

# ANNUAL REPORT

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2015

*Inditex's sustained growth is driven by a team of over 150,000 people worldwide who know that the Group's progress has to go hand in hand with social progress and environmental sustainability*







Over 150,000 creative people, who also successfully work in team, are part of Inditex.



Zara employee at the store in Oxford Street, London.



Massimo Dutti employees at the brand's head office in Tordera (Barcelona).

# Main indicators

## Turnover (in millions of euros)

	2015	2014
Net sales	20,900	18,117

## Results (in millions of euros)

	2015	2014
Operating profit (EBITDA)	4,699	4,103
Operating profit (EBIT)	3,677	3,198
Net profit	2,882	2,510
Net profit attributable to the parent company	2,875	2,501

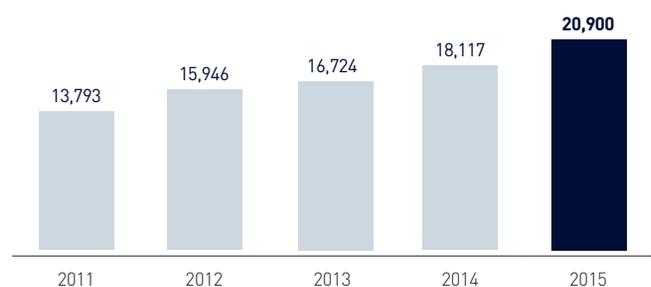
## Financial and management ratios

	2015	2014
Return on equity (ROE)	26%	25%
Return On Capital Employed (ROCE)	34%	33%

## Other relevant information

	2015	2014
Number of stores	7,013	6,683
Net openings	330	343
Number of markets with commercial presence	88	88
Number of markets with an online store	29	27
Number of employees	152,854	137,054
Percentage of women/men	76% / 24%	78% / 22%
Relative energy consumption (MJ/garment)	5.56	6.24
Investment in social programmes (in millions of euros)	35	25
Number of suppliers with purchases	1,725	1,625

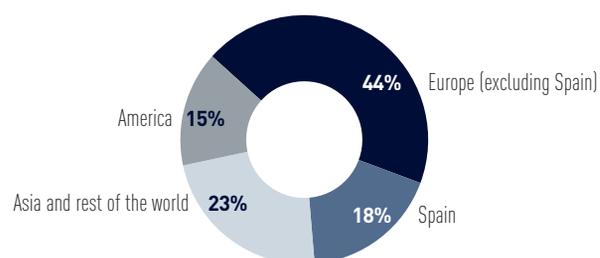
## Sales (in millions of euros)



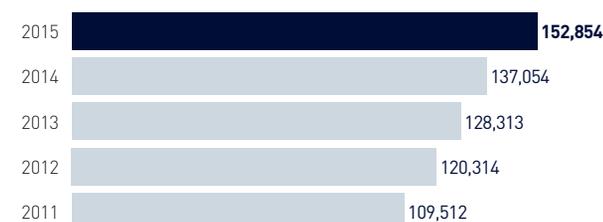
## Net income (in millions of euros)



## Sales by geographical area



## Number of employees





Meeting at Oysho head office in Tordera (Barcelona).

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### About this report

Our Annual Report has been conceived as an Integrated Report, in order to inform our stakeholders of how Inditex creates value in the short, mid and long-term. With the aim of conveying this information in a transparent, truthful, relevant and detailed way, we include the best practices in reporting and complement this information in our corporate webpage: [www.inditex.com](http://www.inditex.com)

This Annual Report has been drafted based on the principles of the United Nations Global Compact and the guidelines and principles of the G4 Global Reporting Initiative and the International Framework as well as those principles standards included in AA1000 APS (2008) norm for Accountability. According to these criteria, the report presents all the issues that have an economic, social and environmental impact relevant to Inditex, since they can substantially influence the evaluation and decision making of stakeholders. These issues are identified and evaluated from a materiality process that involves the main stakeholders.

→ For further information see Materiality matrix, page 161.

### International reporting initiatives subscribe by Inditex

#### Global Reporting Initiative

- The 2015 Annual Report is published in accordance with the guidelines set out in the new G4 Guide (Exhaustive option).
- Inditex is member of the Gold Community.
- Inditex has adhered to its criteria since 2002.





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### Integrated Reporting

- In line with the principles established in the Framework, Inditex's 2015 Annual Report is presented as an integrated report.
- Member of the Integrated Reporting Pilot Programme of the International Integrated Reporting Council (IIRC).

### The Global Compact

- The Communication on Progress for this Annual Report is included in the GRI index.
- Member of the Business Network of the International Integrated Reporting Council (IIRC).
- Participant in the United Nations Global Compact since 2001.

→ For further information see page 296

### External verification

Inditex's Annual Report has been verified by SGS ICS Ibérica, SA, in accordance with ISO 19011 and in line with the principles established in the G4 Guide to Sustainability Reporting of the Global Reporting Initiative, the principles established in the International Integrated Reporting Framework, and AA1000 Accountability Principles Standard 2008 (AA1000APS). Equally, a selection of relevant indicators was reviewed by KPMG Asesores in accordance with standard ISAE 3000. This selection of indicators was produced based on Inditex's annual materiality analysis, carried out in conjunction with stakeholders. The results of this verification demonstrate that the application level (In Accordance – Exhaustive) declared for the GRI Guide (G4) is appropriate.

→ For further information see pages 292-295





year  
review

# Letter from the Chairman

Dear friends,

Inditex's 2015 results demonstrate the strength of our business model which focuses on offering products that our customers want. Our sales and net profit increased by 15%, with growth across all geographic regions. Comparable store sales – stores opened for more than two years – rose by 8.5%, and we created 15,800 new jobs. In light of these numbers, I commend the efforts of every individual at Inditex, as well as the Group's continued innovation and commitment to ensuring that we create social value alongside economic growth.

Inditex's sustained growth is driven by a team of over 150,000 people worldwide who are committed to the principle that all our activities at the Group, be it teamwork, innovation or management, are conducted hand-in-hand with social progress and environmental sustainability. This principle stems from the firm conviction that people, and respect for their dignity and integrity, should be our top priority.

This conviction is behind our company's commitment to create stable and quality jobs. The Group's global growth led to the creation of 15,800 new jobs in 2015, 4,120 of which were in Spain, where the company's headquarters, logistics facilities and design centres have become a hub of world-class creative, business and industrial talent. These operational centres, combined with our global footprint, encapsulate the Group's diversity, with a corporate culture that is synonymous with a high level of self-discipline,

teamwork, an entrepreneurial spirit and a commitment to do business responsibly.

This commitment to social progress and the endeavour for environmental sustainability forms the ethical principles held by all of us at Inditex. Based on these principles, we have championed and shared pioneering sustainable practices throughout our

business operations, as well as with our partners and suppliers. More specifically, this year Inditex joined the effort to achieve the 17 Sustainable Development Goals (SDG) set by the United Nations in 2015 to combat climate change, poverty and inequality with concrete goals for 2030. We discuss our efforts to reach the goals and aspirations of this initiative in each chapter of our 2015 Annual Report.

Our commitment to the SDGs builds on our longstanding adherence to the United Nations Global Compact and its principles. It also compliments our

collaboration efforts with the International Labour Organization, as well as our active participation in organizations such as the Ethical Trading Initiative and the Sustainable Apparel Coalition and agreements with international union organizations such as Uni Global and IndustriALL.

Our collaboration since 2007 with the IndustriALL Global Union, which represents more than 50 million workers worldwide, is especially noteworthy. Recently, we significantly enhanced this collaboration through an agreement to establish

*“Inditex’s sustained growth is driven by a team of over 150,000 people worldwide who know that the Group’s progress has to go hand in hand with social progress and environmental sustainability”*



union representatives in each of the 11 production areas or clusters Inditex uses to organize the sustainability of its production chain. The results of all of these initiatives underscore our belief that progress is best achieved by working together with expert institutions and organizations.

This year also saw the conclusion of our 2011-2015 environmental strategy. Notable milestones included the application of advanced environmental sustainability procedures for wet processes, an active recycling policy in our business operations, increased sourcing of sustainable raw materials, and the implementation of eco-efficient stores, offices and logistics centres.

Building on these achievements, this year we launched our 2016-2020 environmental strategy, which incorporates new actions in our endeavour to close the loop at all stages of production – from the analysis and selection of raw materials to end-of-life recycling. A key project in this regard is further collaboration

with social enterprises globally to support the reuse or recycling of our customers' unwanted clothes at the same time as adding social value.

We remain committed to a high-quality supply chain made possible by our ethical principles as well as our investment in quality processes to ensure painstaking attention to every garment. Twenty eight laboratories worldwide ensure that the health and safety of our products measure up to the highest standards to deliver the quality fashion desired by our customers in the 88 markets in which we operate.

In 2015, Inditex invested €1.5bn in its operations which helped to support its world-class logistics and export activities. The Group now has its logistics platforms all equipped with cutting-edge technology. The knock-on effect of this investment has generated business throughout our supply chain. In Spain alone, we now work with 7,500 suppliers in all industries, generating approximately €4.5bn in revenues and indirectly supporting more than 50,000 jobs.

The Group's business, which fully integrates online and store operations, has also expanded as a result of this ongoing investment. During the course of 2015, Inditex opened a net 330 new stores in 56 markets, all of which meet

our eco-efficiency standards. We also remodelled various existing facilities to bring them up to the most demanding efficiency standards. As a result, 54% of our stores are now eco-efficient, and we have publicly set the goal of bringing all of them up to those standards by 2020.

I invite you to learn more about all of these topics in the pages that follow, which are a testament to the dedication and effort of the 150,000 strong team which forms Inditex. They are all proof of the company's enormous potential for growth and social progress. I would like to express my deep gratitude to these professionals for their hard work, and to our customers and shareholders, for continuing to place their trust in us.

**Pablo Isla**  
Chairman

# This year's highlights



**F**

## February

Zara Home arrives in Australia with a store at the Highpoint Shopping Centre in Melbourne. In December 2015, the brand's online store also opens in this market.

**M**

## March

Inditex receives the Responsible Supply Chain Management Award from the Dutch Association of Investors for Sustainable Development. Another highlight of this month is Inditex's action to guarantee decent wages for textile workers employed in the Group's supply chain.



**A**

## April

Pull&Bear launches its new store image at East Nanjing Road, the busiest shopping street in Shanghai; and Stradivarius opens its online store in China via the Tmall retail platform.



Inditex donates 1.2 million euros in humanitarian aid following the Nepal earthquake.

**J**

## June

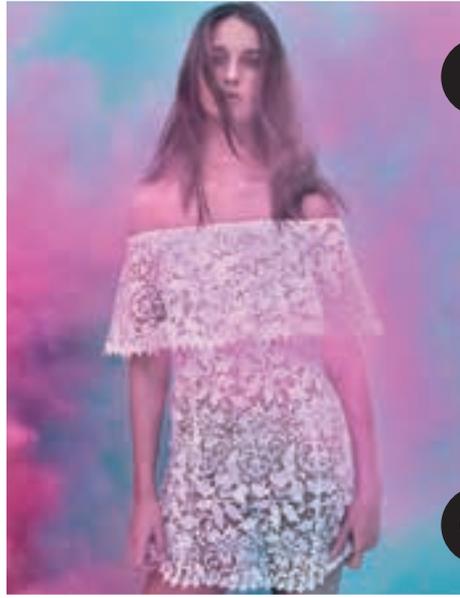
Inditex signs an agreement with Every Mother Counts to provide medical care to mothers with a low income in different regions of the world.



**J**

## July

Stradivarius announces the launch of its new line of menswear in 2017.



S

### September

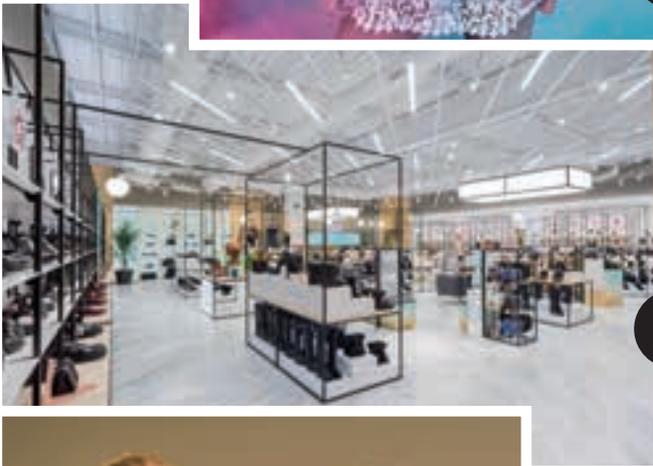
Zara begins online sales in Taiwan and Hong Kong. The Inditex Group closes 2015 with a commercial online presence in 29 markets.

