energy efficiency, added to the materialisation of our commitment to renewable energy, has led to a reduction in GHG emission from our business activity.

Scopes 1 and 2

Overall, we have managed to reduce scope 1 and 2 emissions, achieving 43.97 kg of CO₂eq per square metre. In 2019 we have achieved a reduction of 36.82% (2.52% reduction in 2018).

	2019	2018
	t CO ₂ eq	t CO ₂ eq
Scope 1 ¹⁸	17,311	20,994
Scope 2 _{Error! Marcador no definido.}	332,789	479,386
Total	350,101	500,380

Scope 3

As for 2018, the Group has largely managed to maintain the relative consumption per garment, only increased by 0.43% (0.07% reduction in 2018). In 2019, the Scope 3¹⁹ emissions were of 1,107.41 g of CO₂eq per garment²⁰ (1,102.69 g of CO₂eq per garment in 2018):

	2019	2018	2019	2018
	tCO ₂ eq	tCO ₂ eq	MWh ₁₈	MWh ₁₈
Downstream Transport ²¹	936,462	926,764	4,306,576	4,263,677
Upstream Transport ₂₁	754,040	676,642	3,431,069	3,067,283
Franchised Stores _{Error! Marcador no definido.}	122,671	124,123	226,520	232,737
Business Travel ²²	26,920	28,172	124,416	130,291

¹⁸ The emission factors applied to natural gas, gas oil, fuel oil and kerosene are those pertaining to the *GHG Protocol Tool for Stationary Combustion*, Version 4.1 of the *World Resources Institute*, 2015.

¹⁹ The efficiency ratio includes the indirect emissions associated with Downstream Transport, Upstream Transport, Franchised Stores and Business Travel.

²⁰ Ratios per garment ((absolute figure for the year/number of garments on sale in the year) x 1,000,000)) include the product units on sale in all stores, whether owned or franchised.

²¹ The emission factors applied to each mode of transport are those pertaining to the *GHG Protocol Tool for Mobile Combustion*, Version 2.6 of the *World Resources Institute*, 2015.

²² The Business Travel calculation has been carried out according to the number of passengers and the number of kilometers travelled by each mode of transport used. The emission factors applied are those proposed by DEFRA (Department for Environment Food & Rural Affairs, v.1.2, 2019). The Business Travel data includes trips managed from Spanish companies.

In addition, indirect emissions associated with transport have undergone a slight increase in absolute terms compared to 2018 due to the growth of the Company.

As for the latter point, and with the aim of improving the efficiency associated with our distribution and logistics operations and of reducing ensuing Scope 3 indirect emissions, a number of actions are under way:

- We continue working towards consolidating aerial and maritime imported goods, which has resulted in savings for the Group of 72,357 overland km on a European level in 2019 (66,905 km in 2018).
- We continue to implement measures to optimise packing and packaging and to increase multimodal transport in certain flows.
- We continue to improve on the density of our shipments, which results in a savings of resource consumption and optimisation of transport. Specifically, we have continued to improve box-packing controls thanks to the introduction of new protocols for load optimisation, revision and adjustment.
- For another year running we continue to use the fleet of mega-trucks and to increase the number of routes using giga-trailers, which has enabled us to increase the load volume of the trucks, thus reducing CO₂ emissions.
- We have carried out a significant effort in truck load optimisation to further reduce the number of vehicles (2,000 less in 2019) along European road routes (1,480 in 2018). This measure has brought about savings of 3,400,000 km and associated emissions (2,500,000 km in 2018).
- In order to leverage the flows along the routes servicing the European stores and in an effort to avoid empty return truck runs, we use these trucks for goods returns to Spain. During the year we have used 5,400 return truck runs, resulting in savings of 9,200,000 km and associated emissions (5,163 trucks and 9,000,000 km in 2018, respectively).
- 85% of the fleet of our overland transport suppliers, accounting for 66.7% of total business turnover of primary overland transport, meets the Euro VI motor standard, the most exacting at present in matters of nitrogen oxide and particle emissions.
- Moreover, we have continued to promote the use of trailers using LNG (Liquified Natural Gas), using this type of vehicle in continuous flows and covering over 540,000 km carrying Group goods in 2019 (410,000 km in 2018).
- In China we have begun to implement the use of last mile electrical vehicles for delivery to stores, with deliveries made in 42 cities by the end of this year, thus having managed to implement this form of transport in 67% of stores, which translates into the reduction of GHG emissions and air pollution in cities.

The Scope 3 reduction in our journeys is also one of our priorities. To this end and during this year we have implemented a number of employee mobility projects designed to minimise GHG emissions generated by daily transport. Such measures include the implementation of a shuttle bus at the Inditex headquarters (Arteixo) which follows on from this initiative already in place in the headquarters of Pull&Bear (Narón), Tordera and Stradivarius (Sallent) and the implementation of WESHARE to encourage car-sharing for journeys to work. These measures reduce traffic density and driving times in daily trips. In addition, all Group central services offer electrical vehicle charging points, to encourage the use of electrical vehicles among the

employees. During this year, 47,000 KWh²³ have been dispensed from electrical vehicle charging stations, preventing the generation of emissions associated with the use of fossil fuels.

5.7. Human Rights Strategy

The basic premise of our business model is that all our processes must be sustainable. At Inditex we understand sustainability as a responsibility that encompasses all the social and environmental aspects associated with our environment, undertaken by all human teams within the Group and shifted across our value chain. To achieve this, in Inditex we fully endorse the **17 United Nations Sustainable Development Goals** towards sustainability and we reinforce our commitment to respecting Human Rights, as set out in the United Nations Guiding Principles on Business and Human Rights.

Inditex has willingly adopted formal policies and procedures beyond its corporate culture, which make up **our Human Rights Strategy**, forming part of the business mode and built on three main pillars:

- **The Inditex Group's Policy on Human Rights**
- **Due diligence**
- **Grievance mechanisms**

Backing the implementation of its Human Rights Strategy, it should be noted that Inditex is a **participant of Shift's Business Learning Program**. Shift is a non-profit organisation specializing in Human Rights, led by Professor John Ruggie, the author of the UN Guiding Principles on Business and Human Rights. This leading program in Human Rights involves companies of all sectors willing to work towards implementing the UN Guiding Principles on Business and Human Rights.

5.7.1. The Inditex Group's Policy on Human Rights

The Inditex Group's Policy on Human Rights (hereinafter, the "Policy on Human Rights") was approved by the Board of Directors on 12 December 2016, following favourable reports of the Audit and Control Committee (Currently known as Audit and Compliance Committee) and the Social Advisory Board.

Through our Policy on Human Rights, **we are committed to play an active role in the promotion of Human Rights, and work proactively to respect them**. This commitment entails preventing or, as the case may be, mitigating the negative impacts that our activities may have on Human Rights. Likewise, Inditex shall do its utmost to prevent or reduce the negative impacts on Human Rights directly related to the proceedings of third parties with whom the Group is engaged in a business relationship.

In the framework of the United Nations Guiding Principles on Business and Human Rights, our Policy on Human Rights defines our stance regarding our commitment to respect internationally acknowledged Human Rights, and sets out the values and principles which will guide our proceedings. Notwithstanding our commitment to all Human Rights, in Inditex we have identified those rights directly related to our value chain, based upon the review of our business model and the expectations of our stakeholders.

The Policy on Human Rights, which applies to the whole Group, is binding for the entire workforce. It has been disclosed to all the areas and is available on the Company's intranet and on the corporate website.

²³ Electrical consumption by electrical vehicle charging points in Group central service facilities, own logistics centres and own factories.

5.7.2. Due Diligence

This process entails **identifying potential impacts on Human Rights throughout our value chain**, to subsequently integrate the findings into the different processes of the Group.

In Inditex we regularly review and update our due diligence processes, using best practices identified both at internal and external level, to prepare a global due diligence model.

In this regard, during 2019 we have continued to progress in due diligence processes throughout the supply chain. Thus, in collaboration with the Shift organisation, our Social Sustainability teams in the countries where most of the Inditex production is concentrated, have received training on Human Rights and processes inspired on the UN Guiding Principles on Business and Human Rights, to identify and prioritise potential impacts on Human Rights and the various communities.

The new “Workers at the Centre 2019-2022” strategy described in section 5.3.3. of this report has taken into consideration the due diligence process on impacts on Human Rights along the supply chain in order to identify Priority Impact Areas.

In addition, other important areas of the Company, such as the Internal Audit, Human Resources and Risk Management Departments have continued to participate in due diligence processes throughout 2019.

5.7.3. Grievance mechanisms

Grievance mechanisms reinforce due diligence processes assisting with the identification and resolution of potential negative impacts on Human Rights, while promoting the relations with the stakeholders. The main grievance mechanism on which the Group relies on the Ethical Channel (formerly known as the Whistle Blowing Channel) managed by the Committee of Ethics and available to all the employees and to third parties with a certain lawful interest.

A more detailed description of the Inditex Committee of Ethics and the Ethical Channel is provided in chapter 9 of this statement.

6. OUR PEOPLE



Related material topics: Diversity, equality and inclusion; labour practices (own operations); attracting and retaining talent; developing human capital; women empowerment; relationship with stakeholders.

Inditex is made up of a human team of **176,611 people**, distributed over 60 markets and representing 172 different nationalities (174,386 people, 60 markets and 154 nationalities in 2018, respectively).

These are the **five key features that define our workforce in Inditex:**

- **Majority of women in the workforce**
- **Generational diversity**
- **Store relevance**
- **International presence**

- **Flat organization**

The first of these features is the **majority of women**. 76% of our employees are women, compared to 24% of men (75% and 25% of employees in 2018, respectively).

This ratio has been increasingly balancing since 2010.

Employee distribution by gender is as follows:

Gender	2019		2018	
	Number of employees	%	Number of employees	%
Women	133,465	76%	131,385	75%
Men	43,146	24%	43,001	25%
TOTAL	176,611	100%	174,386	100%

Secondly, the Inditex workforce is defined by its **generational diversity**. Teams within the Company are currently made up of employees of different generations, the youngest groups being the largest. In 2019, 61% of our employees is aged 30 or under, with an average age of 28.9 years (62% of employees aged 30 or under and average age of 28.7 in 2018).

Employee distribution by age is shown in the table below:

Age	2019		2018	
	Number of employees	%	Number of employees	%
< 30 years old	107,042	61%	107,639	62%
30-40 years old	49,336	28%	48,709	28%
> 40 years old	20,233	11%	18,038	10%
TOTAL	176,611	100%	174,386	100%

Thirdly, **stores are at the heart of the Inditex organisation**. 87% of our employees (over 154,000) work in our stores (87% of employees and 152,000 employees in 2018, respectively). The remaining areas of the Group (factories, logistics and headquarters) are at the service of the integrated platform of stores and online of our eight formats, comprising a network of 7,469 stores in 96 markets and 202 markets with online store (7,490 stores, 96 markets and 156 markets with online store in 2018, respectively).

Fourthly, **international presence** is another feature of Inditex workforce. This circumstance enriches people management, as the local reality of each market is considered, while applying global people management policies. Spain, with almost 49,000 employees, accounts for 28% of the workforce (48,000 employees accounting for 28% of the workforce in 2018, respectively). Employee distribution by geographic area and by market is shown in the following two tables.

Employee distribution by geographic area:

Geographic area	2019		2018	
	Number of employees	%	Number of employees	%
Americas	19,749	11%	20,785	12%
Asia and Rest of the World	23,541	13%	23,452	13%
Spain	48,687	28%	47,930	28%

Rest of Europe	84,634	48%	82,219	47%
TOTAL	176,611	100%	174,386	100%

Employee distribution by market:

	2019	2018
Market	Number of employees	
Spain	48,687	47,930
Mainland China	11,169	11,680
Hong Kong SAR	1,020	1,252
Macao SAR	170	181
Taiwan, China	626	649
Russia	10,696	10,365
France	10,030	9,414
Italy	8,626	8,600
Portugal	7,247	7,001
United States	6,310	6,267
Mexico	5,897	7,137
Germany	5,531	5,874
United Kingdom	5,429	5,486
Turkey	5,166	4,896
Poland	4,679	4,617
Japan	4,314	3,979
Greece	4,278	4,014
Romania	3,027	2,864
Netherlands	3,018	2,856
Belgium	2,945	2,818
Brazil	2,849	2,810
Canada	2,595	2,466
South Korea	1,673	1,514
Australia	1,636	1,504
Switzerland	1,564	1,506
Austria	1,455	1,477
Ukraine	1,390	1,326
India	1,294	1,227
Croatia	1,160	1,078
Hungary	1,126	1,067
Argentina	872	885
Chile	871	878
Ireland	854	882
Sweden	844	833
Kazakhstan	779	723

Serbia	736	742
Bulgaria	716	733
Czech Republic	700	643
South Africa	633	548
Bosnia-Herzegovina	424	360
Norway	386	383
Slovakia	359	302
Uruguay	355	342
Denmark	329	335
Luxembourg	318	179
Belarus	290	298
Slovenia	276	267
Finland	260	269
Albania	243	263
Kosovo	211	157
North Macedonia	154	155
Montenegro	128	123
New Zealand	115	99
Bangladesh	59	57
Monaco	39	36
Morocco	26	16
Vietnam	15	13
Cambodia	6	4
Singapore	4	4
Pakistan	2	2
TOTAL	176,611	174,386

Fifthly, Inditex's organisation is **highly flat**, which favours open and continuous communication and collaborative work. Approach to job classification is broad, store employees having a relevant weight in such classification.

In this regard, workforce distribution by job classification is shown below:

Job classification	2019		2018	
	Number of employees	%	Number of employees	%
Manager	10,473	6%	7,601	4%
Supervisor	19,779	11%	20,350	12%
Specialist	146,359	83%	146,435	84%
TOTAL	176,611	100%	174,386	100%

6.1. Diversity, Inclusion, Equality and Work-family Balance

6.1.1. Diversity and Inclusion Policy

Diversity, multiculturalism and respect are values deeply ingrained in Inditex's culture. We seek to have a diverse, creative and inventive staff, with employees being part of dynamic, talented teams, which accept them as they are, regardless of their race, ethnicity, gender, gender identity, sexual orientation, age, religious beliefs or nationality, or any other essential feature or trait.

Inditex is aware of the fact that creating and promoting a diverse and inclusive working environment is an essential contribution to the achievement of its corporate goals and to better business performance. For such reason, the Board of Directors approved in December 2017 the Diversity and Inclusion Policy of Inditex, which provides the framework that promotes the values of diversity, multiculturalism, acceptance and integration within all the Company's entities.

Our Diversity and Inclusion Policy actively encourages diversity and equal opportunities without any form of discrimination. The concepts of diversity and inclusion are fundamental values for Inditex, set out in our Code of Conduct and Responsible Practices and also present in our Human Rights Policy.

Endorsed and driven by the Company's Senior Management, the Diversity and Inclusion Policy reinforces Inditex's commitment to creating working environments in which all employees have a responsibility to treat their co-workers, as well as any candidates, suppliers, contractors and customers, with the utmost respect. Inditex maintains a zero tolerance policy against any form of discrimination and promotes equal opportunities in all the areas of the Company.

The Diversity and Inclusion Policy applies to all our human resources procedures, such as recruitment and selection, compensation and benefits, promotions, transfers, skills enhancement, professional development and training, and disciplinary actions.

During 2019 the Company has created the department of Equality, Diversity and Inclusion, designed to promote all diversity and inclusion initiatives in the Group.

Additionally, Inditex relies on a Committee of Ethics and an Ethical Channel to ensure compliance with the Diversity and Inclusion Policy and to receive and address all the comments, doubts or complaints made in good faith, regarding the construction, application or enforcement of the Policy. Further information on the Committee of Ethics and the Ethical Channel can be found in section 9.3 below.

6.1.2. Global Initiatives to Promote Diversity and Inclusion

In 2019 we became a member in the US of the *Open to All* Commitment, which includes over 50 fashion companies worldwide. This is a campaign set out to raise awareness and increase visibility of the importance of protecting people from discrimination in public retail spaces.

During 2019, several of our subsidiaries in Europe (France, Germany, Croatia, Romania and Slovenia) signed the Diversity Charter. This is a European Commission initiative whereby adhering companies undertake to promote the fundamental principles of equality and non-discrimination and to encourage diversity and inclusion in the workplace. Other Inditex subsidiaries will be adhering to this initiative throughout 2020.