Inditex presents a for&from store, employing people with disabilities, in Culleredo (A Coruña).

O

### October

The Chairman of Inditex, Pablo Isla, holds a meeting with China's Minister for Environmental Protection, Chen Ji Ning, presenting the Minister with the Sustainability Plan that the Group is introducing worldwide.



N

### November

Inditex renews its support for the work of Médecins Sans Frontières, with a contribution of 2.3 million euros to its medical and humanitarian projects and, in particular, aid for Syrian refugees.

Pull&Bear opens a new flagship store on calle Hermosilla in Madrid.



D

### December

Inditex donates 3.7 million euros to Water.org to improve access to drinking water and sanitation in developing areas.

E

### January

Inditex is awarded the silver class medal in the Sustainability Yearbook 2016 from the Dow Jones Sustainability Indices (DJSI) and achieves a score of 81/100, in comparison with the average of 37 points scored by companies in the sector.



# Commercial presence

The Inditex Group closed 2015 with a total of 7,013 stores in 88 markets and operated online stores in 29 markets. During this year, the Group counted with 330 net openings in 56 markets. The 7,000th store is a Zara store located in Honolulu (Hawaii, United States).

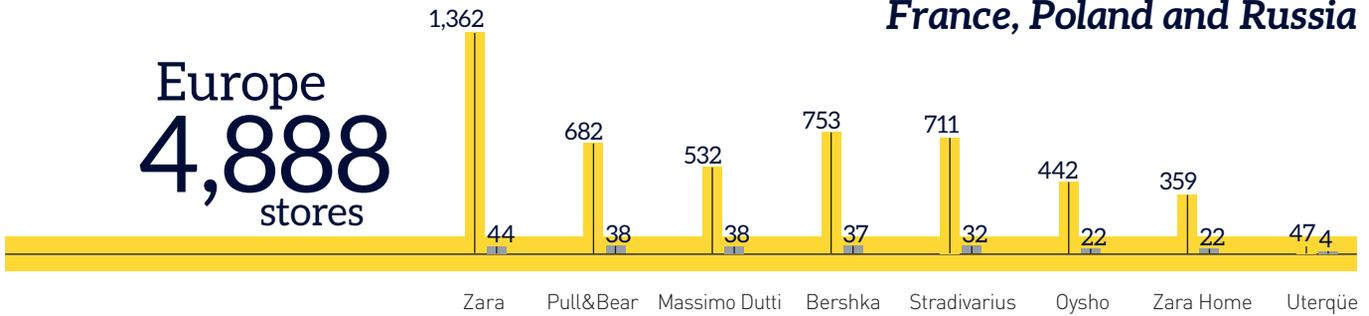
**7,013**  
stores

**88**  
markets

**29**  
online  
markets

stores  
markets

Europe saw **the highest number of net openings**, (148), with significant openings in markets such as **Italy, France, Poland and Russia**



stores  
markets

Significant progress in **online strategy** in this geographical area with the launch of online sales of Zara in **Taiwan, Hong Kong and Macao**, and Zara Home in **Australia**



stores  
markets

**The United States** was a key market in 2015, where **Zara** opened stores in symbolic locations in **New York, Los Angeles, San Diego and Las Vegas**



# Retail formats

Inditex's eight commercial formats -Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe- have increased their commercial presence with new openings and significant extended reopenings worldwide, completing this expansion with the integrated development of online sale platforms.



Uterqüe designers at the brand's head office in Tordera (Barcelona).



## ZARA

With 77 net openings, Zara is the brand with the most new stores, in a year in which the Inditex Group opened its landmark 7,000th store in Honolulu (Hawaii). Taiwan, Hong Kong and Macao joined the list of Zara online markets. A commitment to sustainability and improved customer service have been a constant focus this year, with projects such as the installation of clothing recycling containers at the brand's stores and the rollout of interactive changing rooms.

[www.zara.com](http://www.zara.com)

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**13,628** net sales (millions of euros)

**2,162** number of stores

**77** net openings

**88** markets

**27** online markets

New physical markets: —

New online launch: **Hong Kong, Macao and Taiwan**

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## PULL&BEAR

In 2015, Pull&Bear launched a line of wear targeted at urban sports enthusiasts, as well as a new collection inspired by the iconic backdrops of a Californian summer. This "Malibu" look is also the centrepiece of the brand's new commercial image, launched at its most important inaugurations in locations such as calle Hermosilla in Madrid (Spain), Shanghai (China) and Lausanne (Switzerland). During the course of the year, the company launched its online store in China and opened its new headquarters in Narón (A Coruña, Spain), at facilities awarded certifications for maximum energy efficiency.

[www.pullandbear.com](http://www.pullandbear.com)

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**1,417** net sales (millions of euros)

**936** number of stores

**38** net openings

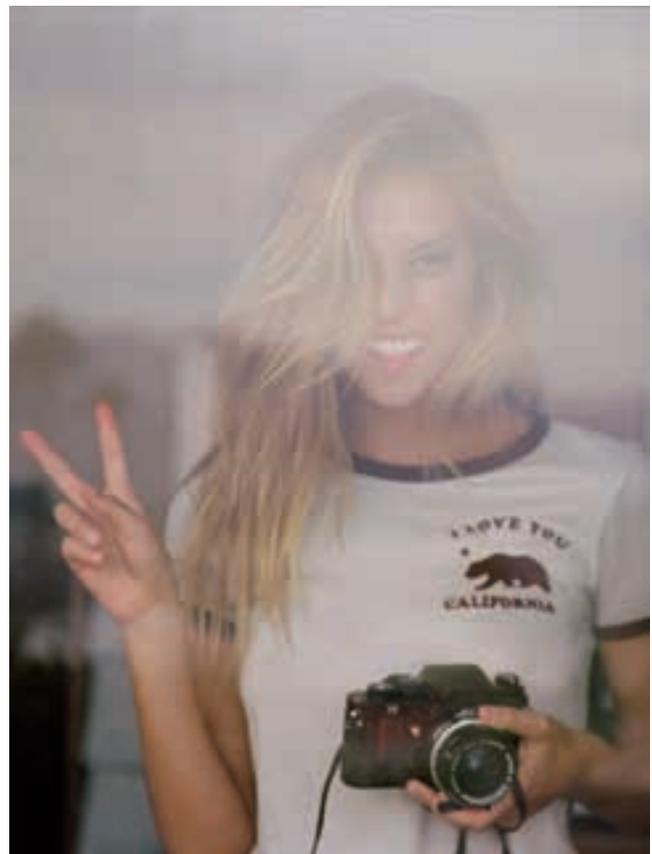
**68** markets

**21** online markets

New physical markets: **Sweden, Tunisia and Switzerland**

New online launch: **China** (operating on the Tmall platform since 2014)

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## Bershka

In 2015, Bershka gave its store image a new twist with the “Stage” concept, inspired by music, concerts and backstage atmosphere. The new aesthetics are industrial yet light-hearted and in line with the eco-efficiency parameters of the Inditex Group. The new look has been launched at numerous stores worldwide, including the first Bershka store in Taiwan, located in Taipei. During 2015, Bershka implemented a completely automated silo on its logistics platform that enables it to be more efficient in handling online orders.

[www.bershka.com](http://www.bershka.com)

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**1,875** net sales (millions of euros)

**1,044** number of stores

**38** net openings

**70** markets

**17** online markets

New physical markets: **Oman and Taiwan**

New online launch: —

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## Massimo Dutti

Massimo Dutti ended 2015 with 740 stores in 69 markets, following 34 openings during a year in which the brand launched in Tunisia. The brand has seen a boost to its Personal Tailoring service, with new collections and new garment, fabric and colour palette options. Global landmark stores were opened in locations such as Salzburg (Austria) and Los Angeles (United States), and the brand’s Paris store on Rue Royale underwent a refurbishment.

[www.massimodutti.com](http://www.massimodutti.com)

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**1,498** net sales (millions of euros)

**740** number of stores

**34** net openings

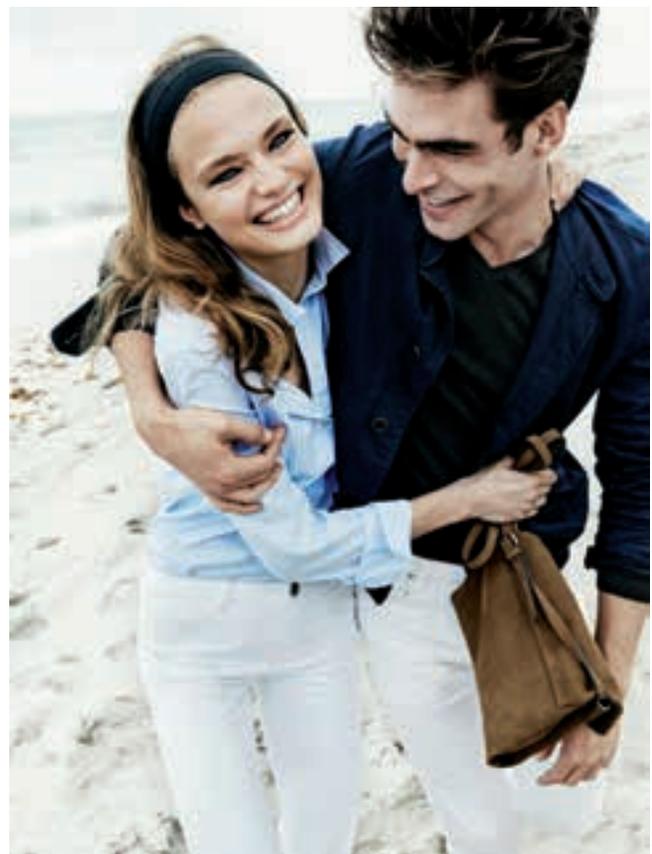
**69** markets

**24** online markets

New physical markets: **Tunisia**

New online launch: —

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## OYSHO

Oysho has focused its collections on garments that adapt to the movement of the female body, both in its sportswear and lingerie ranges. In 2015, as well as launching in new markets such as Sweden and South Korea, Oysho commenced online sales in China and opened flagship stores in emblematic locations in cities including Lisbon (Rua Garrett) and Barcelona (Paseo de Gracia). Also in Barcelona, Oysho opened its first ever airport store in El Prat Airport's Terminal 1.

[www.oysho.com](http://www.oysho.com)

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**452** net sales (millions of euros)

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**607** number of stores

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**32** net openings

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**42** markets

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**16** online markets

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New physical markets: **Sweden and South Korea**

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New online launch: **China**

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## Stradivarius

2015 has been a busy year of retail expansion for Stradivarius, with 40 new stores in 17 markets. China has been a key market for the brand, with an increased commercial presence in cities such as Harbin and Chengdu and the launch of its online store. Collections have also been expanded to include products made from organic cotton certified by the OCS (Organic Content Standard) and GOTS (Global Organic Textile Standard), which guarantee the cotton used has been grown in an organic way and that garments have been produced by a certified supply chain.

[www.stradivarius.com](http://www.stradivarius.com)

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**1,289** net sales (millions of euros)

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**950** number of stores

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**40** net openings

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**60** markets

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**18** online markets

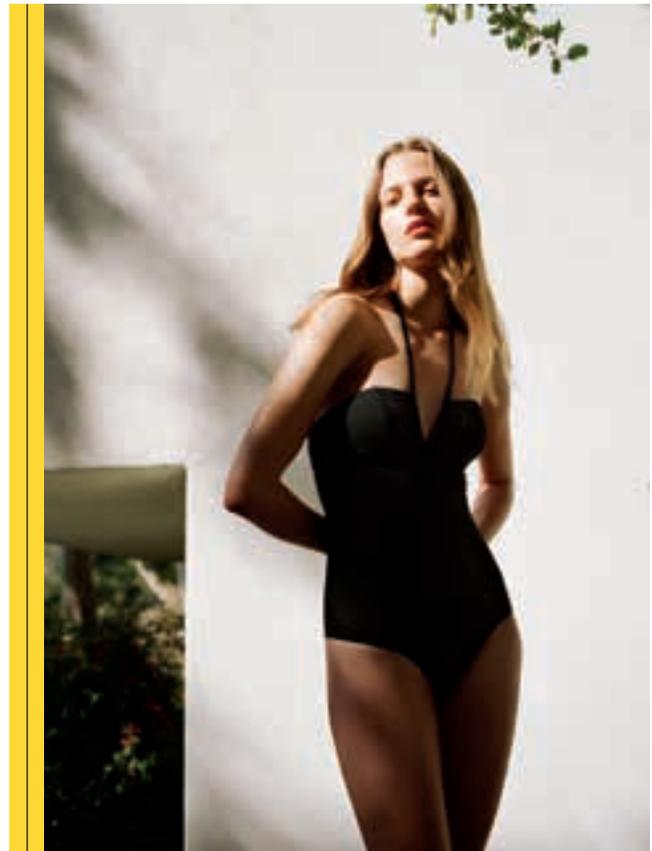
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New physical markets: **Tunisia**

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New online launch: **China**

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## ZARA HOME

Zara Home opened more stores in 2015 than any other Inditex brand except Zara itself. The Home brand has seen 65 new net stores, also breaking into new markets such as Austria, Switzerland, Lithuania, Chile and Australia. It also launched online in Australia, becoming the first brand of the Group to have an online platform in the Southern Hemisphere. To provide an efficient service to its current network of 502 stores and 25 markets online, it has introduced a new distribution line in Cabanillas (Guadalajara) which is at the cutting edge of logistics technology.