In addition, in 2018 and 2019, a number of employees have been appointed Diversity and Inclusion ambassadors. These Diversity Champions, as they are known, are recognised for promoting equality and respect in the various subsidiaries in Europe and in stores in the United States. 120 Champions have been appointed to date in these countries.

6.1.3. Gender Equality

In terms of equality, in Inditex we develop initiatives that seek to instil gender equality as an essential part of our corporate culture. In fact, women play a significant role at Inditex, as they represent 76% of employees and 79% of management positions (75% of employees and 79% of management positions in 2018, respectively).

In Spain, the equality plans already subscribed by our different Group companies, as well as those which are currently being negotiated, include measures that affect different areas of labour relations, such as selection, recruitment, promotion, training, health at work, remuneration and work-family balance. Such measures seek to prevent gender inequality and foster equal opportunities. Monitoring committees, in charge of following-up on such plans, meet twice a year to establish whether such measures have been observed and are effective. Likewise, each of such plans includes action protocols against sexual and gender-based harassment, negotiated within the negotiation committees of the Plans.

In January 2020, Inditex was included in the Bloomberg 2020 Gender Equality Index, which includes the companies all over the world most committed to gender equality via their policies and transparency in the disclosure of their gender-related programmes and data.

In addition, in Inditex we are strongly committed to recruiting victims of violence against women. Thus, in 2013, the Inditex Group and the Ministry of Health, Social Services and Equality of Spain executed a partnership agreement to promote awareness-raising in the field of violence against women, and job placement for victims. Likewise, the Salta Project, which aims at improving the employability of young people in vulnerable situations, also extends to victims of domestic violence. The Salta Project is present in Spain, France, Italy, Greece, Germany, UK, Poland, Portugal, Mexico, Brazil, USA, South Korea and Turkey.

In addition to the equality plans already implemented in Spain, in 2018 our international subsidiaries have begun implementing work plans that promote gender diversity, specifically through gender equality certification.

In 2018 our Belgian subsidiary was certified by GEEIS (*Gender Equality European and International Standard*), a standard that recognizes companies that promote equality of men and women at work and helps define opportunities for improvement regarding promotion of gender equality in the workplace. Other Inditex subsidiaries will become certified under this standard throughout 2020.

6.1.4. Inclusion of Employees with Disabilities

At Inditex we are committed to complying with the principles of universal accessibility, namely for employees and customers with any kind of disability.

Ensuring that all the Group's work centres meet the functional and size requirements that allow an independent use by disabled people or people with impaired mobility is a priority for us.

All our work centres are designed to allow accessibility and usability to all individuals, promoting independence of people with disabilities, through the necessary adjustments to adapt the job to their conditions and requirements, thus promoting equal opportunities.

Regarding work centres which require specific adjustments for mobility purposes, or for the purposes of addressing any other sensory, visual or hearing limitations, we are strongly committed to carrying out the required technical adaptations.

In terms of employees, we are strongly committed to meeting the requirements of applicable laws on employability of people with disabilities, and the number of workers with functional diversity who join our Company increases every year.

At 2019 year-end, in accordance with measured data available to the Group, a total number of 1,568 people with disabilities have been employed by Inditex, and alternative measures have

been implemented that account for 180 workers (1,498 and 186 in 2018, respectively). In this regard, as the regulatory framework of the markets where our Company is present is not standardised, it is not always possible to speak of comparable regulations to the Spanish ones, whether on account of absence of minimum recruitment quota or of strict respect for privacy, the right of citizens not to disclose their disability prevailing. Therefore, in many cases we have no measured data available.

Among other initiatives in other markets, in 2019 the INCLUIR project was launched in Brazil, designed to employ people with disabilities, supported by inclusive actions to encourage their integration through training and awareness-raising of managers and employees, development of skills among programme participants and personalised follow-up of their in-store integration. The effort made by the subsidiary in this regard has led Brazil from having 72 employees with some degree of disability in 2018, to having 130 by the end of 2019.

Another example of an initiative designed to promote the social and work integration of people with disabilities is the “*for&from*” programme, which consists of a network of social franchises of different Group formats managed by non-profit organisations and staffed wherever possible by people with disabilities. The programme currently has 15 “*for&from*” stores (14 in 2018), following the opening in 2019 of the first *for&from* store outside Spain, in the Italian city of Como. All profits generated therein are fully reinvested in social projects of the community organisations that manage them.

6.1.5. LGBT+ Inclusion

For the purposes of tackling discrimination against the LGBT+ people in the workplace, since 2018 we support the United Nations’ LGBT+ Standards of Conduct for Business. The Standards, produced in collaboration with the Institute for Human Rights and Business, build on the UN Guiding Principles on Business and Human Rights and reflect the input of hundreds of companies across diverse sectors.

Likewise, at an international level, since 2016 we have been a member of *Open for Business*, a coalition of leading global companies that advocate for the rights and inclusion of the LGBT+ community. This international platform works to prove that the more inclusive the societies, the more thrive the businesses, and that companies that promote LGBT+ inclusion are more dynamic, productive and ground-breaking.

In Spain, Inditex joined REDI (*Red Empresarial de Diversidad e Inclusión LGBT+*) in 2018, committed to promoting an inclusive environment within organisations and fostering the appreciation of employees’ talent regardless of their gender identity, gender expression and sexual orientation. Together with the remaining members, we advocate for raising awareness among our employees to break stereotypes that may hinder the full integration of LGBT+ people into the labour market.

In 2019, the year marking the 50th anniversary of the Stonewall riots in New York City, we have cooperated with the *Stonewall Community Foundation* to fund two projects that support the transgender community in the United States.

6.2. Work-life balance

At Inditex we encourage measures that seek to facilitate work-life balance, especially advocating for a co-responsible model. The equality plans negotiated within the Group are the appropriate instruments to establish measures aimed at achieving such goal: considering co-responsible parenting a right and a duty.

In Spain, during 2019 over 2,300 employees benefitted from parental leave, with 99% returning to their jobs (over 2,000 in 2018). In addition, 16% of the employees in Spain work part-time for childcare reasons (16% of employees in 2018).

As well as the co-responsibility mentioned above, our equality plans contain other work-life balance measures such as the possibility of splitting up leave periods for hospital stays or care of relatives up to second degree of kinship.

At an international level, the Inditex Group strives to improve the rights guaranteed by the local legislation of each country through work-life balance policies. In each of the markets and depending on its characteristics, measures are implemented to prioritise quality of life at the workplace designed to develop talent, improve creativity and commitment as well as employee job motivation.

Implementation of disconnection policies

Further to passing of Organic Act 3/2018, of 5 December on Personal Data Protection and Guarantee of Digital Rights, Inditex is fully committed to encouraging an internal policy that ensures all its employees worldwide the right to digital disconnection in the workplace. Notwithstanding the commitment undertaken by Inditex at a corporate level, arising from social negotiation, it is worth highlighting other commitments undertaken in this regard throughout 2019 in the II Equality Plans of Zara, Massimo Dutti, Bershka, Stradivarius, Oysho and Pull&Bear, designed to agree on measures with the employees to enhance this aspect.

Moreover, Inditex has been promoting these policies in countries such as France, a pioneer in the field, that currently champions digital disconnection associated with the improvement of work-life balance. To achieve this, employees are encouraged, through a friendly policy, to take up new habits aimed at respecting theirs and their co-workers' rest time at the workplace and during their holidays, and to promote direct communication among co-workers as one of Inditex's corporate values.

6.3. Employment

Continuous improvement in employment quality is a priority commitment for Inditex. As stated above, the Company operates in many markets, all with different realities. This demands local and global responses for the employees, with the goal of allowing stable, uniform and quality working environments, in each of the markets where Inditex is present.

Thus 77% of the employees have a permanent contract (73% of employees in 2018). The tables below show the different types of contract by gender, age and job classification:

	2019		2018	
Distribution by gender	Permanent	Temporary	Permanent	Temporary
Women	76%	24%	74%	26%
Men	78%	22%	71%	29%
TOTAL	77%	23%	73%	27%

	2019		2018	
Distribution by age	Permanent	Temporary	Permanent	Temporary

< 30 years old	68%	32%	63%	37%
30-40 years old	87%	13%	86%	14%
> 40 years old	94%	6%	93%	7%
TOTAL	77%	23%	73%	27%

Distribution by job classification	2019		2018	
	Permanent	Temporary	Permanent	Temporary
Manager	89%	11%	90%	10%
Supervisor	92%	8%	88%	13%
Specialist	73%	27%	70%	30%
TOTAL	77%	23%	73%	27%

With regard to working hours, 47% of the employees work full-time and 53% work part-time (51% full-time and 49% part-time in 2018). The distribution of full-time and part-time employees reflects a situation directly associated with the retail sector, where work is often combined with other activities, mainly studies.

Employee distribution between full-time and part-time employees, based upon gender, age and job classification is shown below:

Part-time		
Distribution by gender	2019	2018
Women	55%	51%
Men	47%	43%
TOTAL	53%	49%

Part-time		
Distribution by age	2019	2018
< 30 years old	64%	58%
30-40 years old	40%	41%
> 40 years old	29%	27%
TOTAL	53%	49%

Part-time		
Distribution by job classification	2019	2018
Manager	3%	2%
Supervisor	9%	9%
Specialist	63%	57%
TOTAL	53%	49%

As stated above, the average number of employees in Spain at 2019 year-end was 48,687 people, of which 76% are women and 24% are men (47,930 people, 74% women and 26% men in 2018, respectively).

During the period, dismissal accounted for 978 leavers in Spain (954 in 2018). If we take this gender-disaggregated figure, it mirrors almost the same gender proportion of the staff, given that the number of female employees dismissed was 746 (75%) (721 women and 76% in 2018) versus 232 men (25%) (233 men and 24% in 2018). With regard to dismissal by job classification and age, 71% of dismissed employees correspond to Specialists (in accordance with the above-referred classification) (75% in 2018), both at stores and at headquarters, own factories and logistics centres, and more than half of them (56%) (52% in 2018) correspond to the 30-40 year-old age range, the one with the highest number of employees in Spain. Again, this proportion is consistent with the distribution of the workforce in our country, where the Company's corporate services are based.

In global terms, with the headcount at year-end being 176,611 (174,386 people at the end of 2018), the number of dismissed employees stood at 6,428 (8,661 dismissals in 2018). Out of them, the number of dismissed female employees was 4,344 (68%) (6,134 women and 71% in 2018) versus 2,084 men (32%) (2,527 men and 29% in 2018). Once again, this figure is consistent with the distribution by gender of the global workforce. As for dismissals by job classification and age, 87% correspond to Specialists (89% in 2018) and 68% correspond to employees aged 30 or less (75% in 2018). This age bracket is the one where 61% of the Group's employees are found (62% in 2018).

6.4. Training

One of the main pillars of staff management at Inditex revolves around the professional growth and career development of our employees. The strategies to attract, develop and engage talent are at the basis of a motivating environment in which to continue growing on a daily basis. In this regard, training is one of the main levers.

Inditex's culture is mostly practical, which determines that teams' training is essentially the so-called on-the-job training. Therefore, Inditex's policy is strongly based on a model of internal training. Inditex identifies and maintains a network of internal trainers that convey the Company's culture and operations, to ensure the success of all new employees.

At stores, training focuses on three main types of contents: reinforcing product knowledge, store processes and customer-based initiatives. In addition, cross-cutting contents are also included, such as health and safety at work, sustainability, diversity and inclusion, ethics and corporate culture.

Regarding people with responsibilities over teams, their training is focused on both technical issues and people management.

Since 2017 the Group uses an online learning platform (eLearning) called *ON Academy*, for use by all employees in all formats. At the end of 2019 this platform is present in 27 markets (Spain, UK, Ireland, USA, France, Italy, Germany, Mexico, Romania, Greece, Portugal, Russia, Austria, Belarus, Mainland China, Argentina, Uruguay, Chile, Brazil, Denmark, Finland, Norway, Sweden, Poland, Kazakhstan, Netherlands and Bulgaria), compared to 11 markets in 2018, therefore accessible for over 145,000 employees on average (105,000 employees in 2018).

Inditex's main training projects based upon groups of individuals are set out below:

- Training for store employees
 - Sales assistants:

- *Onboarding* with virtual reality is an experience launched in 2018 to welcome new store employees so that they become familiar with the Group and with store operations using virtual reality. In 2019 this was expanded to France, adding up to a total of five *Talent Centres* in which the experience is available (Madrid, Barcelona, Milan, Beijing and Paris). Over 4,000 new employees have already tried it (1,000 in 2018).
- Product:
 - *eFASHION* is the training programme on comprehensive management of the fashion business, designed with IED Madrid (*Istituto Europeo di Design*). It has allowed 1,280 people to be trained since its release in 2012 in its different editions in Spain, France, Italy and Portugal (the last market to join the programme in 2019).
 - *Versus* is a game based on the fashion world launched in 2017, which has continued to grow ever since. More than 20,000 employees from the full range of the Group's formats in 42 markets have played the game, competing in an individual ranking and also in a ranking by teams, testing their knowledge of the product and of the fashion world in general.
 - Languages: *busuu* is an app for mobile devices that offers employees the opportunity to learn up to 12 languages. Available in various markets since 2017, this year it has been extended to a total of 59 markets worldwide. More than 52,000 individuals have registered in its last edition and are improving their language skills, the most learned languages being English and Spanish. Upwards of 4,900 people have obtained at least an official certificate, and over 15,600 individuals have taken the English course at the stores that was custom-developed for Inditex.
- Store Managers:
 - In addition to the programmes above that focus on languages and product, our store managers also rely on *A Medida*, a training scheme to develop people management skills addressed to store managers. Between 2017 and 2019 more than 3,000 individuals were trained in Europe and North America to improve skills such as communication, motivation, organisation, delegation, results orientation and the ability to give feedback (2,000 people in 2018). Training is run by internal trainers and consists of practical and experimental workshops of approximately two hours for each skill. Groups are small, which permits interaction of all participants, and the contents of the workshops are close to the professional reality of our stores.
 - As a novelty in 2019, Zara Managers have taken part in a new gamified training experience known as *Laura*. *Laura* is a virtual sales assistant who helps the manager to practise his or her leadership and team management skills in a novel and entertaining way. Available as an app, *Laura* remains by the Manager's side (on the mobile phone or tablet) for a few days, raising questions, needs and real life situations on a daily basis. The Manager must try to respond to such situations while ensuring that motivation and performance levels in *Laura* remain high. Over 300 managers in 23 markets have used *Laura* in 2019.

- LEAP&Co (application for on-the-job talent management and training). This application enables store managers and area support teams to act independently when managing development plans, organising their network of specialist trainers per area and following up new employees and trainees, using a digital platform with access to up-to-date training materials. LEAP&Co has allowed all possible itineraries between the jobs in a store to be transparently defined, optimising every stage along the internal promotion process.

The processes performed using the LEAP&Co application include the publication of training opportunities by store, skills assessment of the candidates through practical test, the consultation of training support materials such as handbooks and videos (*Learning Kit*), the candidate's self-assessment of the contents required for every job, the follow-up by the internal trainer of target achievement in every training module, and the assessment by the managers in order to promote the best internal candidate for each job.

This helps deliver the pace of internal training and promotion required by each store at any given time, in a sustainable manner and offering different development opportunities.

The implementation of LEAP&Co has been completed in all Zara stores in France and, in January 2020, is at various stages of implementation in the UK, Italy, Germany, the US, Russia, Netherlands, Sweden, Norway, Finland, Denmark, Argentina, Uruguay, Chile and Brazil, with over 1,800 plans under way and 450 people having been promoted following their training.

From February 1st, 2019 to January 31st, 2020, over 3,000,000 hours of training have been provided in programmes designed for the various groups of people working in the Inditex Group, for more than 360,000 participants (over 2,700,000 hours and 146,000 participants in 2018, respectively)²⁴.

Job classification	2019		2018	
	Training Hours	Number of Participants	Training Hours	Number of Participants
Manager	170,913	26,647	98,282	9,044
Supervisor	260,524	39,447	253,276	19,124
Specialist	2,657,853	295,156	2,400,265	118,278
TOTAL	3,089,290	361,250	2,751,823	146,446

6.5. Social Relations

Inditex is strongly committed to respecting its worldwide employees' labour rights in the entire world, namely their right to participation as a key element for the sustainable development of the business model.

As evidence of such commitment, Inditex entered in 2009 into a Global Agreement with UNI Global Union (hereinafter, "UNI"), which celebrated its tenth anniversary in October 2019 in Madrid with a commemorative meeting. UNI is a federation of trade unions of different services sectors, including trade and distribution, for the purposes of respecting and promoting fair work and labour rights. At present, some 900 trade unions are members of UNI worldwide, and upwards of 20 million workers are represented. Precisely, the cooperation that began with the

²⁴ 40% of total training pertains to initial on-the-job training in the store. To estimate this training, we use several criteria established by each country and format for the various jobs.