[www.zarahome.com](http://www.zarahome.com)

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**666** net sales (millions of euros)

**502** number of stores

**65** net openings

**53** markets

**25** online markets

New physical markets: **Austria, Lithuania, Switzerland, Australia and Chile**

New online launch: **Australia and Japan**

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## UTERQÜE

Uterqüe ended 2015 immersed in a revamp of its store image that has remained true to the essence of the brand: high quality products and excellent customer service in a sophisticated and contemporary space. The leading exponent of this refurbishment is its flagship store on calle Serrano, Madrid, designed to be an open, light and eco-efficient space. During 2015, Uterqüe launched its online store in markets such as Denmark and Sweden, and opened flagship stores in locations including Mexico City and Moscow.

[www.uterque.com](http://www.uterque.com)

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**75** net sales (millions of euros)

**72** number of stores

**6** net openings

**25** markets

**16** online markets

New physical markets: —

New online launch: **Denmark and Sweden**

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Each of the brands has a unique and separate personality, image and offering. But they do share a **single business model**, which always places the customer at the heart of all of its decisions

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This year, all of Inditex's brands have made significant advances in the Group's commitment to an **ever more sustainable value chain**, taking the utmost care over the **quality** of Inditex's **commercial offering and customer service**

# Evolution of main indicators

## Turnover (in millions of euros)

	2015	2014	2013	2012	2011
Net sales	20,900	18,117	16,724	15,946	13,793

## Results and cash flow (in millions of euros)

	2015	2014	2013	2012	2011
Operating profit (EBITDA)	4,699	4,103	3,926	3,913	3,258
Operating profit (EBIT)	3,677	3,198	3,071	3,117	2,522
Net profit	2,882	2,510	2,382	2,367	1,946
Net profit attributable to the parent company	2,875	2,501	2,377	2,361	1,932
Cash flow	3,897	3,349	3,232	3,256	2,613

## Financial structure (in millions of euros)

	2015	2014	2013	2012	2011
Net assets attributable to the parent company	11,410	10,431	9,246	8,446	7,415
Net financial position	5,300	4,010	4,055	4,097	3,465

## Financial and management ratios

	2015	2014	2013	2012	2011
ROE (Return On Equity)	26%	25%	27%	30%	28%
ROCE (Return On Capital Employed)	34%	33%	35%	39%	37%

## Other relevant information

	2015	2014	2013	2012	2011
Number of stores	7,013	6,683	6,340	6,009	5,527
Net openings	330	343	331	482	483
Number of markets with commercial presence	88	88	87	86	82
Number of employees	152,854	137,054	128,313	120,314	109,512

## Stock Market Performance

Inditex shares experienced a 15.5% gain in 2015, closing at 30.19 euros per share on 31 January 2016, compared with the 9.1% fall of the Euro Stoxx 50 and 15.3% fall of the leading Spanish index, the Ibex 35, during the same period. The average volume traded was about 7.9 million shares a day.

Inditex's market capitalization stood at 94,076 million euros at the end of the year, 927% higher than when the company was floated on the stock exchange on 23 May 2001, compared to a 8.4% fall of the Ibex 35 over the same period.

A total dividend of 0.52 euros per share corresponding to the 2014 financial year was paid out in May and November 2015.

### Shares during 2015

#### Inditex vs Indexes



## Awards received by the Inditex Group in 2015

### INDITEX

Award	Entity	Position
Merco Empresas	merco	1
Merco Empresas	merco	1
Merco Responsables	merco	3
Global Top 100 Brand Corporations	European Brand Institute	87
The Gartner Supply Chain Top 25 for 2015	Gartner	5
World's Most Respected Companies	BARRON'S	86
Dow Jones Sustainability Index	DOW JONES	81/100
LinkedIn's Most InDemand Employers	Linked In	32
Global Powers of Retailing	Deloitte	44
FTSE4Good	FTSE4Good	4.3/5
Top Green Companies in The World	Newsweek	78
Best company to work for in textile distribution	Adecco	

### INDITEX

Award	Entity	Position
Supply chain management	Dutch Association of Investors for Sustainable Development	82/100
Ethibel Sustainability Index	Excellence Global and Europe	
Euronext Vigeo - Eurozone 120		

### ZARA

Award	Entity	Position
Best Global Brands	Interbrand	30
The World's Most Valuable Brands	Forbes	58
BrandZ Top 100. Most Valuable Global Brands	WPP (Millward Brown)	42
Global 500 The World's Most Valuable Brands	BRAND-FINANCE	142





sustainability  
strategy

# Sustainable development at Inditex

Inditex has strengthened its sustainability commitments to protecting human rights in all of its activities by embracing the route to sustainability proposed by the United Nations in its seventeen Sustainable Development Goals.

During the historic summit on 25 September 2015, the United Nations member States approved the 2030 Agenda for Sustainable Development with 17 Sustainable Development Goals (SDGs) to transform the world. With these new universal goals, countries, companies and other organizations will intensify their efforts to end all forms of poverty, reduce inequality and fight climate change, to ensure that no one is left behind.

The 17 Sustainable Development Goals and their accompanying 169 targets build on the success and milestones achieved by the Millennium Development Goals (MDG) set in 2000, which until 2015 focused on reducing hunger, poverty, disease and gender inequality, among other issues. Building on this momentum, the SDGs are broader in scope and go further towards addressing the underlying causes of poverty and the universal need of achieving development that benefits all people. The goals encompass the three elements of sustainable development: economic growth, social inclusion and environmental protection. The SDGs acknowledge companies as key players in achieving these goals.

In light of these new developments, Inditex has strengthened its commitment to sustainability throughout its value chain, in all of its activities and therefore the impact those activities have on the Group's stakeholders. Inditex now undertakes a new commitment to the 17 Sustainable Development

Goals, embracing the route to sustainability chartered by these goals.

This commitment extends to the entire company and includes all 17 SDGs and their targets, although certain principles are especially relevant to the company given its industry, context and business model.

In its Annual Report, Inditex has linked each of its priorities to the SDGs it impacts. Furthermore, all relevant issues identified in the materiality analysis have been grouped together according to the themes targeted by the United Nations in the SDGs: people, prosperity, peace, planet and partnerships. This Annual Report is, therefore, an exercise in identifying Inditex's practices and aligning them with the commitment to working towards the agenda set by the SDGs for 2030.

The company has also instituted sustainability policies that are integrated with value creation in its business model and represent another step toward achieving the SDGs and their targets.



## The Sustainable Development Goals and Inditex

(Chapters of the Annual Report related to each SDG)

 <p>Contribution to community welfare</p>	 <p>The quality of our products Efficient use of resources Contribution to community welfare</p>	 <p>The quality of our products Efficient use of resources Contribution to community welfare</p>
 <p>Contribution to community welfare</p>	 <p>Traceability and integrity of the supply chain Developing everybody's talent Contribution to community welfare Corporate governance</p>	 <p>Efficient use of resources</p>
 <p>Traceability and integrity of the supply chain The quality of our products Developing everybody's talent Contribution to community welfare</p>	 <p>The quality of our products Efficient use of resources Innovation in customer services Corporate governance</p>	 <p>The quality of our products Efficient use of resources Contribution to community welfare</p>
 <p>Developing everybody's talent Contribution to community welfare</p>	 <p>Traceability and integrity of the supply chain Contribution to community welfare</p>	 <p>Contribution to community welfare Corporate governance</p>
 <p>Traceability and integrity of the supply chain Developing everybody's talent Contribution to community welfare Corporate governance</p>	 <p>Efficient use of resources Contribution to community welfare</p>	 <p>Traceability and integrity of the supply chain Contribution to community welfare Corporate governance</p>
 <p>The quality of our products Efficient use of resources Contribution to community welfare</p>	 <p>Traceability and integrity of the supply chain The quality of our products Efficient use of resources Developing everybody's talent Innovation in customer services</p>	

## Inditex and human rights

Inditex has always had a strong commitment to protecting human rights in all of its activities and in the impact these activities can have on the Group's stakeholders. Based on this, Inditex can now undertake a new commitment to the 17 Sustainable Development Goals, embracing the route to sustainability charted by these goals.

As part of a process of ongoing review of the way the Group tackles human rights, Inditex refers to its Code of Conduct and Responsible Practices, which "allows gaining awareness and enforcing Inditex's business culture, deeply rooted in respecting human and labour rights and in the effective inclusion within the company of the whole group of employees, respecting their diversity". The Code of Conduct is developed by policies approved by Inditex's Board of Directors, such as the Corporate Social Responsibility policy which establishes the principles of Inditex's relationships with its stakeholders, and is based on the United Nations Universal Declaration of Human Rights,

the principles of the Global Compact, and the Guiding Principles on Business and Human Rights, and so forth. The Code of Conduct for Manufacturers and Suppliers which was approved by the Board of Directors in 2001 and amended most recently in 2012, establishes the Group's principles for its supply chain.

The application of these policies and codes extends to the whole company and its stakeholders, and is fully integrated into our value creation. Collaboration is key, and at Inditex it takes the shape of ongoing dialogue with all stakeholders, as well as initiatives such as Framework Agreements with the international trade union federations IndustriALL Global Union and UNI Global Union, participating in platform such as Better Work and Better Factories, and the Ethical Trading Initiative, the International Labour Organization, Sustainable Apparel Coalition and Better Cotton Initiative, among others. Additionally, Inditex has been a member of the UN Global Compact since 2001 and participates in the Supply Chain Advisory Group and the Human Rights Group of the Spain Network.

## Stakeholder relations

In its stakeholder relations, Inditex aims to forge strong partnerships as another step towards achieving the Sustainable Development Goals. Goal 17 emphasizes the need to "revitalize the global partnership for sustainable development". Through different

commitments to each stakeholder and by forming and participating in dialogue forums, Inditex builds partnerships that, in one way or another, help put into practice the sustainable development guidelines established by the United Nations.

## Commitments to our stakeholders

EMPLOYEES	CUSTOMERS	SUPPLIERS	COMMUNITY	SHAREHOLDERS	ENVIRONMENT
<b>MOTIVATED BY:</b>					
Fair and decent treatment	Integration into the business model	Promotion and protection of human rights, fundamental labour rights and international standards	Contribution to development	Social interests and the interests of all shareholders	Respect for the environment
<b>TAKING THE FORM OF:</b>					
<ul style="list-style-type: none"> <li>+ Open communication</li> <li>+ Teamwork</li> <li>+ Upholding the highest standards</li> </ul>	<ul style="list-style-type: none"> <li>+ Responsible clothing design</li> <li>+ Meeting the most demanding product health and safety standards</li> <li>+ Ethical and responsible product manufacturing</li> </ul>	<ul style="list-style-type: none"> <li>+ Strategic Plan for a stable and sustainable supply chain (2014-2018)</li> </ul>	<ul style="list-style-type: none"> <li>+ Investment in the community</li> </ul>	<ul style="list-style-type: none"> <li>+ Transparency principles</li> <li>+ Encouraging informed participation</li> </ul>	<ul style="list-style-type: none"> <li>+ Protecting biodiversity</li> <li>+ Sustainable management of natural resources</li> </ul>

## Materiality analysis

In line with its sustainability policy, Inditex’s stakeholder relations are based on ongoing dialogue and transparency. Inditex engages in dialogue to identify the most important issues for those parties linked with the Group. For example, we use the materiality analysis to ensure that our strategy is aligned with the concerns and expectations of those associated with the company or affected by our activities, as well as to decide on the content of Inditex’s Annual Report. These concerns and expectations, along with sustainable value creation, give the programmes run by Inditex purpose and allow the company to deal with the challenges and opportunities it faces in the course of its activities.

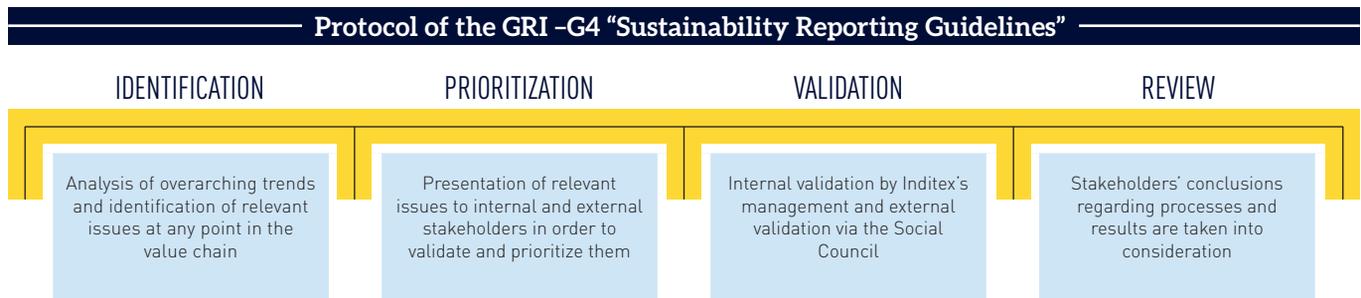
This is the fifth consecutive year that Inditex has gone through the exercise of analysing and prioritizing issues relevant to the Group.

For this materiality analysis, Inditex followed the GRI - G4 guidelines and the Integrated Reporting Framework. This year, the Group also reviewed the list of relevant issues in light of the current state of the industry, and expanded the list of stakeholders consulted.

Inditex also has at its disposal a Social Council that advises the Group on sustainability issues. The Council’s members are external individuals or institutions independent from the Group. Its purpose is to formalize and institutionalize dialogue with key actors in the civil society within which Inditex develops its business model. The Social Council played an active role in preparing the materiality matrix.

➔ For further information see Materiality matrix, page 161.

## Process of preparing the Inditex materiality matrix



*The material issues were categorized according to the five areas identified by the United Nations, which encompass the 17 Sustainable Development Goals, in order to align the strategies and programmes for addressing these issues with the SDGs and their targets*

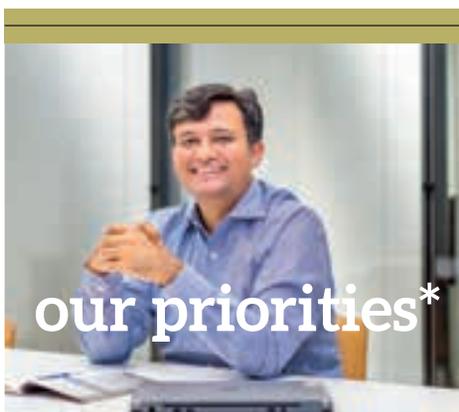
# Creating economic and social value



## Company values

Solid principles shared by the entire organization

Customer-centric approach  
Self-discipline  
Entrepreneurial  
Innovation  
Teamwork



## Traceability and integrity of the supply chain

+ page 32

## The quality of our products

+ page 58

(\*) Through ongoing dialogue with its stakeholders, Inditex identifies the issues most important to them to ensure that its strategy aligns with their concerns and expectations. The materiality matrix (page 161) or relevant issues are used to define the company's priorities, which are described in this Annual Report.

## Who are we?

Inditex is one of the world's largest fashion retailers with eight brands and more than 7,000 stores in 88 markets and 29 online markets. Our workforce of over 150,000 people goes to great lengths to improve the quality of our products and the way they are made because this is what the millions of people that come into our stores every day expect of us.

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

## How do we work?

The way we work is based on ongoing internal review. The day-to-day work of those who make up Inditex is constant adaptation to customers, the environment and society. Both Inditex employees and its work processes are focused on listening to the customer. This forces us to reinvent ourselves daily and we do so thanks to a flexible business model based on innovation and team work.

Our commitment to our customers is to maintain their trust over the long term by offering them the responsible, sustainably manufactured fashion they are looking for. Our customers include shareholders, employees, suppliers and citizens committed to society. By focusing on their needs, we work to create quality fashion in a socially and environmentally sustainable setting.

## Innovative business model

Customers are at the centre of our decision-making process



## Transparent and strict guiding principles that are constantly improved

- Code of Conduct and Responsible Practices
- Code of Conduct for Suppliers and Manufacturers
- **Right to Wear** guiding principles
- Lines of action in each area to achieve maximum sustainable and responsible quality

Efficient use  
of resources

+ page 70

Developing  
everybody's  
talent

+ page 80

Innovation  
in customer  
services

+ page 94

Contribution  
to community  
welfare

+ page 98

Corporate  
governance

+ page 114





our  
priorities

our priorities

# Traceability of the supply chain

Traceability is a cornerstone of supply chain management. At Inditex, we work with external suppliers and their factories with the aim to guarantee that every item is manufactured in maximum compliance with legislation on labour, the environment and product health and safety.

Traceability is even more important in the context of the sustainability of a global supply chain such as Inditex's. By identifying every production unit, Inditex is capable of carrying out programmes that contribute to the UN Sustainable Development Goals, including SDG 8 (decent work and economic growth) and SDG 12 (responsible consumption and production). This is because all of the Group's sustainability policies and standards – such as the Code of Conduct for Manufacturers and Suppliers, and product health and safety standards *Clear to Wear* and *Safe to Wear*, as well as the environmental strategies Water, Biodiversity, Energy and Climate Change – apply to all suppliers and factories that make up the supply chain. So identifying suppliers and manufacturers is critical, whether they come from the first level of suppliers that have a direct business relationship with Inditex or from other manufacturing levels.

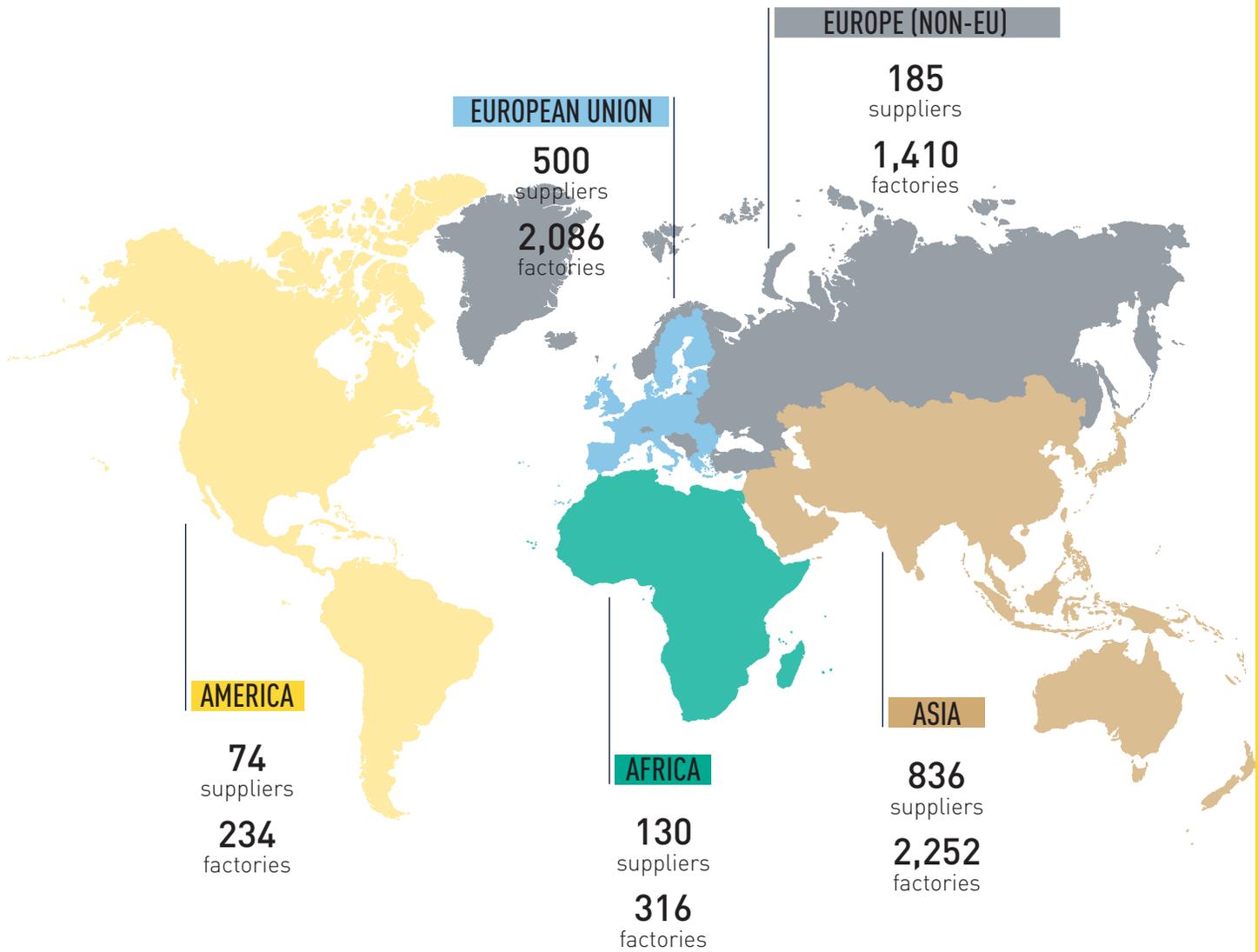
In 2015, the Group's 1,725 direct suppliers registered 6,298 factories involved in production, where awareness-raising and sensitization campaigns were jointly run. Registration of fabric factories increased as a result of the emphasis placed by Inditex teams on ensuring traceability right up to the last link of the chain.

In 2015, work was done to standardize methods of ensuring traceability, collecting the best practices from the teams working to verify traceability. The goal is to develop a comprehensive and standardized model with the maxim that traceability must always be guaranteed and must satisfy the needs of all of the company departments involved in its management, which include sustainability teams, departments dealing with logistics, and purchasing.

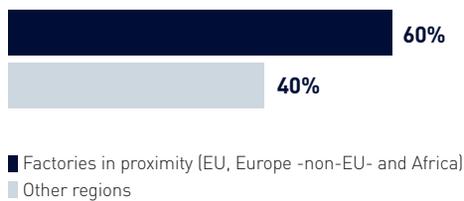
Inditex is also working hard on the identification of raw materials, developing a number of different projects and initiatives in this sphere. For example, Inditex's Forest Product Policy ensures the traceability of raw materials deriving from forestry in order to avoid using materials from primary or endangered forests, illegal felling, or forests providing a habitat for endangered species. The Group works with the major global suppliers of forest-based artificial fibres such as viscose, modal and lyocell to ensure that only fibre complying with this policy is used in the products sold by Inditex.



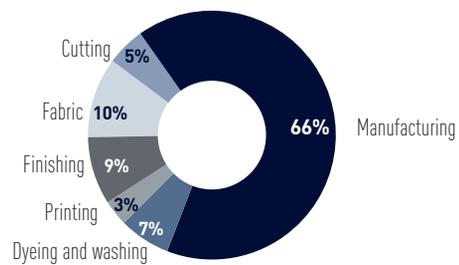
## Number of suppliers with purchase and factories in 2015 (\*)



### Factories in proximity



### Factories by main activity



(\*) Suppliers of fashion items, mainly clothing, footwear and accessories, with a production for Inditex of over 20,000 units. Suppliers with smaller production account for 0,37% of total production. Textile, footwear and accessories factories declared as active by suppliers of fashion items – mainly clothing, footwear and accessories – with a production of over 20,000 units.

 **1,725**  
suppliers\*

 **6,298**  
factories\*\*

All suppliers are required to register the factories involved in production, allowing Inditex to verify their production capacity. By doing so, Inditex expects to monitor its worldwide supply chain and minimizes the possibility of outsourcing.



## IDENTIFICATION

TRACEABILITY

Online manufacturer management system

Traceability audits



[\*] Suppliers of fashion items, mainly clothing, footwear and accessories, with a production for Inditex of over 20,000 units/year with purchase in 2015.

[\*\*] Textile, footwear and accessory factories declared by suppliers in the manufacturer management system for orders in 2015. For those factories involved more than one process, figures refer to the main process performed.