2009 Global Agreement between Inditex and UNI has served as the basis for the official creation in 2019 of the European Works Council of Inditex.

The Agreement between UNI and Inditex includes specific provisions regarding a number of issues governed pursuant to the principles set by the International Labour Organisation (hereinafter, "ILO"):

- Special mention is made therein to the enforcement of ILO Conventions 87, 89 and 98 that focus on ensuring freedom of association and the right to collective bargaining, as in the terms of the Agreement: "*Inditex recognizes the right of trade unions to represent the workers and to collectively bargain the working conditions that affect them*".
- Likewise, the freedom to join any trade unions and non-discrimination on account of membership to a trade union as part of employment relations is also ensured. Additionally, pursuant to ILO Conventions 100 and 110 and based upon non-discrimination at work, equal opportunities and equal treatment for all people and non-discrimination in terms of remuneration for equal jobs are upheld.
- Inditex is committed to complying with applicable national laws and/or conventions, in furtherance of ILO Conventions 1 and 147 and of ILO Recommendation 116.

The subjective scope of this Agreement with UNI pertains to the whole Inditex Group, and it is therefore applied to 100% of the Group's workforce.

As for the objective scope of the Agreement with UNI, in addition to the reference to the protection and promotion of the fundamental rights, Inditex is committed to meeting the requirements laid down in national laws and in national collective bargaining agreements regarding working hours, protection of a safe, healthy and sustainable working environment, and promotion of best practices for occupational health and safety with the appropriate equipment and training.

The Agreement between Inditex and UNI covers minimum rights for the employees of the various companies within the Group, given that in any event, such provisions, whether statutory, contractual or included in a collective bargaining agreement which confers higher rights, will always be observed.

Further to the above referred Agreement between Inditex and UNI, United Food and Commercial Workers International Union (hereinafter, "UFCW"), a US union and member of UNI, was interested in reaching a specific agreement with the Company covering the terms of the above referred 2009 Agreement for the stores in the USA.

In response to this, an Agreement was entered into in 2015 between UNI, UFCW, Inditex and Zara USA, by way of a pilot project for the store on 42nd Street in New York. A collective bargaining agreement was subsequently approved for this store, which, since September 2016, has been extended to all stores in Manhattan. The social dialogue continued throughout 2018 and 2019, in an attempt to extend the collective bargaining agreement to the whole of the United States. There are currently 16 stores in the states of New York and New Jersey that benefit from this collective bargaining agreement.

Present among many attendees at the celebration of the tenth anniversary of the signing of the agreement with UNI were the Chairman of Inditex and the Secretary General of the UNI trade union, as well as the different Secretaries General of the main Spanish trade unions (Comisiones Obreras and Unión General de los Trabajadores) and of the American trade union UFCW and the representative of the ILO in Spain.

This event included a review of the main milestones in the collaboration between UNI and Inditex, drawing particular attention to the promotion of equality in the workplace and the generation of employment and attraction of talent of the Company which, in 2009 —the year the agreement was signed— had a workforce of 92,000 employees and currently has over 176,000, of 172 different nationalities.

This act helped consolidate the good relationship between all parties involved and bring new proposals in matters of social progress on the agenda.

With regard to the company's internal regulations, Chapter 3 headed "General Principles" of the Code of Conduct and Responsible Practices, enforced on all Group employees, addresses respect for union relations and rights, as it provides: "*The employees of Inditex have their right recognised to associate or organise themselves or to bargain collectively*". Additionally, pursuant to section 4.2 of the Code: "*Inditex makes its own, 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 them*".

Inditex and the trade unions that represent its employees are engaged in a continuous, open and constructive dialogue, as evidenced by the relevant number of queries and bargaining carried out throughout the year on different issues, as well as the periodic meetings and sessions scheduled by Inditex with UNI officials to follow-up on the Agreement.

The signature of the Agreement of incorporation of the European Works Council of the Inditex Group in 2018 was another very significant milestone in the relations between Inditex and the trade unions.

Following a number of meetings between representatives of Inditex and the Special Bargaining Group, made up of union representatives of companies within the Group in different European countries, an agreement was reached, which was published on the Official Gazette of Spain on 23 November 2018, pursuant to the applicable European Directives and Spanish laws transposing them. The European Works Council seeks to become a body for assurance and effectiveness of information and consultation of employees on transnational issues.

The holding of the first plenary meeting of the European Works Council took place between June 18th and 20th, 2019 in Arteixo, with eight countries present: Spain, France, Germany, Italy, Belgium, Luxembourg, Portugal and Austria. During this first constitutive meeting of incorporation the Restricted Committee was elected, a body that will act as a regular interlocutor with the Group, made up of five members and chaired by a Spanish member. Subsequently, in November 2019, the European Works Council met in a special plenary session in Madrid to approve its Internal Regulations, which will set the guidelines for its ordinary operation.

All in all, the Global Framework Agreement executed with UNI applies to 100% of Group employees. In Europe, the European Works Council for the employees' interest at transnational level has been officially launched. With regard to collective bargaining by country, local collective bargaining agreements apply to 60%, whereas the percentage rises to 70%, the level in 2018, within the European continent.

6.6. Organisation of work

The contents of the different legislations and agreements and conventions, whether national or international, to which the Company is a party, are incorporated in the Code of Conduct and Responsible Practices of the Inditex Group and are thus made part of the company's internal regulations. The Company undertakes to comply with them.

Regarding organisation of work, the Code of Conduct and Responsible Practices addresses in particular respect for the time limits set by the applicable laws in each country in terms of weekly working hours and overtime.

This commitment undertaken by the parties to fulfil the requirements laid down in national laws and agreements regarding working hours is addressed in the Global Agreement executed with UNI, which includes a section on the guidelines provided in ILO Conventions 1 and 47 regarding eight hours and forty hours of work per day and week, respectively, and in Recommendation 116 regarding reduction of normal working hours established as a minimum standard per country.

In practice, laws and collective bargaining agreements applicable to Inditex establish maximum annual working hours for employees, based upon which work schedules are agreed. Inditex has

in place a system for clocking-in and out, in accordance with the legislation of application in each market.

6.7. Health and Safety at Work

Inditex has a Health and Safety Labour Policy in place, the latest version of which was approved by the Board of Directors in their meeting of September 10th, 2019. This policy states that the Company *“firmly believes that occupational health and safety enable and increase productivity and guide the way the Company operates its business activities”*.

Therefore, achieving the highest standards in health and safety labour management is a priority target for the Inditex Group. During 2019 the transition towards the new ISO 45001:2018 certificate, the highest international standard on Management Systems, was initiated. This standard defines the requirements to establish, implement and operate an effective occupational health and safety system. Specifically all the sales and design companies of the Group in Spain, Italy, UK, Ireland, Portugal, Japan, Mexico, Croatia, Greece and Turkey, which were already OHSAS 18001:2007 certified, began their transition towards obtaining this certification in 2019. Likewise, during 2019, the sales and design companies in Bulgaria, Belgium, Chile, Germany and Poland obtained the ISO 45001:2018 certification.

6.7.1. Emergency Management

During 2019 several actions have been carried out to guarantee safety at the work centres, such as the Emergency and Self-Protection Plans.

2019

	Self-Protection plan	Emergency and Evacuation Plan	Emergency and Evacuation Plan
Format	New	New	Updated
Bershka		10	8
Massimo Dutti		13	8
Oysho		12	
Pull&Bear		18	26
Stradivarius		21	2
Uterqüe		1	3
Zara	1	29	28
Zara Home		4	
TOTAL	1	108	75

2018

	Self-Protection plan	Self-Protection plan	Emergency and Evacuation Plan	Emergency and Evacuation Plan
Format	New	Updated	New	Updated
Bershka			24	
Massimo Dutti	1		18	9
Oysho			17	
Pull&Bear			14	32
Stradivarius			56	4
Uterqüe		1	5	
Zara	1	2	47	74
Zara Home			9	8
TOTAL	2	3	190	127

Emergency, Self-Protection and Evacuation Plans

Market	2019	2018
Albania	33	38
Germany	138	
Argentina	11	11
Australia	2	
Austria	23	24
Belarus		25
Belgium	3	
Bosnia Herzegovina	16	13
Brazil	2	
Bulgaria	40	39
Chile		13
Mainland China	164	
Canada		43
South Korea	46	1
Croatia	10	43
Denmark		17
Slovakia	16	16
Slovenia	5	40
France	300	
Finland		8
Greece	166	165
Hungary	39	39
Italy	285	287
Japan	3	3
Kazakhstan	36	80
Luxembourg	12	
Macedonia	5	5
Mexico	116	38
Montenegro	2	
Norway	1	8
Poland	248	238

Other emergency management activities are summarised in the tables below:

2019	
Work centre	Description
PULL AND BEAR LOGÍSTICA	EEP (Works) Provisional Canteen Narón
TEMPE, S.A.	Classroom course on First Intervention Teams
Pull and Bear	Event (Foundation El Instante) EEP and Implementation
Industria Diseño Textil S.A.	<i>Talent Centre</i> Inditex Barcelona

	EEP and Implementation
Industria Diseño Textil S.A.	<i>Talent Centre</i> Inditex Madrid
PLATAFORMA EUROPA	Platform Evacuation Drill
PLATAFORMA MECO	Platform Evacuation Drill

2018	
Work centre	Description
Plataforma Sallent Stradivarius	Evacuation Drill
Stradivarius (New headquarters Cerdanyola)	Event report
Pull&Bear Headquarters	Self-protection Plan Work site (renovation of Set)
Inditex, S.A.	<i>Tres Millas Solidarias</i> Event
TEMPE Alicante	Fire Safety Training
Plataforma Europa	Platform Evacuation Drill
New Technology Building Inditex	Fire Safety Training
Plataforma Cerdanyola	Fire Safety Training
Zara Home Logistics	Self-Protection Plan

Additionally, we must highlight that other courses of actions have been taken regarding special emergency situations.

For instance, in Spain there have been initiatives in this regard in stores and logistics. In the Group stores in Spain, 230 evacuation and emergency action drills have taken place. In the León Logistics Platform, an anti-choking device has been installed in the rest and medical services areas for the protection of the employees, having been trained in its usage over 250 workers.

At an international level, there are two initiatives of note: in Portugal 650 workers have been trained in basic CPR support, as well as first aid; and in Australia a training module has been given to 165 workers on prevention of discrimination and harassment conducts.

6.7.2. Prevention of muscle and bone injuries

Initial training is provided to all employees at all logistics centres and stores on prevention of muscle and bone injuries. Likewise in 2019 other preventive measures in the field were in place.

As for logistics centres in Spain, in Bershka Logística, 54 people have taken part in a postural coaching activity. In Massimo Dutti Logística, 107 people took part in the postural correction training action known as *Let's Move*.

Furthermore, a new practical session on on-the-job ergonomic training was organised in Zara Logística. 79 workers have been given training on new optimal movement gestural patterns for every job. Additionally, 60 employees have taken part in a programme of functional re-adaptation to the job, maintaining the healthy programme for employees over 55 years old by fostering a healthy work environment which has benefitted a total of 35 workers in 2019.

6.7.3. Mobility Plan

The Mobility Plan is one of the many measures taken to increase road safety within the logistics centres. The plans address areas such as the review of road infrastructure and equipment from the point of view of the interaction of the different parties involved (pedestrians, light vehicles and heavy vehicles), detecting shortcomings and/or irregularities regarding road safety.

During 2019 the Mobility Plans for the León Logistics Platform and the Cabanillas Logistics Platform were processed.

6.7.4. Fostering Healthy Habits

Inditex encourages and promotes being recognised as a Healthy Company. In this regard, in 2019, Group companies of Italy, the United Kingdom and Ireland have been certified as Healthy Companies, a recognition already obtained by all Group companies in Spain in 2015. This standard identifies cross-cutting issues upon managing Health and Safety of individuals based upon physical, and psycho-social issues, in resources allocated to the health of the workers, and their participation in the community, and is based on the model upheld by the World Health Organization.

The World Day for Safety and Health at Work was celebrated on April 28th and was specifically dedicated to health as a source of happiness. The day's slogan was "Your health is happiness". All the markets in which Inditex is present and all Group companies in Spain took part in the global awareness campaign that was organised on this occasion.

In addition, the Group has *InHealth*, the website dedicated to promoting health and healthy habits for Group employees. The US, Argentina, Uruguay, Bulgaria, Germany, Canada and Switzerland joined this initiative in 2019. *InHealth* is currently available in 15 countries for 98,500 employees.

Other highlights in the field of health include the breast cancer awareness campaign organised at the Headquarters of all formats in Spain, attended by 1,500 people. Likewise, Brazil organised the *Pink October* awareness campaign with the participation of 2,500 people.

Headquarters in Arteixo arranged a conference on Stroke Prevention, coinciding with the International Stroke Awareness Day, as well as resuscitation practices as part of the annual training programme in the use of defibrillators and first aid, with the participation of over 300 people.

Brazil saw the organisation of the Internal Accident Prevention Week, having trained 300 workers this year on risks and how to act in the event of an occupational accident. Likewise, the healthy habits like postural blitz, healthy eating and exercise at the workplace have been actively promoted.

Bershka, Massimo Dutti, Uterqüe and Oysho held the talk "Protect yourself and take care of your skin" to raise awareness on the matter among more than 250 attendees.

Plataforma Cabanillas held a "wellbeing at work" programme involving 40 people being interviewed by a specialist and receiving advice on healthy eating and physical exercise. In addition, 56 workers have taken part in a cardiovascular risk prevention campaign.

During 2019, the Headquarters of Pull&Bear, in Narón, have organised a wellbeing plan with activities such as lectures and training on back health, among others, in which over 120 people have taken part.

All the formats in the Inditex Group, in cooperation with the ADOS entity, have collaborated in the blood donation campaign. Over 430 donors took part in various cities in Galicia, via mobile units installed opposite the stores.

6.7.5.COVID-19

The outbreak of the Coronavirus COVID-19 in China in January 2020 and its recent global expansion to a large number of countries has caused the virus outbreak to be qualified as a pandemic by the World Health Organisation since March, 11th.

Since we became aware of the existence of this virus outbreak, we have continuously monitored its current impact and its potential effects in the medium and long term. Our first concern has always been to guarantee the health and wellbeing of our employees, customers and of all the people who directly or indirectly provide us goods and services required for the ordinary course of business. We have begun to implement a global contingency plan in our work centres to protect our employees from the potential risks of infection and spread of the COVID-19 virus, which include different preventive measures (such as hygiene guidelines, the restriction of visits and travel, among others) organisational and healthcare coordination measures, applicable according to the severity of the various scenarios considered.

6.7.6. External audits

The following ISO 45001 and OHSAS 18001:2007 external audits have been performed in 2019:

	Number	
	2019	2018
Management System Audits		
Own stores	182	628
Logistics Centres	4	5
Own factories	4	4
Headquarters	15	19

6.7.7.Rates

The accident rates are shown in the tables below:

2019

SPAIN

Own stores

	Incident rate ¹	Frequency rate ²	Seriousness rate ³
Women	19.28	10.71	0.19
Men	13.31	7.39	0.15

EUROPE

	Incident rate ¹	Frequency rate ²
Women	20.80	17.50
Men	17.30	13.50

Logistics Centres

	Incident rate ¹	Frequency rate ²	Seriousness rate ³
Women	100.45	55.80	1.58
Men	107.94	59.97	1.53

Own factories

	Incident rate ¹	Frequency rate ²	Seriousness rate ³
Women	58.12	32.29	0.99
Men	64.91	36.06	1.88

HQ

	Incident rate ¹	Frequency rate ²	Seriousness rate ³
Women	3.51	1.95	0.03
Men	2.48	1.38	0.00

ASIA & REST OF
WORLD

	Incident rate ¹	Frequency rate ²
Women	3.50	2.60
Men	2.80	2.00

AMERICAS

	Incident rate ¹	Frequency rate ²
Women	17.90	13.00
Men	15.40	10.70

^[1] Incident rate with leave = (No. accidents with leave * 1,000) / Average No. employees

^[2] Frequency rate = (No. accidents with leave * 1,000,000) / No. hours worked

^[3] Seriousness rate = (Days of leave * 1,000) / No. hours worked

Occupational diseases:

SPAIN

Own stores

	Logistics Centres	Own stores	Own factories
Women	10	1	9
Men	9		0

2018

SPAIN

Own stores

	Incident rate ¹	Frequency rate ²	Seriousness rate ³
Women	18.00	14.70	0.41
Men	20.70	14.60	0.25

EUROPE

	Incident rate ¹	Frequency rate ²
Women	19.30	16.90
Men	17.00	14.70

Logistics Centres

	Incident rate ¹	Frequency rate ²	Seriousness rate ³
Women	107.80	70.90	1.96
Men	126.50	78.80	1.65

ASIA & REST OF WORLD

	Incident rate ¹	Frequency rate ²
Women	6.70	5.40
Men	3.50	2.80

Own factories

	Incident rate ¹	Frequency rate ²	Seriousness rate ³
Women	73.80	53.60	1.82
Men	167.70	102.00	3.00

AMERICAS

	Incident rate ¹	Frequency rate ²
Women	12.00	9.10
Men	11.40	8.50

HQ

	Incident rate ¹	Frequency rate ²	Seriousness rate ³
Women	3.20	1.80	0.05
Men	2.20	1.20	0.07

^[1] Incident rate with leave= (No. accidents with leave *1,000) / Average No. employees

^[2] Frequency rate= (No. accidents with leave *1,000,000) / No. hours worked

^[3] Seriousness rate = (Days of leave*1,000) / No. hours worked

In 2019, the total number of absence hours due to temporary incapacity, corresponding to 92% of the employees of the Group, amounted to 10,275,537 hours (9,107,205 hours in 2018, corresponding to 83.4% of our employees).