<p><b>POLICIES AND STANDARDS</b></p> <p>Code of Conduct for Manufacturers and Suppliers</p> <p>Product health and safety standards Clear to Wear (CtW) and Safe to Wear (StW)</p> <p>Environmental strategies: Water, Energy and Biodiversity</p>	<p><b>TRAINING AND MANAGEMENT OF INFORMATION</b></p> <p>Continuous training of suppliers and purchasing teams</p> <p>Information system in which suppliers report on the factories that carry out production, covering all processes and manufacturing levels.</p>	<p><b>AUDITS</b></p> <p>Pre-Assessment          Social          Special          Traceability          Product Health and Safety (RtM: Ready to Manufacture)          Environmental (GtW: Green to Wear)</p>
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**ASSESSMENT**

**OPTIMIZATION**

**SUSTAINABILITY**

<p>CODE OF CONDUCT COMPLIANCE PROGRAMME</p>	<p>ENVIRONMENTAL STANDARDS, CtW AND StW COMPLIANCE</p>	<p>CONTINUAL IMPROVEMENT OF THE SUPPLY CHAIN</p>	<p>WORK IN SUPPLIER CLUSTERS</p>
<p>Pre-assessment audits</p> 	<p>Social audits</p> <p>Special audits</p> <p>RtM audits</p>  <p>Picking programme</p>  <p>RtM audits</p> <p>GtW audits</p>  	<p>Corrective Action Plans</p> <p>Training and capacity building for suppliers and manufacturers</p> <p>Awareness-raising for design and purchasing teams</p>   	<p>Collaboration with stakeholders such as:</p> <p>NGOs</p> <p>Local governments</p> <p>Trade unions</p> <p>International platforms</p> <p>Universities</p>   

our priorities

# Integrity of the supply chain

The lines of action followed by Inditex to ensure a stable and sustainable supply chain include making sure that the Group has accurate knowledge on its suppliers, performing exhaustive assessments of suppliers and helping them to improve and optimize the working conditions of their employees.

The integrity of the supply chain is directly linked to the protection of human rights established in the United Nations Guiding Principles on Business and Human Rights and various Sustainable Development Goals (SDGs).

Inditex's commitment and duty to ensuring the responsible management of the supply chain involves identifying working areas where the Group can contribute to improving conditions in the sector in each of the countries where it operates, creating sustainable and productive environments and contributing to vitally important aims such as reducing inequality (SDG 10), the protection of health and wellbeing (SDG 3), or the promotion of decent work and inclusive and sustainable economic growth (SDG 8).

Inditex's Code of Conduct for Manufacturers and Suppliers, and its Compliance Programme that ensures their implementation are the cornerstones of Inditex's efforts to manage and strengthen the supply chain. As part of this, in 2013 Inditex approved its Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018, which continues to expand on the Group's work in this sphere.



## Inditex's CSR policy

On 9 December 2015, Inditex's Board of Directors approved Inditex's Corporate Social Responsibility Policy, which sets out the principles that the Group adheres to in its relations with stakeholders, fostering the inclusion of sustainable practices in its business model. The policy covers:

- + The principles governing relations with stakeholders: The policy establishes the priorities and foundations for ongoing dialogue and transparency with Inditex's main stakeholders
- + Monitoring and consulting mechanisms: The Group has a Committee of Ethics, internal body reporting to the Board of Directors, that ensures compliance with the Code of Conduct and a Social Council that is the advisory body that tackles sustainability.
- + Communication of CSR practices: Transparency is a fundamental principle that inspires Inditex in all of its communication activities. In order to achieve transparency, the Group utilizes of various communication tools that include the corporate website and Annual Report.

→ For further information see the Ethics Committee and Social Council, page 140.  
[www.inditex.com](http://www.inditex.com)



Members of Inditex Sustainability team.



## Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018

The United Nations Guiding Principles on Business and Human Rights of 2011 and the Sustainable Development Goals approved by General Assembly in 2015 have set the sustainability agenda for the coming years. Inditex is committed to contributing to efforts to protect human rights and achieve the SDGs. To this end, it advocates a model of sustainability that guides its activities as a responsible and company committed to social progress.

Inditex aims to offer fashion products produced with rigorous respect for human rights in all of the Group's actions and compliance with the most demanding environmental and health and safety standards, based on transparency and ongoing dialogue with stakeholders.

Principles that inspire Inditex in its sustainability policies and programmes:

- The United Nations Universal Declaration of Human Rights
- United Nations Guiding Principles on Business and Human Rights, which developed the "Protect,

Respect and Remedy" Framework principles informally known as the Ruggie Framework.

- Principles of the United Nations Global Compact.
- Fundamental labour standards deriving from the Conventions and Recommendations of the International Labour Organization.

- ETI Base Code of the Ethical Trading Initiative.
- Framework Agreement with IndustriALL Global Union

Inditex's Strategic Plan for a stable and sustainable supply chain 2014-2018 stems from the Group's conviction that companies have a vital role in promoting and protecting

human rights, fundamental labour rights, and the standards set by the most relevant institutions on sustainability. This plan sets out the four main lines of action in responsible management of the supply chain: identification, assessment, optimization and sustainability. It also establishes measurable strategic objectives for 2018 for each of these lines of action.

Since the Strategic Plan was implemented in 2014, Inditex has steadily advanced towards fulfilling the goals it contains, working to develop each of the different lines of action.

"In this new scenario, the private sector plays a fundamental role in the success of each of the global Sustainable Development Goals"

**Ban Ki-moon - General Secretary  
of the United Nations**

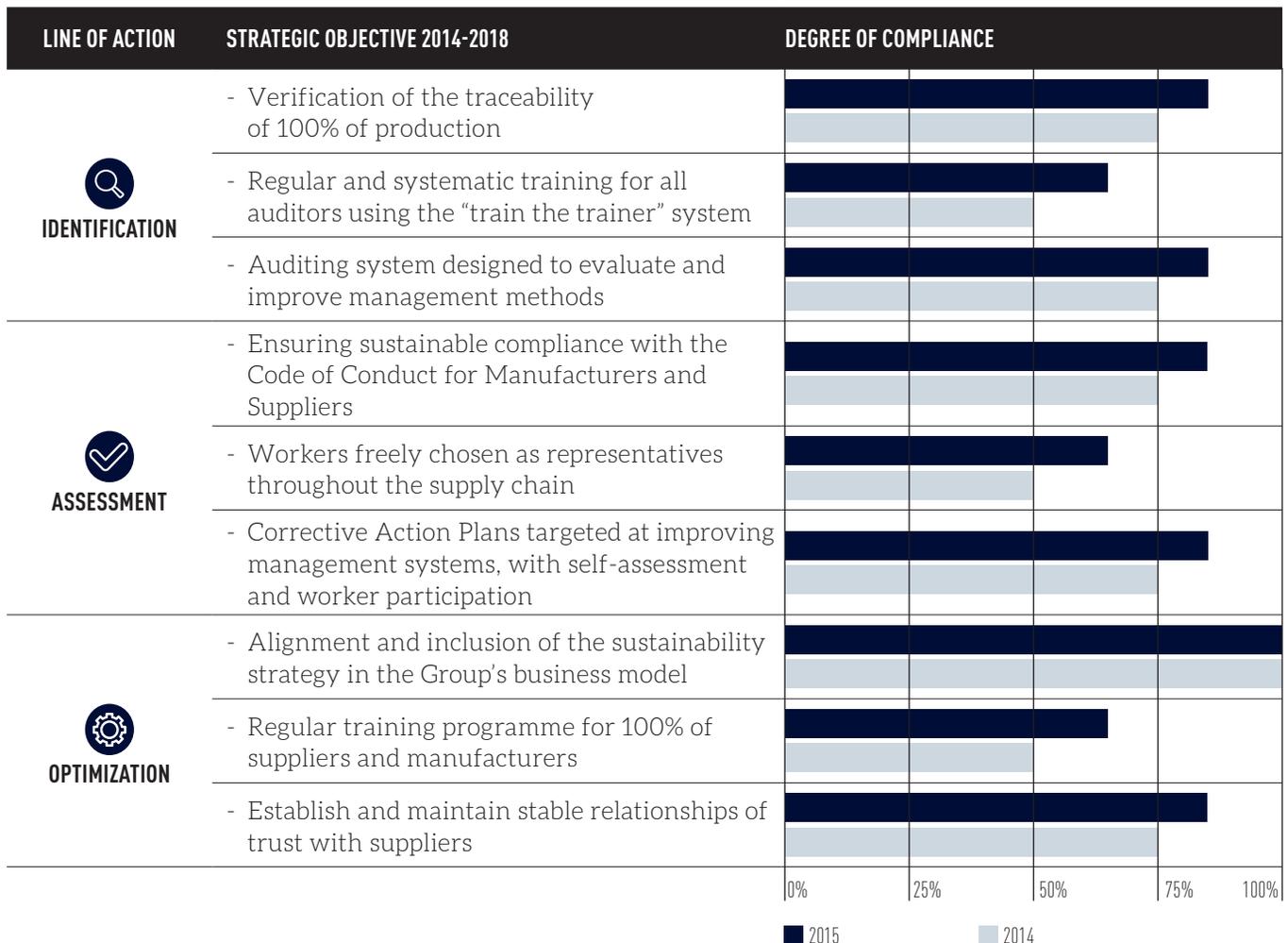
## Strategic Plan for a Stable and Sustainable Supply Chain 2014-2018

LINES OF ACTION				
IDENTIFICATION		ASSESSMENT	OPTIMIZATION	SUSTAINABILITY
Monitoring	Traceability	Compliance programme	Effective auditing	Mature relationships with suppliers and a holistic approach
Capacity building	Training for auditors	Worker participation	Training for suppliers	
Continual improvement	Audit quality management	Corrective Action Plans	Consolidation of the supply chain	
Stakeholder engagement	Effective and efficient reference partners with whom Inditex can share good practices and create shared strategies			

During 2015, the team of more than 100 people that make up Inditex's Sustainability Department worked to implement the plan at the internal level along with other departments within the company and with the support

of stakeholders. Each of the objectives covers different concepts, from forging relationships with suppliers based on trust and cooperation to worker participation and in continual improvement, among others.

### Degree of compliance with strategic objectives



## 1. Identification of the supply chain



The first step towards ensuring sustainability in the supply chain is to identify its components. In 2015, Inditex's supply chain was made up of 1,725 suppliers in 50 countries linked to 6,298 factories.

In order to correctly identify and get to know suppliers, Inditex makes efforts to ensure traceability and monitor all levels of production. Moreover, the Group works to ensure a maximum quality of audits to guarantee that they cover all levels of production and that audit outcomes serve as the basis for improvement in the company's sustainability and continual improvement programmes. Training and capacity building for auditors is a vital part of this task, since auditors are entrusted with the crucial responsibility of verifying compliance with the Code of Conduct at all factories. This is why Inditex's sustainability teams carry out regular training activities for new auditors, as well as specific training on various aspects of the Code of Conduct.

### Traceability

Identifying the components of the supply chain is crucial to its responsible management. In this respect, Section 10 of Inditex's Code of Conduct for Manufacturers and Suppliers establishes that "Manufacturers and suppliers shall not assign any work to third parties without the prior written authorization of Inditex. Those who outsource any work

shall be responsible for the enforcement of the Code by these third parties and their employees."

The application of this Section of the Code of Conduct is vitally important, not only in order to protect human rights but also to ensure the health and safety of products and minimize the environmental impact. The traceability of production is a first step towards the implementation of all sustainable management policies and activities throughout the supply chain. Helped by technological innovation, the training of suppliers and audit quality management, Inditex is able to meet its stakeholders' demands for transparency of its manufacturers.

Inditex has a Manufacturer Management System developed internally which supports the Group's business model and is integrated with other corporate tools such as those used in logistics and administration. All of the Group's suppliers are obliged to manage their portfolio of orders in conjunction with Inditex.

Based on the analysis of information entered into Inditex's Manufacturer Management System by suppliers, traceability audits are able to evaluate production capacity, processes and timeframes, and ensure that all production units are correctly declared and approved. This methodology guarantees that all workers involved in Inditex's production are covered by the programmes set out in the Code of Conduct, designed to protect their rights.

Inditex continually incorporates good practices identified in this area into its methodology in order to perfect monitoring and control processes. To this

### The Inditex supply chain in 2015 (\*)

Geographic area	Suppliers with purchases in 2014	Suppliers not used in 2015	New suppliers in 2015	Suppliers with purchases in 2015
Africa	135	25	20	130
America	80	27	21	74
Asia	759	156	233	836
Europe (non-EU)	160	34	59	185
European Union	491	74	83	500
<b>Total</b>	<b>1,625</b>	<b>316</b>	<b>416</b>	<b>1,725</b>

(\*) Suppliers of fashion items, mainly clothing, footwear and accessories, with a production for Inditex of over 20,000 units/year. Suppliers with smaller production account for 0.37% of the total production.

→ For further information see the Sustainability balance sheet, page 144.

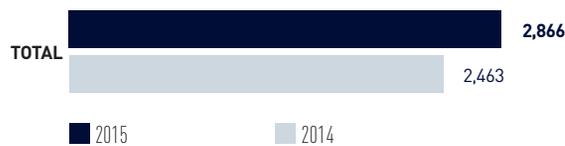
end, Inditex’s sustainability team employs engineers specializing in production systems and processes, production planning methods, and so on. In this way, traceability management is supported by experts who are able to assess a factories’ true capacity to protect against the risk of unknown outsourcing.

Purchasing teams also have a fundamental role in traceability management. They engage in ongoing collaboration with sustainability teams because sustainability criteria are a fundamental component of Inditex’s business model, and purchasing decisions depend on the fulfilment of these criteria. Only those suppliers and manufacturers that comply with Inditex’s social, environmental, and product health and safety policies can be hired by the company. Corrective plans are established in the case of non-compliance or, if required, business relations are terminated.

In 2015, Inditex’s supply chain was made up of 1,725 suppliers, compared to some 1,625 suppliers in the previous year. This evolution highlights the way the business has expanded, creating the need for a greater number of suppliers both due to production volume and production type.

In 2015, a total of 2,886 traceability audits took place in which internal and external Inditex teams worked in situ to verify that production of the Group’s brands was taking place in correctly declared and authorized factories.

**Traceability audits held in 2015**



	2015	2014
Africa	542	163
America	1,642	1,751
Asia	609	488
Europe (non-EU)	40	57
European Union	33	4
<b>Total</b>	<b>2,866</b>	<b>2,463</b>

The number of audits performed was up by 16% from 2014, demonstrating that production control tools were strengthened during this period. During the more than 2,800 visits that took place, some 325 breaches were detected, including mainly lack of information. This means that the vast majority of audits were able to confirm the transparency and traceability of the Group’s suppliers, a testament to their overall commitment to transparency.

In cases of non-compliance or a lack of transparency, sustainability and purchasing teams worked together with the supplier to obtain a commitment from them on implementing the measures required to correct the issue. Trade relations with the supplier may be terminated should they fail to collaborate in this area. Relations were severed with seven suppliers on these grounds in 2015.

**Training for auditors and audit quality management**

Audits are the basis for identifying the conditions employed by each manufacturer and their adherence to the standards established by Inditex.

Following an update of the method used for social audits at the end of 2014, Inditex’s sustainability teams have continued to train external auditors belonging to certified, independent companies with an international reputation, with whom Inditex maintains close relations based on collaboration and continual improvement.

In 2015, Inditex employed 799 auditors in its audit procedures, of which 745 were external auditors. Of these auditors, a total of 209 received training covering the accreditation of new auditors in Inditex’s own methods, as well as on the standardization of procedures, updates to comply with new legislation, and audit processes.

Moreover, five internal auditors on the sustainability team were accredited by Social Accountability International (SAI) as SA8000 auditors able to verify compliance with the SA8000 standard, which is based on standards such as those established in the Conventions of the International Labour Organization, the United Nations Universal Declaration of Human Rights, and International Convention on the Rights of the Child. Internal auditors in Turkey and Portugal also received specific training on health and safety of workers.

## 2. Assessment of the supply chain



The assessment and analysis of the supply chain provides knowledge on the type of supply chain Inditex employs, its strengths, and the areas where it can be improved. To this end, the compliance programme ensures that all of Inditex's suppliers observe the Code of Conduct for Manufacturers and Suppliers, and that they implement Corrective Action Plans where improvements are needed in their production chain if they are to continue to as part of Inditex's supply chain. Moreover, we consider that the participation of the supply chain workers is fundamental, and actively advocate such involvement through the implementation of several programmes.

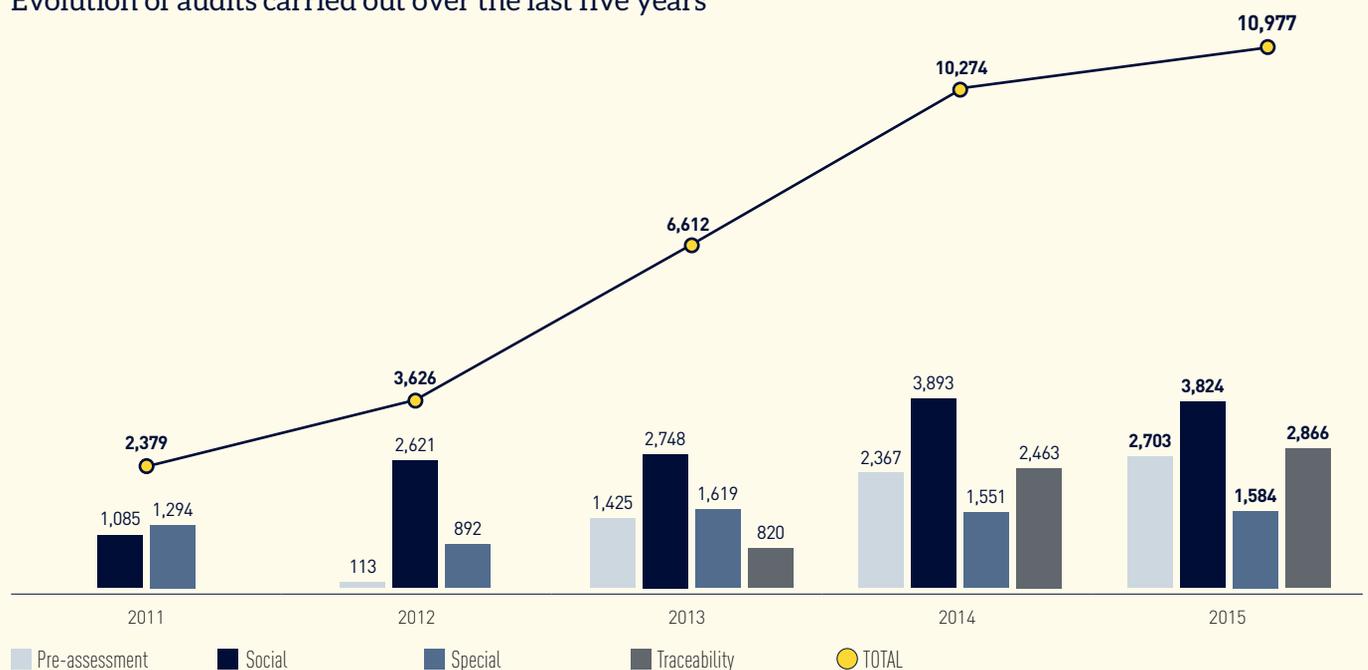


### Audit types

In 2015, Inditex carried out 10,977 audits with the aim of getting to know, assess and improve its supply chain. All suppliers and manufacturers in our supply chain are subject to regular audit processes, which commence as soon as trade

relations with Inditex through an initial pre-assessment audit. Once suppliers have started working with Inditex, they must undergo social audits, special audits and traceability audits periodically.

### Evolution of audits carried out over the last five years





Visit of IndustriALL Global Union members to Turkish factories in April, 2016.

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

+ **Social audits** to verify the degree of compliance with the Code of Conduct and to establish Corrective Action Plans (CAPs) intended to ensure respect for fundamental labour rights. Social audits can take the form of initial or follow-up audits.

+ **Special audits** consist of visits and inspections related to specific issues such as the health and safety of workers, and competence visits to ensure compliance with the Corrective Action Plans. These audits also include inspections of washing processes to ensure that practices banned by Inditex, such as sandblasting, are not in use.

+ **Traceability audits** are used to verify the traceability of the supply chain based on the analysis of information gathered via the Manufacturer Management System.

### Audits performed on manufacturers in 2015 by geographic area and audit type

Geographic area	Social					Total
	Pre-assessment	Initial	Follow-up	Special (*)	Traceability	
Africa	79	105	73	375	542	1,174
America	113	64	396	57	1,642	2,272
Asia	1,420	918	958	1,069	609	4,974
Europe (non-EU)	497	237	271	20	40	1,065
European Union	594	471	331	63	33	1,492
<b>Total</b>	<b>2,703</b>	<b>1,795</b>	<b>2,029</b>	<b>1,584</b>	<b>2,866</b>	<b>10,977</b>

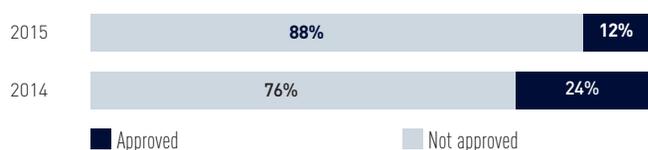
(\*) Special audits include, among other aspects: health and safety verification and competence visits to evaluate the degree of compliance with the Corrective Action Plans.

## Compliance Programme

The aim of the Compliance Programme is to ensure that labour conditions comply with international standards and Inditex's Code of Conduct for Manufacturers and Suppliers.

A first assessment takes place before the supplier has entered the supply chain with a pre-assessment audit. In 2015, some 2,703 pre-assessment audits were performed on potential suppliers and factories, of which 88% had a positive outcome. This first filter allows only manufacturers that comply with the standards established in the Code of Conduct to enter the supply chain. From the moment they enter Inditex's supply chain, they assume responsibility for complying with the Code of Conduct.

### Pre-assessment audits 2015



Geographic area	Pre-assessment audits	% deemed Approved
Africa	79	78%
America	113	79%
Asia	1,420	84%
Europe (non-EU)	594	95%
European Union	497	95%
<b>Overall total</b>	<b>2,703</b>	<b>88%</b>

The percentage of positive outcomes from pre-assessment audits increased in 2015 over the previous year, and this highlights that supplier premises are demonstrating ever-increasing levels of commitment and responsibility when it comes to labour standards.

Once suppliers have been admitted into the supply chain, social audits allow them to be classified according to degree of compliance, identifying any corrective actions that must be implemented. Regardless of any other visits and programmes undergone, each factory is audited periodically. Visit frequency varies according to compliance level and a case-by-case analysis.

### Social audits by geographic area in 2015

Geographic area	Initial	Follow-up
Africa	105	73
America	64	396
Asia	918	958
Europe (non-EU)	237	271
European Union	471	331
<b>Total</b>	<b>1,795</b>	<b>2,029</b>

In 2015, Inditex auditors performed 3,824 social audits that made it possible to assess the degree of compliance with the Code and establish Corrective Action Plans for areas requiring improvement.

### Percentage compliance with the Code of Conduct in active factories (\*) associated with suppliers with purchase in 2015

	Africa		America		Asia		Europe (non-EU)		European Union	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Prohibition of forced labour	+	+	+	+	+	+	+	+	+	+
Prohibition of work by youths or minors (**)	+	+	+	+	+	+	+	+	+	+
Prohibition of discrimination	+	+	+	+	+	+	+	+	+	+
Respect for freedom of association and collective bargaining	+	+	+	+	+	+	+	+	+	+
Prohibition of abuse or inhuman treatment	+	+	+	+	+	+	+	+	+	+
Occupational health and safety	+	+	+	+	+	+	+	+	+	+
Wage compliance	+	+	+	+	+	+	+	+	+	+
Working hours	+	+	+	+	+	+	+	+	+	+
Environmental commitment	+	+	+	+	+	+	+	+	+	+
Regular work	+	+	+	+	+	+	+	+	+	+
Implementation of the Code (***)	+	+	+	+	+	+	+	+	+	+

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

(\*) Does not include factories rejected in 2015.

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

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

Following the performance of social audits, factory compliance with each of the various sections of the Code of Conduct is analysed to identify areas for improvement and establish specific programmes to achieve improvements. It is worth highlighting that percentage compliance with wages in Asia and America rose overall in 2015. This increase is the result of the work of the range of sustainability teams and their close collaboration with suppliers to improve the working conditions of workers in the supply chain.

Social audits classify suppliers into four categories depending on their level of compliance with

the Code of Conduct. The percentage of A and B rated suppliers rose by 3% over the previous year, evidence of our suppliers' commitment to improvement and the positive result of the programmes created by Inditex's teams, confirming the trend for improvement in supplier ratings seen over the last five years. Moreover, suppliers with an A or B classification accounted for some 95% of production.

In 2015 there were also 1,500 special audits that examined specific issues such as the health and safety of workers, or the verification of compliance with the Corrective Action Plans.

### Classification of suppliers with purchase in 2015 \*

Supplier classification	2015		2014	
	Suppliers	% Suppliers	Suppliers	% Suppliers
A	724	42%	678	42%
B	794	46%	699	43%
C	116	7%	133	8%
CAP	35	2%	54	3%
PR	56	3%	61	4%
<b>Overall total</b>	<b>1,725</b>	<b>100%</b>	<b>1,625</b>	<b>100%</b>

\*Supplier A: complies with the Code of Conduct

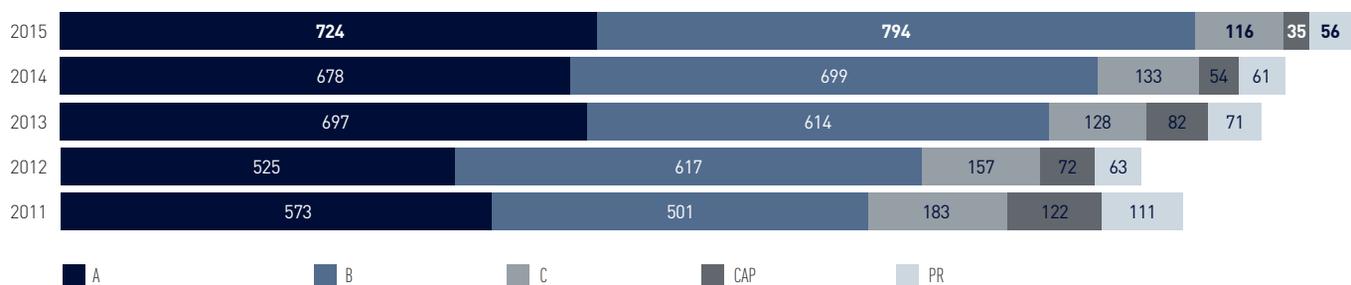
Supplier B: breaches a non-material aspect of the Code of Conduct

Supplier C: breaches a sensitive aspect of the Code of Conduct

Supplier subject to Corrective Action Plan (CAP): supplier that breaches critical aspects of the Code of Conduct, requiring the immediate implementation of a Corrective Action Plan

PR supplier: undergoing an auditing process.