6.8. Remuneration Policy

Our stance on remuneration relies on criteria that fit at the same time the reality of each market and working environment where the Company operates, always within the framework of its culture and values, and considering the own features of each commercial format of the Group.

The remuneration policy at Inditex guarantees non-discrimination by reason of sex, age, culture, religion or ethnicity or any other circumstance. In this regard, Inditex employees are remunerated according to their professional skills, experience, dedication and responsibility assumed.

Specifically, fixed remuneration is established according to experience, personal contribution to the job, consistency with the responsibility within the organisation, and the market. On the other hand, variable pay depends in full on predefined, quantifiable and measurable indicators, all linked to Company results. In this regard, receiving variable pay does not depend on a discretionary assessment of a person's individual performance, but exclusively on the basis of objective parameters, thus guaranteeing non-discrimination.

On this last point, variable pay is one of the fundamental components of the remuneration policy at Inditex and is applied to employees in all areas of business within the Group.

Our main variable pay system is based upon monthly sales commissions, which reward the involvement of store employees regarding relevant issues such as sales results, the feedback on the product and store coordination and organisation. Decision-making and initiative are encouraged at all levels, and reward is proportionate to the responsibilities assumed.

We are a global company with employees in 60 markets, and remuneration is determined in line with applicable practices in each market and paid in local currency, which entails different wage references among the various markets.

6.8.1. Wage Gap

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

The outcome of the analysis carried out in 2019 shows wage parity between men and women at Inditex. In terms of aggregate remuneration, women are paid 0.2% more than men, representing a slight variation over the figure for 2018 (0.8%), due to movements in the workforce during the year.

Wage gap	Gap- Aggregate pay	
	2019	2018
TOTAL	0.2%	0.8%

Below is the wage gap by geographic area:

Geographic area	Wage gap- Aggregate pay	
	2019	2018
Spain	0.5%	1.0%
Europe excluding Spain	-0.6%	0.2%
Americas	3.6%	0.3%
Asia and rest of the world	-0.1%	0.0%
TOTAL	0.2%	0.8%

6.8.2. Global average remuneration

Average remuneration is defined as the average wages within the Group, translated into euros, using the average exchange rate in 2019²⁵. Based upon this, in 2019 global average annual remuneration at Inditex was €22,073 (in terms of gross remuneration) (€20,996 in 2018). With regard to this figure, it should be noted that the number of employees in Spain, our main market, only represents 28% of the headcount, as a significant part of the remaining 72% staff are based in markets where wages translated into euros give rise to lower average remuneration (28% and 72% of workforce in 2018, respectively).

By gender, the average remuneration of women stands at €21,142 (gross annual remuneration) and that of men was €24,897 (gross annual remuneration) (€19,935 and €23,556 in 2018). It should be pointed out that these two figures are not representative in terms of equal pay: the distance between pay for men and women is due to a higher presence of women in a significant number of markets where average remuneration is lower on account of the exchange rate effect.

Regarding equal pay, wage gap is a transparent indicator of pay received by men and women. In fact, wage gap is calculated by market (weighted with the weight each of them represents), allowing for the isolation of the impact of the different local currencies, the evolution of exchange rate and the geographic distribution of the workforce. As indicated in the previous section, the global wage gap in the Group favours women by 0.2% (0.8% in 2018).

²⁵ This parameter will be used in the following financial years to report on the evolution of global average remuneration

Considering all the foregoing circumstances inherent in the Group, the average remuneration by age and by job classification is provided below:

Age	Aggregate remuneration in €	
	2019	2018
<30 years old	16,444	15,350
30-40 years old	27,433	26,320
> 40 years old	42,297	41,062

Job classification	Aggregate remuneration in €	
	2019	2018
Manager	51,327	47,804
Supervisor	31,002	27,963
Specialist	19,260	18,480

6.8.3. Employees' profit sharing Plan

In attention to the Group's development, Inditex approved in 2015 an Extraordinary Plan for employees participating in the economic growth of the Inditex Group for financial years 2015 and 2016. A new Employees' profit sharing Plan was approved in 2017 for financial years 2017 and 2018, similar to the previous one.

In the month of April 2019, 10% of the net profit for 2018 was shared out (7 million euros), increased by an additional 25 million euros. This total remuneration of 32 million euros was paid out to some 92,000 employees with over two years' service to the company at 31 March 2019.

The Board of Directors of the Company approved, on 12 March 2019, a new plan for the participation of employees in the growth of the company's profits, with a unique and exclusive application for the year 2019, and also with features similar to the above. This plan is aimed at all Group employees, chains and subsidiaries worldwide, with more than two years of seniority as of 31 January 2020. During fiscal year 2020, the incentive corresponding to fiscal year 2019 will be settled.

6.8.4. Directors' Remuneration

The remuneration of members of the Board of Directors in 2019 and 2018 (in €k) is shown in the table below:

2019

Name	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for savings systems	Remuneration for other items	Total FY2019 company
Mr Pablo Isla Álvarez de Tejera	5,566	643	0	0	6,209
Mr Carlos Crespo González (since 16 July 2019)	1,265	25	0	0	1,290
Mr José Arnau Sierra	330	0	0	0	330
Mr Amancio Ortega Gaona	100	0	0	0	100
Pontegadea Inversiones, S.L. (represented by Ms Flora Pérez Marcote)	100	0	0	0	100
Ms Denise Patricia Kingsmill	250	0	0	0	250
Mr José Luis Durán Schulz	300	0	0	0	300
Mr Rodrigo Echenique Gordillo	300	0	0	0	300
Ms Pilar López Álvarez	250	0	0	0	250
Mr Emilio Saracho Rodríguez de Torres	300	0	0	0	300
Ms Anne Lange (since 10 December 2019)	29	0	0	0	29
TOTAL	8,790	668	0	0	9,458

2018

Name	Total cash remuneration	Gross profit of consolidated shares or financial instruments	Remuneration for savings systems	Remuneration for other items	Total FY2018 company
Mr Pablo Isla Álvarez de Tejera	7,785	1,704	0	0	9,489
Mr José Arnau Sierra	330	0	0	0	330
Mr Amancio Ortega Gaona	100	0	0	0	100
Pontegadea Inversiones, S.L. (represented by Ms Flora Pérez Marcote)	100	0	0	0	100
Ms Denise Patricia Kingsmill	250	0	0	0	250
Mr José Luis Durán Schulz	300	0	0	0	300
Mr Rodrigo Echenique Gordillo	300	0	0	0	300
Ms Pilar López Álvarez (since 17 July 2018)	134	0	0	0	134
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós (until 17 July 2018)	116	0	0	0	116
Mr Emilio Saracho Rodríguez de Torres	300	0	0	0	300
TOTAL	9,715	1,704	0	0	11,419

6.8.5. Remuneration of Senior Management

The average remuneration of Senior Management of Inditex in 2019 amounted to 1,434,163 euros (1,944,018 euros in 2018). The average remuneration of female Senior Managers was of 1,033,309 euros and that of male Senior Managers of 1,555,634 euros (1,725,866 euros and 2,008,180 euros in 2018, respectively).

When calculating the remunerations mentioned in the previous paragraph, in addition to the fixed remuneration, the short-term variable remuneration and the multi-annual variable remuneration have been taken into account.

As for the short-term variable remuneration, the Board of Directors of Inditex, following a favourable report from the Remuneration Committee and taking into account the exceptional situation brought about by the worldwide COVID-19 pandemic, has decided that this Senior Management remuneration, pertaining to 2019, should be reduced by half.

The multi-annual variable remuneration refers to the amount accrued in the second cycle (2017-2020) of the 2016-2020 Long-Term Incentive Plan. The incentive accrued in 2019 under such cycle has amounted to 7,262,587 euros (15,301,802 euros in 2018), and has materialised in (i) a cash incentive in the gross amount of 4,702,630 euros (8,383,967 euros in 2018); and (ii) an incentive in shares in the total number of 126,919 shares (284,100 shares in 2018), equivalent to a gross amount of 2,559,957 euros (6.917.835 euros in 2018).

To this end, we shall mention that, in order to quantify the portion of the incentive to be paid out in shares, the listing price of Inditex shares considered was the one at the close of the day on which the meeting of the Remuneration Committee assessing the degree of compliance with the second cycle of the 2016-2020 Plan took place (i.e. March, 16th 2020).

7. CUSTOMER SERVICE EXCELLENCE



Related material topics: *customer relationship management.*

We maintain a constant dialogue with our customers, who can communicate and interact with each of the Group's formats and keep updated on any new commercial development through different channels. In 2019, the formats of the Group had more than 175 million followers in the different social media (143 million in 2018), Facebook and Instagram of each format (with upwards of 61 million and 70 million followers, respectively) (60 million and 55 million in 2018, respectively), being those with the largest number of users. In addition to social media, 30,100,931 contacts from customers made through different channels (phone calls, emails, chats and messages via social media) were attended to by the customer service area of each format. Such contacts concerned a large number of topics including, without limitation, queries regarding goods, purchasing process, shipments, potential incidents or current affairs affecting the formats (29,032,743 contacts in 2018). The service level achieved (percentage of contacts attended on total and weighted by the weight of the contacts in each format) was 95% (94% in 2018)²⁶.

In Spain, a total of 6,436 of Trade and Consumer Affairs proceedings were processed in 2019 (6,586 in 2018) for all our commercial formats, including requests on matters of trade and consumption, inspections, claims and complaint forms.

²⁶ The calculation of Inditex's global service level, 95% versus 94% in 2018, has been performed through a weighted average with the weight with each format, compared to the standard average used in past years. In the fiscal year 2018 the level of service reported within the SNFI was of 91%.

Our image campaigns, editorials and the images of the models used in our collections published on the Group websites are another way to communicate with our customers. We work with photographers, stylists and models who aim to present the collections required by our customers in the most appropriate manner. We are aware that our images have a great impact on our customers, and therefore understand it is essential that they transmit a positive, multicultural and diverse image, presenting at the same time a detailed and faithful picture of the characteristics and specifications of our products.

Part of this client dialogue involves Inditex working to guarantee accessibility to its facilities, both in stores and online sales pages. In this regard, the Group stores meet architectural accessibility standards to enable people with disabilities to access and move around the stores, as well as ensuring a satisfactory shopping experience for the customer.

Accessibility to all corporate websites, which comply with the Accessibility Guidelines or General Standards of Accessible Design established by Web Accessibility Initiative (WAI) Working Group, a part of W3C, is also important. Moreover, in 2019 and as part of the digital accessibility project with EqualWeb, the use of accessibility menus in the Group web pages has begun. These menus, visible from the home pages of each website, provide a variety of voice, browsing, colour and content adjustments to ensure an inclusive and barrier-free navigation experience for users and customers. The Inditex corporate website, as well as those of Zara, Massimo Dutti and Bershka in Spain, already offer this accessibility menu, gradually being implemented in all other websites of the various formats and markets in which we operate.

8. CORPORATE COMMUNITY INVESTMENT



Related material topics: investment in the community, relationship with stakeholders.

Inditex's corporate community investment model 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:

- The contribution is voluntary: the company has no legal or contractual obligation whatsoever when it comes to making the contribution;
- Contributions shall be for non-profit and target social and/or environmental benefit, supporting any initiative aimed at social and/or environmental wellbeing. However, contributions to schools, universities or public administrations can also be included, despite the fact that they do not always meet the requirement of being non-profit organisations but their purpose is contributing to social wellbeing; and
- Beneficiaries shall not be restricted: contributions shall be open to all potential beneficiaries, without prior classifications which may be discriminatory or beneficial to them on account of their belonging to or being related to companies in their capacity as customers, offspring of employees or any other similar circumstance. This does not mean that the activity in question may not be restricted to a limited group of specific individuals (ranged by age, training or other characteristics), but instead, that it cannot be restricted on account of the relationship of such group with the benefactor company in question.

Considering all the foregoing, Inditex understands investment in social programmes as an opportunity to contribute to the UN 2030 Agenda for Sustainable Development by applying its business resources – both in cash and in kind, and in terms of time allocated by its staff.

Our strategy regarding corporate community investment is addressed in the Corporate Citizenship Policy, which is available on our website.

Inditex’s investment in the community materialises in collaborating with specific projects. We prioritise long-term strategic projects for specific activities, together with community organizations, always subject to a thorough monitoring and accountability process, rather than occasional contributions for the general purposes of non-profit organisations.

Each social initiative which is part of our community investment programme is submitted to a thorough process to measure inputs, outputs and impacts. For such purposes, at Inditex we use, among others, the LBG methodology based upon the following management criteria:

- Careful assignment of contributions in the community;
- Measuring achievements obtained; and
- Evaluating the impact of the components of the project separately, in order to assess, on the one hand, the origin of profit, and on the other, the programme as a whole.

In 2019, we have gained deeper knowledge regarding the link between our corporate community investment model and the United Nations Sustainable Development Goals set in the UN 2030 Agenda. This commitment is embodied in specific projects which address the following issues:

- Emergency Relief: understanding as such all relief actions focusing on protecting life, health and wellness of people in emergency situations on account of natural disaster or similar circumstances;
- Social welfare: understanding as such all initiatives which encourage employment and entrepreneurship of vulnerable groups, encouraging labour integration of people at risk of social exclusion; and
- Education: understanding as such proceedings focused on providing opportunities through quality education which gives young people the opportunity of a decent life and encourages social justice and their personal growth.

In 2019, the investment made by Inditex in corporate community projects totalled 49,231,909 euros, 7% more than in the previous year (46,218,895 euros in 2018). This investment was made in 670 projects (622 projects in 2018), in collaboration with 421 community organisations (413 organisations in 2018).

The main examples of these three lines of action in 2019 are shown in the table below:

2019

Issue addressed	Community organisations	Project	Location of activity
Emergency Relief	Entreculturas	Support to refugees and migrants from the armed conflict in Colombia	Colombia, Ecuador and Venezuela
	MSF	Supporting Emergency Unit	Global
		Attention for Rohingya refugees	Bangladesh
		Supporting Al Salamah Hospital	Syria
		Care for the migrant population	Mexico
	Red Cross	Bush fire emergency programme	Australia
Hubei Provincial Charity Federation	Coronavirus emergency programme	China	
Social Welfare	International Labour Organisation (ILO)	Promotion of fundamental labour rights and principles in the cotton supply chain	China India

Issue addressed	Community organisations	Project	Location of activity
			Mali Pakistan
	Cáritas	Promoting employment of people at risk of social exclusion	Spain
		Strengthening the management of end of life of textile products	Spain
		Support for the population in the face of natural disasters and improved quality of life in the more underprivileged areas of Dhaka	Bangladesh
	COGAMI, Fundación Molí d'en Puigvert, Moltacte, Fundació Prodis, COMETA	For&From: labour integration of people with disabilities	Spain
			Italy
	Every Mother Counts	Prenatal care and attention to pregnant women	Bangladesh and USA
	Médecus Mundi	Improving well-being of workers in the textile sector	Morocco
Water.org	Launch & scale safe water and sanitation access	Bangladesh, Cambodia	
Education	China Youth Development Foundation	Access to education in rural areas	China
	Entreculturas	Access to quality education and vocational training	Asia, Americas, Africa
	Massachusetts Institute of Technology (MIT), Tsinghua University Educational Foundation, Beijing Normal University Educational Foundation, University of Dhaka, Universidade de A Coruña, Universidade de Santiago de Compostela	Partnership with universities to encourage investigation and quality higher education	Spain, Bangladesh, China, USA

In addition, supporting refugees and forced migrants is one of the pillars of our social intervention strategy. In order to address it in an integral way, we carry out initiatives in various areas of our activity in cooperation with non-profit organisations such as Médecins Sans Frontières (hereinafter, “MSF”), the Jesuit Refugee Service (hereinafter, “JRS”) Entreculturas, Red Cross,

United Work, Ethical Trading Initiative, the ILO and Better Work, among others, which have materialised in the following initiatives:

- **Entreculturas Programme:** Since 2001 and as a result of our partnership with Entreculturas, we support vulnerable groups in Latin America, Africa and Asia. This support, which in monetary terms has exceeded 51 million euros over the last two decades, has been focused on a number of programmes that have benefitted over 1.2 million people.

- o **Programme in the Borders of Colombia:** this initiative, in partnership with the JRS, seeks to offer opportunities and support to refugees and migrants from the armed conflict in Colombia within the country itself, as well as in the neighbouring countries of Ecuador and Venezuela. As well as delivering humanitarian aid, the programme provides psycho-social support, and even the generation of livelihoods. It also offers spaces for communication and reconciliation actions, as well as violence prevention in educational centres and host communities. 6,061 people have benefitted from this initiative in 2019.

- o **EPGO Programme (*Educating People, Generating Opportunities*):** the aim of this programme, in partnership with Entreculturas and the JRS, among others, is to help forced migrants and refugees in countries such as Mexico, South Africa and Lebanon, through actions in education, employment and humanitarian aid. The education initiative consists of providing schooling for underprivileged people and training for teachers. In terms of employment, projects to offer technical and professional training for young people at risk of social exclusion are under way. Lastly, humanitarian aid has been provided for people in situations needing international protection.

2019 saw the completion of the second edition (EPGO II) of this three year programme which has benefitted 165,557 people overall through 23 projects in 11 countries: Argentina, Bolivia, Brazil, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, South Africa and Lebanon. In 2019 alone, a total of 70,658 people benefitted from these projects.

- o **MSF programmes:** our partnership with MSF is set out in the Framework Agreement entered into in 2008, which has led to over 26 million euros in contributions from Inditex to the regular work carried out by MSF in 52 countries, directly benefitting over 5.4 million people. In 2019, our support for MSF has focused on the following activities:

- 1) **Support for the Al Salamah Hospital in Syria:** in this medical centre located in the district of Azzaz in the province of Aleppo, primary and secondary health care (emergency outpatient and regular care) has been provided. During 2019, it has catered for a total of 87,534 outpatient consultations, 1,206 normal births and 73 C-sections. Additionally, the MSF teams have attended to 21,976 patients with chronic conditions and have vaccinated 15,840 children.

- 2) **Health care for the Rohingya people in Bangladesh:** in light of the current scale of this humanitarian crisis, we began a joint programme in 2017 to provide aid for the Rohingya people in two key areas: medical care for adults, children and pregnant women; and access to clean drinking water and sanitation systems. In 2019, the MSF teams carried out 79,126 outpatient consultations and 4,012 hospital admissions. Moreover, 6,034 children have been vaccinated and MFS has catered for 800 births. In addition, a total of 12,475 patients have required mental health care.

- 3) **Care for the migrant population in Mexico:** Mexico is a transit, destination and return country for the migratory flow mostly hailing from Central America (El Salvador, Honduras and Guatemala) on its way to the United States. The people

who decide to set out on this journey are undocumented people who have left their homes due to poverty, marginalisation and violence in their countries of origin. MSF attends to them in several hostels and stopover points for migrants along the way, offering basic medical and psychological care. There is also an Integral Care Centre in Mexico City providing specialist medical care for migrants who are victims of ill-treatment, torture or extreme violence. In 2019, a total of 20,650 medical consultations and 5,509 mental health consultations have been carried out.

4) **Support for Emergency Relief Units:** since 2011 we have been strategic partners of the MSF Emergency Unit, to help MSF provide medical assistance in humanitarian and emergency crises. This support is key to guaranteeing the immediacy of the organisation and a professional and safe response to humanitarian alerts anywhere in the world, as well as to be able to organise independent emergency missions based exclusively on medical criteria and requirements. In 2019 we have helped to maintain the structure of the Emergency Unit (based in Barcelona) in full, as well as part of the regional teams in the Democratic Republic of Congo (the RUSK), in the Central African Republic (the EURECA) and in Ethiopia (the ESS). Thanks to this support, response in 2019 has been provided to two large scale humanitarian crises provoked by violence between opposing groups, both in Burkina Faso and in English speaking regions in Cameroon. The fast deployment of teams after cyclone Idai was also possible with our support.

• **Inditex Chair of Refugees and Forced Migrants in the Universidad Pontificia Comillas:** This Chair was created in 2016 to drive academic research in the field of migration, to encourage the application of these studies to the care for displaced persons and to publicly disseminate the reality of this phenomenon and help raise awareness. The Chair includes a doctoral grant programme and internships in the field working with specialist organisations. Through this initiative, 12 postgraduates have joined various social welfare organisations to attend to migrants in the Democratic Republic of Congo, South Africa, Ethiopia and Cameroon. In 2019, we have renewed our support for this initiative, which supplements our efforts in the direct intervention of refugees via the abovementioned programmes.

In addition to these actions, in line with our strategy of contribution to community welfare, our support for refugees and forced migrants also translates into two lines of action:

- **Joining our workforce:** beyond the ordinary recruitment channels, our Salta Project is a socio-occupational integration initiative that includes the group of forced migrants and refugees as one of its main beneficiaries. This initiative, which was started in France as *Project Jeunes* in 2008, seeks to improve the employability of vulnerable young people by employing them in our stores, warehouses and factories, as part of a specifically designed training itinerary which includes workshops on skills and representative values of Inditex. In addition, the project includes internships in our work centres, accompanied by employees who voluntarily take part in the programme. The Salta Project, which has managed to provide employment to 1,300 people since its inception, takes place in 13 markets: Spain, France, Italy, Greece, Germany, UK, Poland, Portugal, Mexico, Brazil, Turkey, South Korea and the United States.

- **Integration into our supply chain:** migratory flows may cause some workers to experience a feeling of vulnerability in which their social and occupational rights are affected due to being migrants. In this regard, the protection of these workers is one of the seven Priority Impact Areas included in the “Workers at the Centre Strategy 2019-2022”, explained earlier as one of the pillars of the socially sustainable management of the supply chain. Within the framework of this Strategy, at Inditex we cooperate with organisations like the *Ethical Trading Initiative*, the International Labour Organisation and *United Work*, among others, with the aim of guaranteeing fundamental Human and Labour Rights of the migrants in our supply chain.

As for the form of contributions made to community welfare, the information is classified into the following categories:

- Cash contribution, which is the aggregate amount invested by Inditex in social programmes together with non-profit organisations;
- Time contributions, which is the proportional cost to the company of employees' time paid by the company but spent on community activities of a social nature during working hours;
- In-kind contributions, which include donations of products —garments, mainly— to charities; and
- Management costs, which refer to estimated expenses which are incurred by the company for general management of community projects.

Form of contribution	2019		2018		Variation	
	Euros	%	Euros	%	%	
Cash	33,248,048	68%	30,109,825	65%	10%	% management costs included
Time	3,668,531	7%	3,542,309	8%	4%	
In-kind	11,684,094	24%	11,935,563	26%	-2%	
Management costs	631,236	1%	631,198	1%	0%	
TOTAL	49,231,909	100%	46,218,895	100%	7%	

Likewise, we at Inditex report our voluntary contributions to the community, according to the following classification:

- Charitable gifts, which consist of institutional one off donations to the general goals of charities;
- Community investment, as part of a long-term strategic commitment to collaborating with the community to support specific social activities; and
- Commercial initiatives in the community, which are initiatives of social interest directly related to the company's retail activity.

For the purpose of maximising the effectiveness of our social initiatives, in 2019 we have increased our investment in strategic projects (community investment and commercial initiatives in the community), rather than charitable gifts.

Driver for contribution	2019		2018		Variation	
	Euros	%	Euros	%	%	
Charitable gifts	1,633,093	3%	1,801,149	4%	-9%	% management costs excluded
Community investment	36,668,336	76%	36,179,975	79%	1%	
Commercial initiatives in the community	10,299,244	21%	7,606,572	17%	35%	
TOTAL	48,600,673	100%	45,587,696	100%	7%	

As for issues addressed, 40% of our corporate community investment was made towards social welfare —mainly through fostering the employment of vulnerable groups—, 20% to emergency relief and 18% to education (42%, 20% and 16% to each of these investment activities in 2018, respectively). In 2019, in line with the community intervention strategy defined by our Corporate Citizenship Policy, 78% of the corporate community investment has been used to reinforce the three priority activity areas: social welfare, emergency relief and education (78% of the investment in 2018).

Issue addressed	2019		2018		Variation	
	Euros	%	Euros	%	%	
Social welfare	19,646,921	40%	19,098,184	42%	3%	% management costs excluded
Emergency relief	9,681,616	20%	9,044,622	20%	7%	
Education	8,501,897	18%	7,468,318	16%	14%	
Health	2,798,355	6%	3,861,618	9%	-28%	
Environment	5,446,742	11%	3,586,327	8%	52%	
Economic development	1,304,020	3%	1,610,820	4%	-19%	
Arts and culture	1,221,122	3%	870,924	2%	40%	
Others	0	0%	46,884	0%	-100%	
TOTAL	48,600,673	100%	45,587,697	100%	7%	

With regard to the territories where social programmes are implemented, our Company gives priority to regular contributions to the communities made at corporate level in such geographic areas where the Group operates, namely at Inditex clusters (defined and listed in section 5.3 herein). Likewise, the Group's subsidiaries act within their borders in terms of social programmes, implementing projects in proximity that maximise the positive impact thereof within their sphere of influence.

The corporate community investment in 2019 and 2018 broken down per location of activity is shown below:

Location of activity	2019		2018		Variation	
	Euros	%	Euros	%	%	
Spain	17,529,175	36%	20,297,453	45%	-14%	% management costs excluded
Americas	13,328,564	27%	10,208,058	22%	31%	
Asia	8,222,164	17%	7,291,146	16%	13%	
Europe	7,464,704	15%	5,643,921	12%	32%	
Africa	1,711,431	4%	1,745,070	4%	-2%	
Australia	344,636	1%	402,049	1%	-14%	
TOTAL	48,600,673	100%	45,587,697	100%	7%	

As for the contribution made by our Company towards the UN Sustainable Development Goals, the main (or primary) SDG and secondary SDG, if applicable, has been identified in respect of each of the 670 corporate community investment projects carried out during the year. As a result of this, during 2019 we have focused our efforts on SDGs no. 8, 10 and 12. Additionally, in Inditex, we have significantly contributed to Sustainable Development Goals no. 3, 4 and 5. Specifically, we have allocated more than 86% of our corporate community investment in social programmes to initiatives mainly targeted at some of those Sustainable Development Goals.

SDG	2019		2018		Variation	
	Euros	%	Euros	%	%	
10. Reduce inequality	9,870,828	20%	9,294,145	20%	6%	
12. Sustainable consumption and production patterns	8,818,385	18%	7,745,279	17%	14%	
8. Decent work and economic growth	7,859,961	16%	8,334,396	18%	-6%	% management costs excluded
3. Good health and well-being	7,375,925	15%	7,260,232	16%	2%	
4. Quality education	5,405,862	11%	5,824,809	13%	-7%	
5. Gender Equality	2,581,715	6%	1,687,518	4%	53%	
Others	6,687,997	14%	5,441,318	12%	23%	
TOTAL	48,600,673	100%	45,587,697	100%	7%	

Corporate community investment projects implemented throughout 2019 have directly benefitted 2,441,300 people, 1% over that in the previous year (2,425,639 people in 2018). With regard to direct beneficiaries, below is a breakdown by situation:

Situation of direct beneficiaries	2019		2018		Variation
	No. of people	%	No. of people	%	%
Living in developing countries	923,118	38%	851,196	35%	8%
In situation of vulnerability	219,275	9%	595,727	25%	-63%
Refugees	131,085	5%	315,130	13%	-58%
Immigrants	92,601	4%	101,171	4%	-8%
Other profiles ²⁷	1,075,221	44%	562,415	23%	91%
TOTAL	2,441,300	100%	2,425,639	100%	1%

We analyse the effects on beneficiaries resulting from corporate community investment projects implemented, both in terms of depth and of type of impact.

In terms of depth of impact, the effects of projects on their beneficiaries are broken down into the three following categories. The numbers recorded under each of the depth of impact headings are mutually exclusive:

- Connection: the number of people reached by an activity who have reported some limited change as a result of an activity;

²⁷ "Other profiles" refers to people ill or suffering a disease, with a disability, unemployed or belonging to ethnic minorities, among others.

- Improvement: the number of people who have reported some substantial improvement in their lives as a result of the activity;
- Transformation: number of people who have reported an enduring change in their circumstances 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, meaning that the activity has helped generate behavioural changes that improve the life of the people. Likewise, the activity has brought about a change in negative attitudes or prejudices, allowing people to make better decisions;
- Skills or personal effectiveness, meaning that the activity has helped to develop new skills or improve existing skills, enabling them to develop academically, physical well-being or socially;
- Quality of life or well-being, meaning that the activity has helped people to be healthier, happier or more comfortable, through improved emotional, social or physical wellbeing.

2019

Number of direct beneficiaries where results were measured	2,406,380	
Depth of impact: people that:		
Made a connection through the community activity	1,108,752	46%
Made an improvement through the community activity	890,818	37%
Made a transformation through the community activity	406,810	17%
Number of direct beneficiaries where results were measured	2,406,380	
Type of impact: number that:		
Experienced a positive change in their behaviour or attitude	374,548	16%
Developed new skills or an increase in their personal effectiveness	71,321	3%
Experienced a direct positive impact on their quality of life	1,300,898	54%

2018

Number of direct beneficiaries where results were measured	2,401,097	
Depth of impact: people that:		
Made a connection through the community activity	599,741	25%
Made an improvement through the community activity	1,450,128	60%
Made a transformation through the community activity	351,262	15%
Number of direct beneficiaries where results were measured	2,401,097	
Type of impact: number that:		
Experienced a positive change in their behaviour or attitude	324,788	14%
Developed new skills or an increase in their personal effectiveness	59,921	2%
Experienced a direct positive impact on their quality of life	1,743,085	73%

9. MEASURES FOR THE PREVENTION OF CORRUPTION AND BRIBERY



Related material topics: corporate governance; corruption and bribery; regulatory compliance and responsible practices.

9.1. Strategy

In order to reduce exposure to criminal regulatory risks, namely the risk of commission of offences related to corruption, fraud and bribery, at Inditex we rely, first of all, on a structure of high level basic standards, and a number of organisational documents which constitute the main pillars of the Company's cross-cutting Compliance system. Such high level standards are:

- The Code of Conduct and Responsible Practices, which reflects our corporate culture and sets out the yardsticks for ethical behaviour that must be observed by all the Group's employees in the performance of their professional duties.

Additionally, the Code includes a number of commitments to ethical conducts and responsible practices, including, as far as this section is concerned: compliance with applicable laws and regulations and with Inditex's internal regulations; establishing lawful, ethical and respectful relationships with suppliers and public authorities, in line with international provisions to prevent corruption and bribery; the obligation to avoid and control conflict of interest situations; the duty to make an efficient use of the goods and services of our Company and to protect Company information; the duty to record transactions of economic significance in a clear and accurate manner in the appropriate accounting records.

The Code of Conduct for the United States and Puerto Rico, brought into line with the applicable regulations and best practices in such countries, is inspired by the Code of Conduct and Responsible Practices of the Inditex Group. In addition, in August 2019 a new Code of Conduct was produced for Canada.

- The CCMS, which defines the minimum standards for an ethical and responsible behaviour that must be observed by all the manufacturers and suppliers of the Group, discussed in more detail in the previous section herein.

The Code of Conduct and Responsible Practices and the CCMS are available on our corporate website.