### Classification of supplier ratings over the last five years



(\*) Supplier A: complies with the Code of Conduct

Supplier B: breaches a non-material aspect of the Code of Conduct

Supplier C: breaches a sensitive aspect of the Code of Conduct

Supplier subject to Corrective Action Plan (CAP): supplier that breaches critical aspects of the Code of Conduct, requiring the immediate implementation of a Corrective Action Plan

PR supplier: undergoing an auditing process.

➔ For further information see the Sustainability balance sheet, page 144.



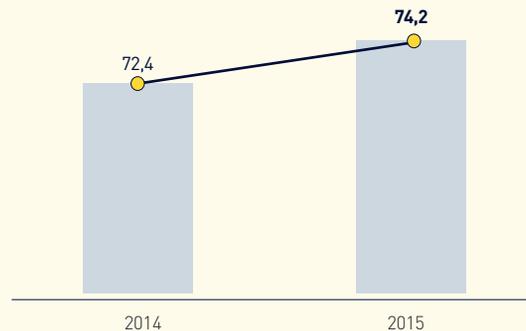
### Commitment to living wages in the supply chain

The Inditex Code of Conduct for Manufacturers and Suppliers establishes that a decent wage “should always be enough to meet at least the basic needs of workers and their families and any other needs which might be considered as reasonable”.

Inditex has worked in conjunction with IndustriALL Global Union, the University of Northumbria and Cambridge University’s Centre for Business and Public Sector Ethics to develop an assessment methodology that brings together precise and innovative evidence and procedures to drive the payment of living wages throughout Inditex’s supply chain. This remains a flagship project in the sector today.

This methodology is subject to an ongoing review process to incorporate the improved practices identified over the years during the implementation of various projects. Thanks to a number of projects, which we detail below, we have seen progress on wages within Inditex’s supply chain, in particular in Asia and America.

### Evolution of compliance with the Code of Conduct in active factories on matters of wages



### Projects

#### Promoting collective bargaining

The commitment of manufacturers and suppliers to paying a living wage is firmly enshrined in the Global Framework Agreement signed with IndustriALL, which aims to guarantee respect for human rights in the social and labour spheres through the promotion of decent work in the whole of Inditex’s supply chain.

Collective bargaining represents a fundamental tool in relations with workers and the promotion of social dialogue within companies supplying Inditex. In order for bargaining processes to be effective in driving the negotiation of fair working conditions (including living wage levels), there must be worker representation as the result of free elections. This is

an activity that Inditex has actively promoted. For example, Inditex has worked with IndustriALL in Turkey and Bangladesh clusters to organize elections of worker representatives in 12 factories over the last two years. Moreover, Inditex is involved in the Accord pilot project in Bangladesh to create health and safety committees to represent workers.

Ongoing work with IndustriALL Global Union and its local affiliates seeks to achieve goals such as guaranteeing independent elections of worker representatives. In 2015, this work extended to five factories in Portugal, two in Cambodia, four in India, five in Vietnam, four in Bangladesh and six in Turkey.

### Number of factories involved in IndustriALL programmes

	2014	2015
Number of factories involved	5	26
Number of workers	3,478	32,751

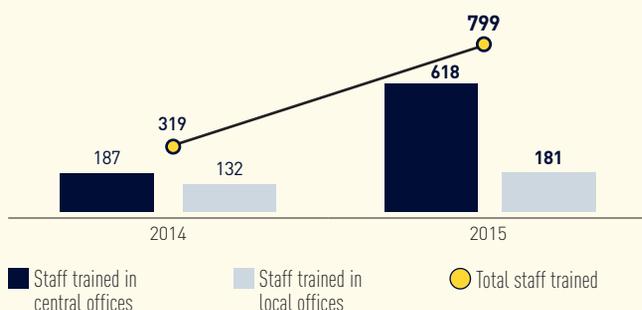
### Responsible purchasing practices

Purchasing practices have a direct impact on the working conditions of supplier employees, including on their remuneration.

In this sense, identifying and explaining the implications of certain commercial decisions is a way of ensuring that workers receive fair wages for the work they carry out to produce the products subsequently sold in our stores.

To this end, Inditex actively promotes the regular training of purchasing teams in each of its brands by the Group's sustainability teams.

### Evolution of internal training



### Improved working methods and systems

One of the ways of achieving wage increases is by improving working methods. Various pilot projects have been implemented such as in China – one in collaboration with the International Labour Organization (ILO), and in Turkey with assistance from IndustriALL. These projects have demonstrated that better work organization leads to increased productivity and efficiency, which in turn bring improved conditions for workers, not only in terms of wages but also in terms of working environment. For example, in one factory in China, such where a training project resulted in improved productivity and the quality of management processes. These, among other improvements, led to an increase in employee wages.

Improved productivity in factories is not an end in itself in the sphere of sustainability; rather, it must be accompanied by the promotion of social dialogue in factories. To this end, workers and their representatives must be actively involved, along with factory management, in deciding on incentive systems and improvements to working conditions.

### Collaboration with other stakeholders

Inditex alone has limited capacity to change the working conditions across its entire supply chain. Therefore, the active involvement of local trade unions, suppliers, governments, NGOs and other representatives of civil societies is needed in order to drive a real impact on working conditions among factories producing for Inditex.

In this regard, Inditex continues to work with IndustriALL and other brands in a number of initiatives such as ACT (Action, Collaboration, Transformation) which aims to drive increases in worker wages. As a result, active efforts have been made that have yielded various joint interventions on the ground, including in Cambodia, where it is hoped advances will continue to be made to promote mature industrial relations between worker and employer representatives.

### Support campaigns

Inditex has publicly expressed its commitment to improving wages and the respect for laws governing freedom of association and the right to collective bargaining in countries such as Cambodia, where in June 2015, via the ETI, the Group expressed its concern for issues regarding respect for ILO Convention 87 and 98 with the country's new labour legislation.

## Worker participation

Worker participation in the supply chain is considered a core principle at Inditex, and this is reflected in the Framework Agreement signed with IndustriALL Global Union in 2007 and renewed in 2014. Inditex shares all information on its supply chain with IndustriALL. This information is updated on a regular basis. Moreover, Inditex regularly works with IndustriALL representatives, local trade unions and workers with the core objective of establishing and promoting initiatives involving the training and representation of workers in the supply chain. In 2015, the implementation of the Framework Agreement took the form of specific activities mainly in Portugal, Vietnam, Cambodia, India, Turkey and Bangladesh.

### Turkey

Programmes in six factories with 4,350 workers

Follow-up of the results of the training programme initiated in 2013 to ensure the sustainability of the established worker representation systems. The programme was implemented with collaboration from the Istanbul Textile and Apparel Exporter Associations (IHKIB), the local trade union Öziplik-iand, academics from the Kocaeli University of Istanbul. Furthermore, the final phase of the Joint Turkey Programme has been completed with a productivity analysis and the identification of areas for improvement. Meanwhile, a manual has been created on the introduction of improved management and dialogue systems, and the phase of impact assessment has begun and is due for completion in 2016.

### Portugal

Programmes in five factories with 514 workers

Programmes in textile and footwear factories were carried out in conjunction with the Portuguese Federation of Unions for Textiles and Footwear Industries (FESETE) in order to establish future channels for collaboration with a view to improving conditions in the sector.

### India

Programmes in four factories with 9,152 workers

These programmes are aimed at understanding the management systems of the factories in Inditex's supply chain with regards to worker rights, and to introduce projects, in which Inditex is involved, designed to eradicate the Sumangali labour practice.

## Number of factories involved in IndustriALL programmes in 2015

	2015
Number of factories visited	26
Number of workers	32,751

## Bangladesh

Programmes in four factories with 3,812 workers

Implementation of a project with the objective of empowering workers through the creation of participation committees at four factories in Inditex's supply chain in Bangladesh. During the first phase of the project in 2015, a joint team from Inditex and IndustriALL verified the process of democratic election of members of the committees established, ensuring worker participation as set out in the national legislation.

## Vietnam

Programmes in five factories with 13,448 workers

Two programmes were developed at textile and footwear factories in Inditex's supply chain to assess working conditions and promote social dialogue in these factories. The first of these was a visit to one factory along with the Secretary-General of IndustriALL, Jirky Raina, while the second involved representatives of Inditex and IndustriALL, who visited four factories.

## Cambodia

Programmes in two factories with 1,475 workers

During the meeting of the Executive Committee of IndustriALL held in Phnom Penh in December, we developed programmes at two factories in the company of members of the local Inditex cluster in order to observe the country's system of labour relations in the field.

## The establishment of Works Councils within Inditex's supply chain

In 2015, Inditex and the international trade union federation IndustriALL initiated a pioneering project in Bangladesh that aimed to guarantee the legitimate participation of workers in works councils in factories supplying to Inditex.

Four factories were selected from Inditex's supply chain in Bangladesh to take part in a pilot project with this objective in mind. During the first phase of the project conducted in collaboration with IndustriALL, the processes used for the constitution of "participation committees", which are equivalent in Bengali legislation to works councils, was monitored in these factories.

This process covered aspects including the free selection of candidates by workers and democratic elections.

The Bangladesh experience was especially valuable since it guarantees workers free access to participation committees while also offering guarantees for adequate worker representation in the establishment of occupational health and safety committees. As set out in national legislation, members of these committees must come from a prior selection from the company's participation committee.

This last measure is particularly important given that the Accord, of which Inditex is an original signatory, establishes a pledge for all members of the Accord that establishes democratic occupational health and safety committees in all of the factories that work for them.

## Corrective Action Plans

Following a social audit, Inditex establishes Corrective Action Plans for each factory, regardless of the ranking they have obtained. These plans are monitored by local sustainability teams, who provide support and assistance to suppliers and manufacturers so that they can remedy the breaches detected during the audit, implementing the measures detailed in the plan. Other parties such as trade unions and NGOs may support or oversee the improvement measures.

In the case of breaches of sensitive aspects of the Code of Conduct, such plans come under the name Project D, in which a far stricter monitoring process takes place to monitor the corrective measures stipulated for a maximum duration of six months. Once that period has expired, a new social audit is performed to verify compliance. If a supplier or manufacturer does not manage to fulfil their Corrective Action Plan, relations will be severed, and the manufacturer or supplier in question will no longer be able to form part of Inditex's supply chain.

Inditex considers continual improvement to be a fundamental aspect of achieving a stable and sustainable supply chain; with this in mind, the Corrective Action Plan method is designed to give suppliers and manufacturers the chance to make improvements.

In 2015, a total of 510 Corrective Action Plans were implemented, of which 64% were completed successfully. This percentage represents an increase in the success rates over previous year (59% success rate), an improvement that can be attributed to the efforts of local sustainability teams and suppliers to ensure the implementation of the improvements proposed. With a view to the completion of Corrective Action Plans, Inditex's internal teams performed 1,124 competence visits to factories to ensure that the improvements were being implemented, as well as to offer guidance. These plans also received assistance from a range of organizations including the *Association for the Support of Contemporary Living* in Turkey and *Pratham* in India.