At Inditex we also rely on an organisational and management model to prevent criminal offences, the Model of Criminal Risk Prevention, composed of the following documents:

- The Policy on Criminal Risk Prevention, which associates commitments to an ethical conduct undertaken under the Code of Conduct and Responsible Practices with such offences whose perpetration by the employees and/or the Group itself the Policy intends to prevent. It expressly forbids the offering, granting, solicitation or acceptance, directly or indirectly, of gifts or handouts, favours or compensations, in cash or in kind, irrespective of their nature, to or from any authorities or public servants, and includes specific guidelines to deal with public servants and administrators.

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

- The Criminal Risk Prevention Procedure, which sets out the duties of the Committee of Ethics in the field of criminal risk prevention and the organisational measures of our Company in this area.
- The Scoping Matrix of Criminal Risks and Controls, which sets out the criminal risks and controls established to prevent perpetration of offences.

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

Within the scope of this Model of Criminal Risk Prevention, a number of standards have been approved, in furtherance of statutory obligations or obligations arising from the Articles of Association and from the regulatory framework wherein our Company operates. Namely, for the purposes of ensuring that all Inditex employees, and those third parties with whom they are engaged in any business relationship, comply with the main anti-bribery and anti-corruption regulations existing in the markets where our Group is present, the so-called Integrity Policies have been approved.

These Policies implement certain elements of the Policy on Criminal Risk Prevention and reflect the ethical values of our Group, as defined in the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers.

The Integrity Policies consist of:

- The Policy on Donations and Sponsorships, which defines the notions of donation and sponsorship, for ease of reference of its recipients, and covers a number of requirements that donations and sponsorships must meet in order for them to be validly made and/or accepted.
- The Policy on Gifts and Business Courtesies, which defines the notions of gift and business courtesy, for ease of reference of its recipients, and covers a number of requirements that must be met for the offering and/or acceptance thereof to be valid and compatible with Inditex's conduct policies.

- The Policy on Dealings with Public Servants, which (i) defines the notion of bribery and of public servant; (ii) expressly forbids bribes in the public or private sectors; (iii) covers extortion payments; (iv) expressly forbids facilitation payments, even where such payments are not forbidden under the laws and regulations of the country or territory in question; and (v) establishes due diligence processes to be implemented to ensure that the conduct of such third parties with whom Inditex has relationships is in line with the ethical values, regulations and standards of the Company, the applicable regulations in the markets and the existing best practices regarding anti-bribery.

Additionally, during 2019 the Board of Directors of our Company approved the so-called Conflict of Interest Policy, which establishes the principles and criteria to be taken into consideration to prevent, detect, report and manage any conflicts of interest that might arise in the performance of the professional activities of Inditex employees, and which could compromise the objectivity or professionalism required in the performance of their duties.

As a demonstration of our unwavering commitment to anti-money laundering and the prevention of terrorist financing activities and our will to work with the competent authorities in the area, Inditex has an Anti-Money Laundering and Terrorist Financing Policy. This Policy defines the due diligence processes implemented within the Company taking into account the different types of business activities we conduct:

- The process to limit cash payments at stores, whereby certain mechanisms are developed to monitor payments in cash by customers at stores; and
- The process to identify and review business partners, suppliers and other third parties, in accordance with due diligence measures provided in our internal regulations and, as the case may be, in the applicable laws.

Such due diligence processes have been added to the internal regulations of our Company, mainly through:

- The Due Diligence Policy, approved in September 2019, designed to align the relationships we have with our business partners, suppliers and large customers, with the processes described in the international standard ISO 37001 Anti-Bribery Management Systems in organisations, as well as the regulations and the most exacting anti-bribery standards.

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

The development and implementation of this Policy shall be carried out on the basis of a number of principles:

- (i) It sets forth the obligation to submit all business partners, large clients, suppliers and third parties with whom Inditex engages in business relations to this due diligence process.
- (ii) It shall be carried out in accordance with the principles of reasonableness and proportionality, by applying different levels according to the relationship of third parties with the Group (based on criteria such as business turnover, industry or market risk or other factors).
- (iii) It is a previous and necessary requirement in order to commence business relations with third parties.
- (iv) It prohibits any business relationships with third parties for whom risks have been detected in relation to corruption, fraud, international trade sanctions or similar, when no action plan to mitigate or remedy such risks is under way.

As well as this Policy, at Inditex we have a Due Diligence Procedure in place which sets out the organisational measures implemented with regard to the due control of the third parties with whom the Company engages. Thus, in 2019, the third party due diligence project has been under way and expected to become fully operational in 2020.

- The Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorised Markets, that sets limits on hiring suppliers, only allowing those based in markets authorised by the Group to be hired (i.e. those who meet legal and business operation criteria); and on making payments only to those suppliers which, having met the foregoing requirement, have a bank account opened in such markets.

The basic high level standards and the Model of Criminal Risk Prevention are part of the above mentioned general cross-cutting Compliance System in place in our Company, which is comprised of the following regulations:

- The Policy on Compliance, which sets out the commitments that all Group employees must undertake, regardless of their location and position.
- The Compliance Management Procedure, which implements the contents of the Policy and sets out the organisational measures to prevent, detect and manage Non-compliance Risk events, reinforcing a culture of ethical compliance.

The Scoping Matrix of Criminal Risks and Controls has been updated during 2019 by analysing and reviewing potential risks inherent to the processes in the various activities performed, taking into account regulatory developments, the approval and/or amendment of internal regulations and changes in the organisational structure and in certain Company processes.

Likewise, in order to reduce criminal risks inherent in the business conducted by Inditex, and in the offences of public corruption and/or corruption among private persons, identified in the Scoping Matrix of Criminal Risks and Controls, a number of controls have been monitored based upon risk prioritisation as determined in the risk map.

In addition, in 2019 the implementation of a new specific anti-corruption model has begun in Ireland, ITX Re, Mexico and the United Kingdom, for the purpose of complying with the legal requirements existing in these territories. In the case of the UK, the model has been submitted for a previous internal audit diagnosis, so as to review its adaptation to the regulations, recommendations and good practices. Additionally, the monitoring phase of the model implemented in France has now been completed, and progress has continued in the review and update of the criminal risk prevention model in Italy.

9.2. Circulation, communication and training

a) Communication and internal and external circulation

We encourage the communication and the circulation of internal regulations related to the Group's Criminal Risk Prevention Model, as provided in section 6.1 of the Criminal Risk Prevention Procedure (hereinafter, the "Procedure") that reads: *"Inditex has set as a goal to inform and disclose to all who are subject to this Model any and all standards of behaviour embraced. All recipients of the Model need to be informed both about goals of correction and transparency sought and about the manner whereby Inditex has resolved to fight crimes"*.

In addition, Section 6.1 provides that: *"Inditex will embrace a specific information and training plan for the purposes of disclosing to all its employees the obligations and duties enforced on them (...). This plan shall be managed by the relevant areas of the Company together with the Committee of Ethics..."*

The Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and the Integrity Policies of the Group stand at the apex of the pyramid of the conduct policies of the Group and are the keystone upon which the Inditex Model of Criminal Risk Prevention is built.

The above policies and procedures are available for all employees in our intranet, accessible from any device, as well as on our corporate website (www.inditex.com), under the new *Compliance* tab.

In order to ensure the commitment of our Company's top officers to ethical and responsible behaviour, which lies at the core of the Group's corporate culture, and to the Model on Criminal Risk Prevention, the General Counsel's Office–Office of the Chief Compliance Officer is responsible for:

- Duly apprising the members of Inditex's Board of Directors and keeping them posted on a quarterly basis, on the following issues: (i) the enforcement of the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers; (ii) the outcome of the supervision of the Model on Criminal Risk Prevention of the Inditex Group; and (iii) the proceedings to implement it at national and international level (i.e. proceedings regarding acceptance of the Code of Conduct and Responsible Practices and the circulation, communication and training in this area).
- Regularly communicating the corporate internal regulations to the officers and areas supervisors (i.e. directors of formats, heads of corporate areas, heads of subsidiaries in other markets and their CFOs and other directors, supervisors and heads of departments), reminding them of their obligation to disclose the purpose of such communication as well as the regulations themselves, to all staff members under their respective remit. When determining any other potential recipients of this communication, the General Counsel's Office–Office of the Chief Compliance Officer also considers the specific scope of application of each policy and procedure disclosed.

On the other hand, highlights of 2019 regarding communication and internal circulation initiatives carried out include: (i) notices on Code of Conduct and the Ethical Channel have been placed at our stores of the different formats and markets, and they can be accessed in the local language through a QR code; and (ii) several online news capsules have been posted on our intranet.

In addition, an email was sent from the Committee of Ethics to remind recipients of the provisions of the Code of Conduct and Responsible Practices and of the Policy on Gifts and Business Courtesies, regarding both of them the acceptance and reception of gifts from suppliers, along with a standard form of letter to be sent to the suppliers reminding them of such prohibitions. As well as to the Group's officers and middle managers, the email was sent for the first time to all employees in the formats in Spain bearing in mind that, as a result of their relationship with suppliers and other third parties, they must be expressly informed of the risks arising from corruption crimes among private individuals or in business.

b) Training

During 2019 we have continued to work on the development of specific contents, according to the needs of each group and, particularly, on the training methodologies and systems in the area of Criminal Compliance. As a result thereof, in its meeting of 2 December 2019, the Committee of Ethics approved a new 2020 Criminal Compliance Training Plan, designed to meet the demands for criminal compliance training required by the international standards and Circular 1/2016 from the General Prosecution Office.

This training plan has been based on the Criminal Risk and Controls Map, created from the Matrix following its review and update and, consequently, has become the target when delivering training on the various risk events that are significant for our Company.

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

In addition, the Plan distinguishes and develops five different training categories, according to the group to which the training is addressed or the person responsible for delivering the training, and it contains the general criteria that the different areas and/or departments with a Compliance function must take into account when designing, developing and reporting their respective training actions.

The Plan sets forth the obligation of all attendees to such training sessions to assume a statement of conformity and a commitment to comply with relevant internal regulations.

During 2019 we have worked in the design and development of this Plan and its implementation, which has mainly consisted of identifying recipients, in accordance with the risks identified in the criminal risk map of 2018, and in defining the exact contents of the training. During 2020 we expect to continue advancing in the definition of contents and for the delivery of training to commence.

On 10 March 2020, the Committee of Ethics approved the 2019 Criminal Compliance Training Report, which analysed all training, circulation and communication actions carried out in 2019 as well as corresponding plans for improvement.

Among the more significant training and circulation actions carried out in 2019 are the following:

- Training run for new employees on the Code of Conduct and Responsible Practices, the Committee of Ethics and the Ethical Channel (formerly known as the Whistle Blowing Channel), in the following formats: (i) onsite, during the Welcome Day, at Inditex and the Group’s formats; and (ii) online, through the *OnAcademy* e-learning platform.

On the other hand, it should be noted that upon their recruitment, all Group employees are provided specific training on the Code of Conduct and Responsible Practices, which they undertake to observe upon signing their employment contract, which includes a clause on adherence to this Code, or the pertaining certification.

Consequently, and taking into consideration the number of new employees in our Group in 2019 over the average workforce, 29% of the Group employees have received training on the Code of Conduct and Responsible Practices in 2019 (29% of employees in 2018), broken down as follows:

Geographic area	% TOTAL	
	2019	2018
Spain	14.9%	13.7%
Rest of Europe	31.5%	33.2%
Americas	34.2%	42.0%
Asia & Rest	44.9%	45.6%
TOTAL	29%	29%

Job classification	% TOTAL	
	2019	2018
Manager	1.8%	3.3%
Supervisor	1.6%	4.2%
Specialist	34.6%	33.9%
TOTAL	29%	29%

- During 2019, the circulation and acceptance plan of the Code of Conduct and Responsible Practices for the United States, which had begun the previous year, continued with its implementation, and at 31 December 2019, 99.99% of the US workforce had adhered to and received training on the Code of Conduct and Responsible Practices (99% of the workforce at 31 December 2018).

Our campaign of communication, awareness and internal training on the Code of Conduct and Responsible Practices for Canada, launched in August 2019, is also worth mentioning.

After its publication by the management of the subsidiary, as well as on the corporate website and the local intranet, an intensive plan of circulation and acceptance of the Code was begun among its employees: (i) notices have been placed on the Code of Conduct and the Ethics Line in the stores of the various formats and in the corporate office, with direct access via a QR code; and (ii) trainings on the matter have been given in morning meetings held in the stores of the various formats.

At 31 January 2020, 86% of the workforce in Canada had adhered to and received training on the Code of Conduct and Responsible Practices.

- It is also worth mentioning the training campaign on the Code of Conduct and Responsible Practices that began in 2019 in stores of all the Group formats in China, France and Turkey. This training included the module on anti-corruption and the Ethical Channel.

At 31 January 2020, training has been provided on the Code of Conduct and Responsible Practices in 550, 265 and 230 stores in China, France and Turkey of the total number of stores of all the Group formats in China (569), France (284) and Turkey (230), respectively. This means that, at 31 January 2020, approximately 95%, 56% and 99% of the total store workforce in China, France and Turkey, respectively, have received training on the Code of Conduct and Responsible Practices.

- Onsite training provided to the following groups exposed to a higher risk of commission of offences related to private corruption, on account of their position and responsibilities or the activities they carry out:
 - o Officers and members of governing bodies of the Group:
 - All directors of Group formats and other corporate supervisors and area directors have been given training on the Code of Conduct and Responsible Practices and the Conflict of Interest Policies of the Group.

- We have provided onsite and videoconference training to all subsidiary heads, heads of formats, corporate supervisors and area directors of several foreign subsidiaries in our Group in Europe (France, Italy and the UK) and the Americas (Argentina, Canada, Chile, the US and Mexico) on, among other topics, the Code of Conduct and Responsible Practices, our Group's Integrity Policies and the Conflict of Interest Policy and, in particular, in France, Italy, Mexico and the UK, on their own anti-corruption or criminal risk prevention models.
 - We have offered specific training on the Policy and due diligence on third parties to 10 CFOs from foreign subsidiaries of the Group.
- This means that, overall, 20.20% of the Group executives and, in particular, 33.33% of Senior Managers, have received training on Criminal Compliance (34.7% of executives and 100% of Senior Managers in 2018 respectively).
- Other groups of employees:
 - The employees of Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Zara Home, Oysho, Uterqüe and Tempe who, when performing their jobs, have regular contact with suppliers and/or public servants or public administrations (namely the commercial teams), have received training on the Code of Conduct and Responsible Practices —particularly on the prevention of corruption, fraud and bribery and conflicts of interest—, and the Ethical Channel (94.2% of Zara sales teams in 2018).

This is one of our most important training area, insofar as: (i) the workforces of the commercial teams of those formats represent 30% of the total number of employees in the Group commercial teams (36.9% employees in 2018); and (ii) the groups of employees to who such training is addressed have increased, as training is now also imparted to those employees of other departments and/or areas who, without being part of the commercial teams are also largely exposed to a high risk of corruption.

During 2020, this initiative is expected to be extended to Lefties, to the ecommerce commercial team and to other groups of employees who, in light of the jobs they perform, also have a high exposure to this type of risk.

- The buyers team of the subsidiary of ITX Trading in China has been given training on the Code of Conduct and Responsible Practices and, in particular, on corruption, bribery and conflicts of interest and the Ethical Channel.

At Inditex we have several product purchases offices that are not located in the main headquarters of the Group formats. The purchases office in China accounts for approximately 30% of the total number of employees in the workforce of China and the employees of the buyers team that received training represent 16% of the total number of the workforce in those purchases offices (35% in 2018, taking into account the employees from the purchases office of Turkey who were given training).

In 2020 this initiative is expected to continue to be extended to the rest of purchases offices in the Group.

- We have provided specific training on Due Diligence Policy and Procedure for third parties to 21 accounting heads of the Group's foreign subsidiaries and to all heads of legal departments in the Group.

9.3. Management and supervisory bodies of the model

The management and supervisory bodies of the model are:

- The General Counsel's Office – Office of the Chief Compliance Officer, tasked with generally managing the Compliance System of the Company and its Group, namely of the Model of Criminal Risk Prevention.
- The Committee of Ethics, that reports to the Board of Directors through the Audit and Compliance Committee. It is charged with overseeing compliance with the Codes of Conduct and with the Model of Criminal Risk Prevention, as well as ensuring the effectiveness of the controls set in such Model. This collegiate body is composed of the General Counsel and Chief Compliance Officer, who acts as Chairman of the body, the Chief Human Resources Officer, the Chief Audit Officer and the Chief Sustainability Officer.

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

- The Audit and Compliance Committee is responsible, among others, for the following functions: (i) evaluate the efficacy of the internal systems of control and management of financial and non-financial risk, included those related to corruption, and of the measures in place to prevent or mitigate the impact of the risks detected and identified in the Matrix; (ii) identify and reassess the most significant financial and non-financial risks; (iii) ensure that these are maintained and managed within accepted tolerance limits; and (iv) supervise compliance and efficacy of the Compliance policies and procedures.

Additionally, the Audit and Compliance Committee reports to the Board of Directors on a quarterly basis and whenever requested, on compliance with the Code of Conduct and Responsible Practices and the Criminal Risk Prevention Model; and may submit proposals for the adoption of measures designed to improve compliance with the Model and the Compliance system.

The Committee of Ethics, as the decision-making body, and the General Counsel's Office – Office of the Chief Compliance Officer, are responsible for the so-called Compliance Function.

We have an Ethical Channel where all employees of the Group, manufacturers, suppliers or third parties with a direct relationship and a legitimate business or professional interest, irrespective of their rank and geographic or functional location, may report, even anonymously, any breach of the Codes and of any other internal conduct regulations in the Group within the scope of action of the Committee of Ethics, that may have been committed by Group employees, by manufacturers, suppliers or third parties with whom the Group has a direct labour, business or professional relationship and which affect Inditex or its Group.

Consequently, any breaches or irregularities related to corruption, fraud and bribery can also be reported via this channel.

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

This Procedure has been recently modified in order to adapt it to the regulatory requirements of personal data protection and the rights of users of reporting mechanisms, as well as international best practices in the field of Human Rights. In summary, the Ethical Channel Procedure

appropriately clarifies and reinforces the guarantees and protection measures of the parties in the process, that is (i) utmost confidentiality; (ii) prohibition of reprisals, (iii) presumption of innocence and the preservation of the right to honour of the accused; (iv) the parties' rights to be heard; and (v) the appropriate use of the personal data processed.

Through the modification of the Procedure, its name has also been changed from the former "Whistle blowing Channel" to that of the "Ethical Channel".

All the information regarding the Committee of Ethics and the Ethical Channel is available on our intranet and on our corporate website (www.inditex.com), under the new *Compliance* tab, which provides direct access to this channel.

In light of the conclusions reached following the appropriate investigations, and once the party has been heard, the Committee of Ethics adopts one or several of the following measures:

- The immediate correction of the breach and the adoption of applicable reparation and prevention measures regarding future breaches;
- The pertaining disciplinary measures (which may range from a simple warning or a caution to dismissal); and/or
- The closing of proceedings, in the event of absence of any breach whatsoever.

The decisions of the Committee of Ethics are binding for the Inditex Group and for the employees.

During 2019, the Committee of Ethics has processed a total of 310 cases (302 cases in 2018), and following the appropriate investigations, no proof of violations of Human Rights have been observed, either regarding Inditex employees or regarding its suppliers of goods and services.

Our Company also makes the Ethics Line available for Group employees and third parties in the United States and Puerto Rico, as an additional channel for reporting possible breaches of the Code of Conduct and Responsible Practices and other Inditex conduct regulations. Moreover, during the reference reporting period, the Ethics Line has been implemented and put into practice in Canada. Based on local best practices, the management and administration of this channel has been entrusted to an external supplier. It can be accessed by telephone and via the website, and is available 24/7.

During 2019, the Ethics Line has handled a total of 76 cases (64 concerning the US and 12 concerning Canada).

9.4. Cases regarding corruption, fraud and bribery

During 2019 and 2018, the Group has not been aware, either through its Committee of Ethics or through other means, of the processing of legal proceedings concerning corruption or bribery that affect the Company.

9.5. Contributions to foundations and non-profit organisations

With regard to the statutory provision according to which the Company should report about the "contributions to foundations and non-profit organisations", besides what has been disclosed in section 8 of this document regarding our corporate community investment, Inditex is a member of the following associations: *Emisores Españoles*, European Retail Round Table, European Branded Clothing Alliance, European Round Table of Industrialists and EuroCommerce. During 2019 and 2018, contributions to all such associations have consisted of the annual membership fees, the amount of which is not significant.

10. TAX INFORMATION



Related material topics: *Transparency and tax contribution; socioeconomic impact on society.*

Pursuant to the principles set out in the Tax Policy and the Tax Strategy, approved by the Board of Directors in the meeting held on 9 December 2015, Inditex fulfils tax obligations applicable in the markets where it conducts business.

Such principles materialise in an unwavering commitment to contributing to the economic and social development of the different markets where Inditex is present. In this regard, taxes paid are key to the above referred contribution, helping the communities where the Group operates rendering valuable public services and building infrastructures to drive economic growth.

From a tax perspective, this commitment materialises upon fulfilling tax obligations resulting from the business activity, in accordance with applicable local, EU and international regulations (Treaties and Conventions, OECD Guidelines, etc.) pursuant to tax best practices and in line with sustainability and corporate social responsibility principles set by the Group.

The Inditex Group is based upon a vertical organisation and takes part at all stages of the value chain of the textile industry (design, production, procurement, distribution and sale). Since all such activities are carried out in different territories, the part of profit created in the value chain attributed to each territory needs to be determined. Profit attribution is done pursuant to the arm's length principle, in accordance with local regulations and OECD Transfer Pricing Guidelines.

Below is a breakdown of the contribution to profit before taxes by market for 2019 y 2018 (€ million):

Contribution to Profit Before Taxes*

Markets	2019	2018
Americas	359	294
Brazil	63	74
Canada	27	17
United States	84	50
Mexico	146	116
Others	39	37
Asia & Rest	635	546
Australia	13	11
China	375	364
South Korea	57	24
Japan	83	56
Others	107	91
Spain	1,805	1,650
Spain	1,805	1,650
Europe	1,742	1,432
Germany	51	14
Belgium	26	83
France	101	139
Greece	41	31
Netherlands	328	274
Hungary	11	12
Italy	93	83
Kazakhstan	22	15
Poland	44	38
Portugal	77	63
United Kingdom	78	34
Romania	67	67
Russia	229	154
Switzerland	307	257
Ukraine	54	28
Others	213	140
Consolidation	140	506
Consolidation	140	506
PBT Consolidation	4,681	4,428

*Contribution to profit before taxes: the contribution to profit before taxes is the result of applying the International Financial Reporting Standards (IFRS) including the application of the new leases standard IFRS 16 and excluding the result of the dividend distribution of other Group subsidiaries, capital gains from intragroup share sales, as well as the provisions for investment valuation in Group subsidiaries. Additionally, the contribution to the profit before taxes does not show the profitability of the Group in each market inasmuch as it is conditioned by "headquarters effect" and the compliance with international transfer pricing standards (OECD Guidelines) that allocates to certain markets the contribution related to the development of the design, supply, logistics and distribution functions.

Likewise, the Group undertakes not to use structures of shady nature for tax purposes, putting shell companies located in territories considered as tax havens or uncooperative territories by the Spanish tax authorities. In this regard, the incorporation of companies located in territories considered as tax havens will be limited to situations where it is absolutely indispensable for the development of the Group's typical business, such as the companies which operate the stores located in Macau SAR and Monaco.

To achieve such objectives, the Group maintains relationships with the local tax authorities in the territories where it operates based on principles of good faith, collaboration and mutual trust, and tries to avoid tax disputes by applying preferential interpretation criteria on the tax regulations set by the authorities or courts of law.

Furthermore, the Inditex Group is 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 development.

The Group's corporate income tax generated from the business conducted in the markets where it operates is shown below (€ million):

Corporate Income Tax		
Markets	2019	2018
Americas	120	93
Brazil	14	18
Canada	6	5
United States	41	20
Mexico	42	38
Others	17	12
Asia & Rest	118	115
Australia	4	3
China	56	71
South Korea	14	6
Japan	28	21
Others	16	14
Spain	372	360
Spain	372	360
Europe	397	387
Germany	12	5
Belgium	6	24
France	30	52
Greece	10	12
Netherlands	127	101
Hungary	1	1
Italy	21	25
Kazakhstan	5	4
Poland	14	12
Portugal	16	14
United Kingdom	15	7
Romania	9	10
Russia	41	34
Switzerland	58	60
Ukraine	10	5
Others	22	21
Consolidation	116	110
Consolidation	116	110
Corporate Income Tax	1,123	1,065

The total tax contribution paid amounted to 6,749 million euros, of which 3,040 million euros are direct taxes, among which we highlight corporate income tax, custom duties, property tax and social security payments supported by the Company; and 3,709 million euros as collected taxes, including income tax withholdings for employees and shareholders, social security payments supported by the employee and taxes on the production and consumptions of good and services, in accordance with PWC's Total Tax Contribution method.

Below is a breakdown of direct taxes paid during 2019 and 2018 (in € million):

Markets	Own Taxes	
	2019	2018
Americas	623	489
Brazil	108	100
Canada	53	43
United States	213	151
Mexico	194	136
Others	55	59
Asia & Rest	331	345
Australia	12	10
China	138	173
South Korea	32	27
Japan	66	64
Others	83	71
Spain	1,049	928
Spain	1,049	928
Europe	1,037	1,002
Germany	32	33
Belgium	18	35
France	190	229
Greece	31	23
Netherlands	166	108
Hungary	4	4
Italy	75	82
Kazakhstan	14	14
Poland	22	11
Portugal	29	46
United Kingdom	65	72
Romania	10	13
Russia	109	96
Switzerland	94	70
Ukraine	18	16
Others	160	150
Total	3,040	2,764

Likewise, here is the list of collected taxes paid during 2019 y 2018 (in € million):

Markets	Taxes Collected	
	2019	2018
Americas	320	271
Brazil	84	79
Canada	35	33
United States	129	107
Mexico	52	35
Others	20	17
Asia & Rest	185	184
Australia	25	21
China	96	109
South Korea	12	12
Japan	34	28
Others	18	14
Spain	825	764
Spain	825	764
Europe	2,379	2,183
Germany	228	201
Belgium	99	97
France	347	324
Greece	135	124
Netherlands	85	86
Hungary	35	31
Italy	384	356
Kazakhstan	4	3
Poland	111	98
Portugal	203	191
United Kingdom	132	129
Romania	78	73
Russia	191	164
Switzerland	17	15
Ukraine	15	9
Others	315	282
Total	3,709	3,402

Lastly, during 2019, taking into account all of the markets in which Inditex operates, our Company has received 0.4 million euros by way of public grants (0.7 million euros in 2018).

11. MEMBERSHIP OF ASSOCIATIONS AND EXTERNAL ACTIVITIES



Related material topics: *relationship with stakeholders.*

The main initiatives, agreements and codes entered into by Inditex are as follows (some are described in greater detail in this statement):

- *Global Framework Agreement with UNI Global Union.* It encourages respect and promotion of fundamental rights and decent work within the retail and distribution network. Date of endorsement: 2 October 2009.
- *Fashion Pact.* Agreement among companies in the fashion sector to set specific goals to handle the challenges of the industry in terms of fighting climate change, caring for oceans and conservation of biodiversity. Date of endorsement: 23 August 2019.
- *Global Fashion Agenda* (<https://globalfashionagenda.com/>). Promotes a series of commitments for advancing towards a circular economy by 2020, known as the *GFA 2020 Commitments*. Date of endorsement of the GFA 2020 Commitments: 11 May 2017.
- *The United Nations Global Compact.* A United Nations initiative that encourages social dialogue between companies and civil society. Date of endorsement: 31 October 2001.
- *Ethical Trading Initiative (ETI).* A dialogue platform to improve working conditions of workers of the distribution sector in developing countries. It is an alliance of companies, international trade unions, and non-governmental organisations. Date of endorsement: 17 October 2005.
- *Global Framework Agreement with IndustriALL Global Union (formerly, ITGLWF).* To promote fundamental Human and labour rights across our supply chain, including the definition of mechanisms of joint action within the supply chain to implement the CCMS. Date of endorsement: 4 October 2007. Inditex and IndustriALL executed on 4 May 2012 the "Protocol to specify the role of trade unions in the enforcement of the International Framework Agreement within Inditex's supply chain". On 8 July 2014, the Framework Agreement was renewed by both parties at ILO headquarters in Geneva (Switzerland). A new Agreement was executed on 25 April 2016 between Inditex and IndustriALL Global Union, that introduces the concept of "union experts" to enforce the Global Framework Agreement. On 13 November 2019 the Agreement was renewed with the creation of a Global Committee.
- *Zero Discharge of Hazardous Chemicals.* Commitment to the restriction and elimination of certain chemicals in the product manufacturing process. Date of endorsement: 27 November 2012.
- *ILO's Better Work Programme.* Platform to improve compliance with labour regulations and competitiveness of supply chains on a global scale. Date of endorsement: October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work programme.
- *The CEO Water Mandate.* A United Nations initiative to support companies in the development, implementation and disclosure of their water-related strategies and policies. Date of endorsement: 30 June 2011.

- *Sustainable Apparel Coalition*. An initiative of the textile sector to set in train a joint sustainable index to assess the environmental performance of their suppliers during the production process. Date of endorsement: 20 October 2011.
- *Textile Exchange*. A Platform to promote the growing of organic cotton, and global sustainability within the textile sector. Date of endorsement: 8 September 2010.
- *Better Cotton Initiative*. An initiative that develops and promotes best practices in the traditional growing of cotton to benefit the farmers and the environment, and to ensure the future of the sector. Date of endorsement: 1 July 2011.
- *Code of Good Tax Practices*. It encourages a mutually cooperative relationship between the [Spanish] Tax Administration Authority and the companies. Date of endorsement: 21 September 2010.
- Cooperation Agreement between the Spanish Ministry of Health and Consumption and the fashion sector in Spain. Date: 23 January 2007. It promotes the defence and encouragement of the rights of Spanish customers in the world of fashion, namely as regards creating and encouraging a healthy-looking appearance.
- *Cotton Campaign*. This is an initiative led by companies and organisations of the third sector to improve working conditions and defend Human Rights with regard to the production and supply of cotton. Date of endorsement: 26 October 2012.
- *Accord on Fire and Building Safety in Bangladesh* dated 13 May 2013. This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in Bangladesh. This agreement was renewed in June 2018.
- *Fur Free Alliance*. This is an international coalition of animal protection organisations working to bring an end to the exploitation and killing of animals for their fur. Date of endorsement: 1 January 2014.
- *Sustainable Fibre Alliance*. International non-profit organisation working with cashmere supply chains, from shepherds to retailers. Its purpose is to promote a global sustainability standard in cashmere production so as to preserve and restore pastureland, ensure animal welfare and guarantee livelihood. Year of endorsement: 2019.
- *Bangladesh Water PaCT (Partnership for Cleaner Textile)*. An initiative that seeks to foster changes within the textile sector in Bangladesh by improving the so-called wet processes (dyeing, washing, printing and other finishes) from an environmental perspective, thus contributing to the competitiveness of the sector in the long run. Date of endorsement: 20 June 2013.
- *ACT (Action, Collaboration, Transformation)*. This is a cooperation initiative of international brands & retailers, manufacturers and trade unions to address the issue of living wages in the textile and garment supply chain. In the development thereof, a Memorandum of Understanding was subscribed by ACT's brands and IndustriALL Global Union to establish within the supply chains the principles of freedom of association, collective bargaining and living wages. Date of endorsement: 13 March 2015.
- *CanopyStyle Initiative*. This is a commitment to protecting HCV primary forests, and namely, to ensuring that from 2017 on, no cellulose originating in this type of forests will be used in man-made fibres (viscose, modal, lyocell). Year of endorsement: 2014.
- *Organic Cotton Accelerator (OCA Foundation)*. This initiative seeks the commitment to help develop a responsible and healthy market of organic cotton for all parties involved. Year of endorsement: 2016.

- International Labour Organization (ILO). On 11 May 2017, Inditex and the ILO entered into a PPP (Public Private Partnership) aimed at promoting respect for the fundamental principles and rights at work in the cotton sector.
- LBG. Methodology to measure business contributions to the community. Upwards of 200 global and mid-size companies from 15 sectors worldwide currently form part of the LBG network. Year of endorsement: 2012.
- *ClosingGap*. Platform made up of eleven large companies with the goal of quantifying the economic impact of gender gap. To achieve this, companies review every two months existing gaps in the field of health, pensions, digital environment, work-family balance and co-responsibility, leisure, tourism, consumption or mobility. Within the scope of this initiative, Inditex will issue a report on the gender gap in education.
- *Open for Business*. Coalition of leading global companies dedicated to LGBT+ inclusion and the rights of the LGBT+ community (lesbian, gay, bisexual and transgender) to prove that inclusive societies are better for business and that companies that promote LGBT+ inclusion are more dynamic, productive and innovative.
- *Better Than Cash Alliance*. Based in the UN, this is an alliance of governments, companies and large international organisations that seek to globally promote the transition from cash to digital payments. Inditex participation is focused on achieving digitalisation and financial education across its supply chain. Year of endorsement: 2018.
- *Tent Partnership for Refugees*. Founded by Tent Foundation, a non-profit organisation, this is a global network of more than 100 companies that seeks to mobilise the private sector to create partnerships to improve the lives of refugees.
- *Fashion Industry Charter for Climate Action*. This Charter was subscribed with the United Nations Climate Change Office, and is aligned with the goals of the Paris Agreement. It establishes an initial target of 30% GHG emission reductions by 2030.
- *New Plastics Economy*. Commitment undertaken with the Ellen MacArthur Foundation to establish a circular economy for plastic and prevent that it becomes waste, on account of not being reused or recycled.

12. INDITEX CORPORATE RECOGNITIONS

During 2019, the main recognitions we have received at Inditex have been:

- *Dow Jones Sustainability Index*. Inditex continues to be one of the most sustainable retail companies, according to the Dow Jones Sustainability Index, with a result of 68 points out of 100, 40 points above the average score for the sector (68 points out of 100 in 2018).
- *FTSE4Good*. The *FTSE4Good* sustainability index granted Inditex in 2019 a score of 4.9 out of 5 (4.3 out of 5 in 2018). This sustainability stock index includes the companies worldwide with the strongest sustainability commitment, taking into account their environmental, social and corporate governance practices.
- CDP (formerly known as the *Carbon Disclosure Project*) continues to recognise the ambition and good performance of the Group in matters of climate change, maintaining *Leadership* category and granting the Group a rating of A-.
- For the second year running, Inditex is included in the global ranking *Global 100 Most Sustainable Corporations*, from *Corporate Knights*, which evaluates economic,

environmental, social and governance indicators of 7,395 global companies. Inditex ranks 94th in the general list and second in the fashion industry.

- The report *The Dirty Fashion Disrupted: Leaders and Laggards Revealed* prepared by the *Changing Markets Foundation*, places Inditex, for the second year in a row, as a frontrunner in the retail industry “for its clear encouragement of production and sale of responsible viscose”. This report has evaluated efforts made in terms of transparency, sustainability and environmental impact in the production and sale of viscose and other cellulose fibres in 91 textile companies all over the world, as well as their main suppliers.
- *Greenpeace* recognises our commitment to Zero Discharge, placing us within the leadership category of the Detox *Catwalk*, which is the way the organisation measures compliance by textile brands with its Detox Plan 2020.
- In 2019, Inditex achieved first place in the ranking of Best Reputed Companies in Spain for the eighth year running and has kept at the top of the Merco Responsibility and Corporate Governance ranking, with third place on a national level and first in the fashion sector. In its edition of Merco Personas, Inditex consolidates its position as the “Best Company to work for in Spain” for the ninth year in a row.
- The Company is included in the *Forbes Global 2000* list for the fifth consecutive year. For this ranking Forbes selects 2,000 private companies based on a combination of four indicators: sales, utilities, assets and market value.
- *Universum Most Attractive Employers* identifies the 100 best companies to work for based on polls made of university students. Inditex has managed to maintain its third place in the category of business administration students, which it also obtained in 2015, 2016 and 2017.
- Inditex once again appears in Deloitte’s *Global Powers of Retailing* report. In this edition the Company has achieved the 33rd position (35th in 2018).
- In addition, the chairman of Inditex, Mr Pablo Isla, has been chosen by Forbes as the best chief executive officer of the decade for, among other reasons, establishing sustainability as the main benchmark of its activity.

13. ABOUT THIS REPORT

The Social Advisory Board (the Group’s advisory body on sustainability matters, composed of independent external members) gave a favourable report to this Statement on non-financial information.

Act 11/2018 of 28 December, which entered into force in December 2018, amends the Code of Commerce, the revised text of the Companies Act approved by Royal Legislative Decree 1/2010, of 2 July and Act 22/2015, of 20 July on Statutory Audit, as regards non-financial information and diversity (hereinafter, Act 11/2018), which supersedes Royal Decree Law 18/2017, of 24 November which transposed into Spanish law Directive 2014/95/EU of the European Parliament and of the Council, regarding disclosure of non-financial information and information on diversity.

Pursuant to the provisions of said Act 11/2018, certain companies, including Inditex, must draft a statement on non-financial information that must be a part of the management report, or of a separate report for the same financial year, including the same contents and fulfilling all requirements, and covering, among others: the necessary information to understand the evolution, results and situation of the Group and the impact of its activities in respect of environmental and social issues, respect for Human Rights and the fight against corruption and bribery, as well as questions regarding the workforce, being compelled to include, if any, such measures taken by the company to promote equal treatment and equal opportunities between women and men, non-discrimination and inclusion of disabled people, and universal accessibility.

In this context, Inditex has included this Statement on non-financial information and made it a part of the Consolidated Management Report. The scope of the reported information includes all the companies over which Inditex has control or joint control (contained in Annex I of the financial statements), with no significant variations in comparison with that of 2018.

To prepare this statement, Inditex has followed the principles and directions included in the *Global Reporting Initiative* (GRI) standards, the international reporting framework addressed in section 49.6(e) of the Code of Commerce, as amended by abovementioned Law 11/2018.

The Company has followed the directions provided in “GRI 101: Foundations 2016” standard, upon determining the contents to include in this report and how to report on them. This standard covers the essential reporting principles to draft sustainability reports. One of these principles is materiality, which has been implemented by Inditex through a materiality analysis carried out with its stakeholders, which has resulted in the Materiality Matrix addressed in section 2 above.

Thus, and based upon GRI principles, this report addresses the issues which reflect significant economic, environmental and social impacts of the Company which may affect in a substantial manner the assessment process and the decision making of its stakeholders. Both these issues, as well as any other not covered herein, shall be included in the 2019 Annual Report to be published by Inditex in July of this year.

The information disclosed in this Statement on non-financial information has been subject to the independent review of Deloitte. The scope and results of such independent review are described in the Review Report attached hereto.

This report has been reviewed in accordance with the revised International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Review of Historical Financial Information, and with Guideline no. 47 on attestation engagements of the Statement on Non-financial Information issued by the *Instituto de Censores Jurados de Cuentas* [Institute of Certified Public Accountants] of Spain.

14. INDEX OF THE CONTENTS REQUIRED BY LAW 11/2018, OF 28 DECEMBER

Information required by Law 11/2018	Materiality	Page in SNFI containing reply	Reporting criteria: selected GRI (Version 2016 unless otherwise indicated)
General Information			
Business model	Material	8-9	GRI 102-2
Markets in which it operates	Material	4-5, 8-9	GRI 102-4 GRI 102-6
Goals and strategies of the organisation	Material	4-5; 8-10; 21-22; 34-35; 40-42	GRI 102-14
Main factors and trends that may affect its future performance	Material	8-9	GRI 102-15
Reporting framework used	Material	7; 99-100	GRI 102-54
Materiality principle	Material	5-7	GRI 102-46 GRI 102-47
Environmental issues			

Information required by Law 11/2018	Materiality	Page in SNFI containing reply	Reporting criteria: selected GRI (Version 2016 unless otherwise indicated)
Management approach	Material	9-11; 36	GRI 102-15 GRI 103-2
General detailed information			
Current and foreseeable effects of the company's activities on the environment and, as the case may be, on health and safety	Material	36	GRI 102-15
Environmental assessment or certification procedures	Material	36; 39-40	GRI 102-11 GRI 102-29
Resources dedicated to environmental risk prevention	Material	36	GRI 103-2 GRI 102-29
Application of the precautionary principle	Material	36	GRI 102-11
Amount of provisions and guarantees for environmental risks	Material	36	GRI 103-2 GRI 307-1
Pollution			
Measures to prevent, mitigate or repair emissions which severely affect the environment; taking into account any form of atmospheric pollution specific to an activity, including noise and light pollution	Material	37-43	GRI 103-2 GRI 302-4 GRI 305-5
Circular economy and waste prevention and management			
Prevention, recycling, reuse, other forms of recovery and disposal of waste and actions to fight food waste	Material	9-10; 11-14; 31-35	GRI 103-2 GRI 301-3 GRI 306-1 GRI 306-2
Sustainable use of resources			
Water consumption and supply in accordance with local limitations	Material	25-26, 36-37	GRI 303-1 GRI 303-2
Consumption of raw materials and measures implemented to improve usage efficiency	Material	9-16	GRI 301-1 GRI 301-2 AF20
Direct and indirect energy consumption	Material	37-43	GRI 302-1 GRI 302-2 GRI 302-4
Measures taken to improve energy efficiency	Material	37-43	GRI 103-2 GRI 302-4
Use of renewable energies	Material	37-43	GRI 302-1 AF21
Climate change			
Greenhouse gas emissions	Material	37-43	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-5

Information required by Law 11/2018	Materiality	Page in SNFI containing reply	Reporting criteria: selected GRI (Version 2016 unless otherwise indicated)
Measures to adapt to climate change	Material	36-43	GRI 201-2 GRI 305-5
Reduction goals voluntarily set in the medium to long term to reduce greenhouse gas emissions and means implemented to this end	Material	36-43	GRI 103-2 GRI 305-5
Protection of biodiversity			
Measures taken to preserve or restore biodiversity	Material	14-15; 36-38	GRI 304-3
Impacts caused by the activities or operations in protected areas	Material	36	GRI 304-2
Social and staff-related issues			
Management approach	Material	21-22; 44-70	GRI 102-15 GRI 103-2
Employment			
Total number and distribution of employees by country, sex, age and job classification	Material	45-47	GRI 102-8 GRI 405-1
Distribution of employment contract modalities and annual average by sex, age and job classification	Material	51-52	GRI 102-8
Number of dismissals by sex, age and job classification	Material	53	GRI 401-1
Average remuneration by sex, age and job classification	Material	66-67	GRI 405-2
Wage gap	Material	66	GRI 405-2
Average remuneration of directors and senior managers broken down by sex	Material	67-69	GRI 405-2
Implementation of policies of disconnection in the workplace	Material	51	GRI 103-2
Employees with disabilities	Material	49-50	GRI 405-1
Work organisation			
Organisation of working time	Material	57	GRI 103-2
Number of hours of absenteeism	Material	65	GRI 403-2
Measures to promote work-family balance	Material	51	GRI 401-3
Health and safety			
Conditions of health and safety at work	Material	58-65	GRI 103-2
Accident rate and occupational disease indicators by sex	Material	62-65	GRI 403-2
Social relations			
Organisation of social dialogue	Material	55-57	GRI 103-2 GRI 102-43
Percentage of employees adhered to a collective bargaining agreement by country	Material	56-57	GRI 102-41

Information required by Law 11/2018	Materiality	Page in SNFI containing reply	Reporting criteria: selected GRI (Version 2016 unless otherwise indicated)
Balance of collective bargaining agreements, particularly regarding occupational health and safety	Material	56-57	GRI 403-4
Training			
Training policies implemented	Material	53-55; 85-86	GRI 103-2 GRI 404-2
Total hours of training by job category	Material	55	GRI 404-1
Universal accessibility for people with disabilities			
Equality			
Measures in place to promote equal treatment and equal opportunities for men and women	Material	48-51	GRI 103-2
Equality plans	Material	48-50	GRI 103-2
Policy against all types of discrimination	Material	48-50	GRI 103-2
Respect for Human Rights			
Management approach			
Management approach	Material	42-43	GRI 103-2
Application of due diligence procedures			
Application of due diligence procedures in Human Rights and prevention of Human Rights violations and, as the case may be, measures designed to mitigate, manage and repair any possible abuses committed	Material	42-43; 80-89	GRI 102-16 GRI 102-17 GRI 412-2 AF16, AF18
Complaints regarding Human Rights violations	Material	89	GRI 102-17 AF12, AF13, AF14, AF16
Promotion and compliance with the provisions of ILO fundamental agreements	Material	18-19; 22-24; 55-57; 96-98	GRI 407-1 GRI 408-1 GRI 409-1
Fighting corruption and bribery			
Management approach			
Management approach	Material	81-90	GRI 102-15 GRI 103-2
Measures adopted to prevent corruption and bribery	Material	81-90	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2 GRI 205-3
Measures to prevent money laundering	Material	81-90	GRI 103-2 GRI 102-16 GRI 102-17
Contributions to non-profit organisations and foundations	Material	72-81; 90	GRI 102-13 GRI 201-1
Information on the Company			

Information required by Law 11/2018	Materiality	Page in SNFI containing reply	Reporting criteria: selected GRI (Version 2016 unless otherwise indicated)
Management approach	Material	9-10; 17-19; 70-71; 71-76; 90-95; 96-98	GRI 103-2
Company sustainable development commitments			
Impact of company activity on employment and local development	Material	71-80	GRI 103-2 GRI 203-2 GRI 204-1 AF7
Impact of company activity on local populations and in the territory	Material	71-80	GRI 103-2 GRI 413-1 GRI 413-2
Relations with representatives of local communities and types of dialogue with them	Material	71-80	GRI 102-43
Association and sponsorship actions	Material	71-80; 96-98	GRI 102-13
Subcontracting and suppliers			
Inclusion of social, gender equality and environmental issues in the procurement policy	Material	17-26	GRI 308-1 GRI 414-1 AF6, AF7
Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	Material	17-26	GRI 102-9 GRI 308-1 GRI 414-1
Monitoring systems and audits and results thereof	Material	17-21	GRI 102-9 GRI 308-2 GRI 414-2 AF2, AF3, AF8, AF12, AF13, AF14, AF16
Consumers			
Measures for health and safety of consumers	Material	27-31; 70-71	GRI 416-1 GRI 416-2 GRI 417-1
Complaint systems, complaints received and resolution thereof	Material	31; 70	GRI 103-2
Tax information			
Profits obtained country by country	Material	90-95	GRI 207-4 (Version 2019)
Taxes earned on profits paid	Material	91-93	GRI 207-4 (Version 2019)
Taxes earned on profits paid	Material	94-96	GRI 201-4
Public grants received	Material	96	GRI 201-4

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT

To the Shareholders of Industria de Diseño Textil, S.A.,

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the Consolidated Non-Financial Information Statement ("NFIS") for the year ended 31 January 2020 ("2019") of Industria de Diseño Textil, S.A. ("Inditex") and Subsidiaries ("the Group"), which forms part of the accompanying Consolidated Directors' Report.

The Consolidated Directors' Report includes information, additional to that required by current Spanish corporate legislation, relating to non-financial reporting that was not the subject matter of our verification. In this regard, our work was limited solely to the verification of the information identified in Section 14 "Index of the contents required by Law 11/2018, of 28 December" included in the accompanying Consolidated Directors' Report.

Responsibilities of the Directors and Management

The preparation and content of the NFIS included in the Group's Consolidated Directors' Report are the responsibility of the Board of Directors of Inditex. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in Section 14 of the aforementioned Consolidated Directors' Report.

These responsibilities of the Directors and Management also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The Directors of Inditex are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) 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.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which refers exclusively to 2019. The NFIS for 2018 was reviewed by another assurance provider who issued a report without any reservations.

We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

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 and, consequently, the level of assurance provided is also lower.

Our work consisted in submitting inquiries to Management of Inditex and to the Management of various units of the Group that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and completeness of the contents included in the NFIS based on the materiality analysis performed by the Group and described in Section 2 "Materiality" of the NFIS, taking into account the contents required under current Spanish corporate legislation.
- Analysis of the processes used to compile and validate the data presented in the 2019 NFIS.
- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the NFIS.
- Verification, by means of sample-based tests, of the information relating to the contents included in the 2019 NFIS and the appropriate compilation thereof based on the data furnished by information sources.
- Obtainment of a representation letter from the Directors and Management.

Conclusion

Based on the procedures performed in our verification and on the evidence obtained, nothing has come to our attention that causes us to believe that the 2019 Consolidated Non-Financial Information Statement of Industria de Diseño Textil, S.A. and Subsidiaries was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in Section 14 of the aforementioned NFIS.

Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.

A handwritten signature in blue ink, appearing to read 'G. de la Fuente', is written over the printed name.

Germán de la Fuente

17 March 2020