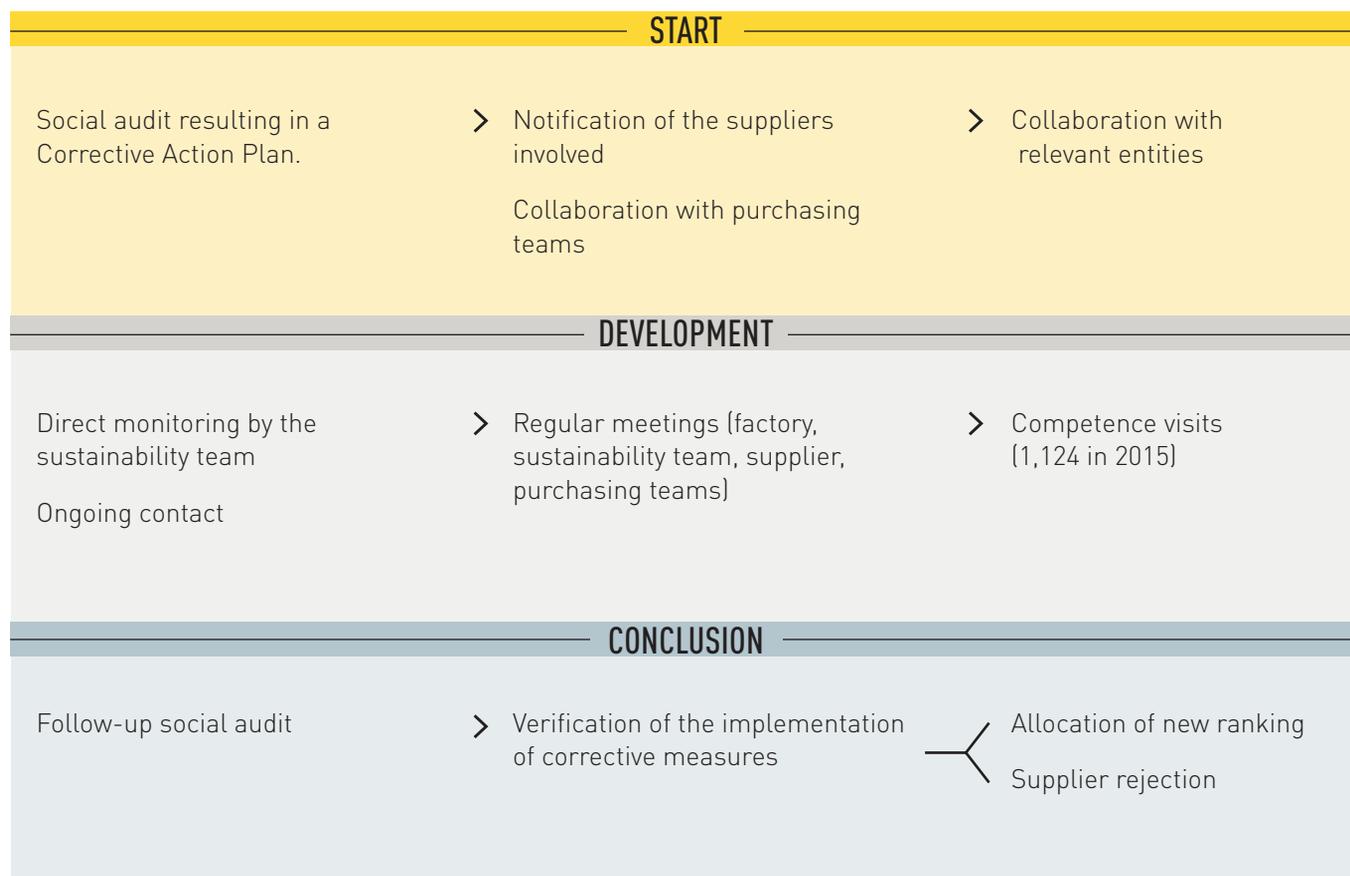
### Corrective Action Plans 2015

Geographic area	Factories that initiated an improvement process	Factories that improved their compliance	Factories in the process of improvement	Percentage of CAPs successfully completed
Africa	10	5	5	100%
America	120	34	71	69%
Asia	244	105	83	65%
Europe (non-EU)	77	14	49	50%
European Union	59	23	20	59%
<b>Overall total</b>	<b>510</b>	<b>181</b>	<b>228</b>	<b>64%</b>



Visit of the Inditex Sustainability team to a Turkish factory in April, 2016.

## Development of a Corrective Action Plan



Of the 1,725 suppliers with purchase in 2015, some 65 were rejected and no longer formed part of Inditex's supply chain by 31 January 2016. Suppliers might be rejected for purely commercial reasons or relations severed due to some kind of breach of the Code of

Conduct. These figures demonstrate the adherence in purchasing decisions to sustainability criteria: only those suppliers and manufacturers that comply with Inditex's social, environmental, and product health and safety policies can continue to form part of the supply chain.

### Suppliers rejected in 2015

Geographic area	Suppliers with purchases*	Rejected due to breach of the Code of Conduct	Rejected for commercial reasons	Active suppliers at 31/01/2016
Africa	130	0	0	130
America	74	7	6	61
Asia	836	12	22	802
Europe (non-EU)	185	13	0	172
European Union	500	3	2	495
<b>Total</b>	<b>1,725</b>	<b>35</b>	<b>30</b>	<b>1,660</b>

(\*) Suppliers of fashion items, mainly clothing, footwear and accessories, with a production for Inditex of over 20,000 units/year. Suppliers with smaller production account for 0.37% of the total production.

### 3. Optimization of the supply chain



Inditex understands that it must help its suppliers to improve their production conditions and support them in this process throughout their commercial relationship, with the goal of ensuring sustainability in the supply chain. To this end, the Group implements a range of initiatives and projects that aim to improve the effectiveness of audits, train suppliers and consolidate a stable supply chain.

#### Responsible purchasing practices

Inditex's commitment to sustainability goes beyond supplier assessment, and in this respect internal awareness-raising among purchasing teams is a priority.

Along with the Compliance Programme and strategic selection of suppliers, a responsible approach to purchasing practices is a vital part of achieving a more sustainable supply chain.

Purchasing practices encompass various aspects of strategic planning within the Purchasing Department that range from logistics and the purchasing process itself to the values and principles underlying the decisions made by purchasing teams.

Throughout 2015, regular specific training activities have taken place involving purchasing teams. These activities aimed to raise awareness as to how purchasing decisions can impact on the factories used for production, thereby advancing towards the introduction of a system of specific training on responsible purchasing practices at the corporate level.

This kind of session seeks to broaden knowledge on sustainability and the Inditex Code of Conduct for Manufacturers and Suppliers and promote the advantages offered by a sustainable purchasing strategy.

Inditex collaborates with other brands, sharing its experience and designing joint actions for the application of responsible purchasing practices.

#### Effective auditing

The information gathered during audits is crucial to Inditex's purchasing teams. Therefore, collaboration between the Group's sustainability teams and all other Inditex departments is essential to ensuring that audits – and, more generally, all of the tools used to ensure the responsible management of the supply chain – are interconnected and effective.

In this sense, it is important that purchasing teams are informed of the results of audits and are involved in supplier improvement processes.

All of Inditex's departments participate in the sustainability strategy, and so training and capacity building are fundamental, in particular in the case of the Group's purchasing department.

In June 2015, two training sessions were held at the company's central offices, attended by 434 Inditex employees. The main objective of these sessions was to disseminate the work of the Group's sustainability teams in the range of countries where they are based and carry out their activities. Local teams told attendees about the work they carry out with real examples of projects developed in their regions. Their experiences were also reflected in a lengthy article published in the company's internal magazine distributed throughout the Group's offices and stores.

Meanwhile, during the course of 2015, a total of 12 sessions were held in which 184 new employees of central offices were trained on issues concerning sustainability. Training and awareness-raising among employees are key to aligning sustainability policies in all business areas, and for that reason all new employees participate in these sessions, regardless of the role they will have within the organization. Apart from the training activities held at central offices, 181 purchasers were trained at offices during the same year.

#### Training and capacity building for suppliers

Compliance with the Code of Conduct by suppliers and the application of the Code in their factories is only possible if its contents are known, understood and internalized. Aware of this fact, Inditex upholds an ongoing commitment to training suppliers, placing the resources they need at their disposal.

With a view to continuing to comply with the objective of the Strategic Plan 2014-2018 to include all suppliers in regular training and capacity building

programmes, in 2015 substantial resources were invested in providing the appropriate training to the suppliers that require it. Each training activity is specifically designed in line with variables such as the geographic location of the supplier or its experience within the supply chain, while some standard contents are also based on principles that are globally applicable throughout the supply chain. During 2015, a total of 21 training sessions were held with groups of suppliers, while 813 individual training sessions were imparted by the sustainability teams in the range of clusters. A total of 1,300 suppliers received training on sustainability issues. The subjects addressed in training sessions focused mainly on: Inditex's Code of Conduct; the Compliance Programme, with a special emphasis on Corrective Action Plans; production traceability; sensitivity to gender-equality; and proposals for self-monitoring in the supply chain by suppliers themselves.

## Consolidation of the supply chain

Inditex carries out ongoing work to establish lasting relations of mutual trust with its suppliers. Since the Group has a highly consolidated supply chain, it is able to implement activities designed to develop this chain to a more advanced level, responding to specific areas for improvement.

Supplier ratings and their commitment to worker well-being improve in line with the length of their commercial relationship with Inditex. As an example, the top rated suppliers are those that have been part of the Group's supply chain for longer than three years.

## LEAN Project in China

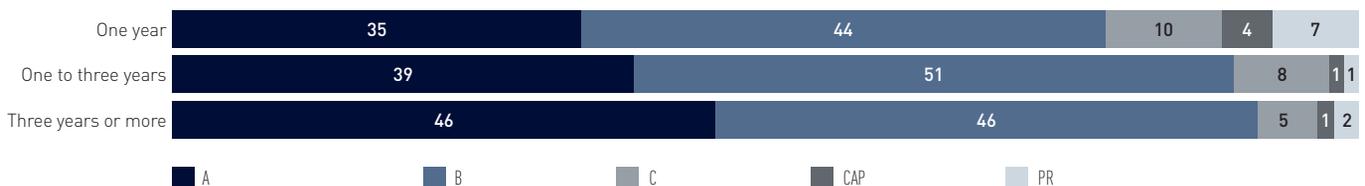
The LEAN Project is an initiative implemented by Inditex's experts in industrial engineering and promoted by the sustainability team in China. The project's main aim is to help the factories selected to develop a production management system based on the LEAN philosophy, with a view to improving the working conditions of workers thanks to improved production management systems and increased involvement in the production process.

The LEAN philosophy seeks to optimize processes while valuing the role of the worker, motivating them and ensuring that they continually improve.

This project is implemented in those suppliers and factories that have demonstrated cooperation and transparency in their relations with Inditex. The first phase of the project involves training on basic LEAN concepts and the fundamental role employees play in their introduction. From there, Inditex's sustainability team collaborates closely with factories on implementing improvements, providing support in the form of guidance throughout the process.

The pilot phase of this project was successful in 2015, involving the participation of two Chinese factories. The improvements made by both factories to their productivity have had a positive effect on employees' wages. The LEAN Project will continue in 2016, expanding to include more factories and increase the number of workers benefitting from the project.

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



➔ Further information at Sustainability balance sheet, page 144

## 4. Stakeholder engagement



The challenges posed by a global supply chain impact a number of shareholders. The positive impact of working together to identify these challenges and seek shared solutions is beneficial to the industry and the development of the communities within we are present. Apart from the Group's work with

IndustriALL Global Union and local trade unions, in 2015 we can also highlight Inditex's active participation in important international platforms such as Better Work, the Ethical Trading Initiative (ETI), the International Labour Organization (ILO), and the UN Global Compact, among others.

*The impact of working together is beneficial to the industry and the development of communities*



### Better Work

Thirty factories registered in Cambodia, 14 factories registered in Vietnam and two factories registered in Indonesia. Participation in the Better Work Global Buyers Forum in San Francisco and in regional meetings in Bangladesh, Cambodia and Vietnam.



### UN Global Compact

When Inditex became a signatory to the Global Compact in 2001, the company undertook to respect its ten principles. In 2015, Inditex participated in the Advisory Group on Supply Chain Sustainability and the Human Rights Working Group of the Global Compact Network Spain, as well as in the Global Compact +15 anniversary, held at the United Nations in New York, in order to tackle private sector involvement in the 2030 Agenda for Sustainable Development.



### Ethical Trading Initiative

Inditex has been a member of the Ethical Trading Initiative since 2007. In 2015, the Group participated actively in various platforms and projects including the following:

- Tamil Nadu Multistakeholder Initiative for the eradication of abusive employment practices in Southern India .
- Attendance at the round table organized in India on the Guiding Principles on Business and Human Rights.
- Representation at the ETI China Corporate Caucus dealing with matters specific to the sector in China.
- Study on the Chinese social security system.
- Project entitled "Social dialogue for harmonious industrial relations in Chinese supply chains".
- Participation in working meetings in Turkey on the protection of Syrian refugees in supply chains.



### International Labour Organization

Participation in the SCORE programme to improve productivity and working conditions in factories; presence at the Buyers Forum Pakistan organized by the International Finance Corporation (IFC) and promoted by the ILO.

## 5. Sustainability



Inditex's supplier clusters represent a valuable tool for introducing at the local level the global standards and principles set out in Inditex's Strategic Plan for a stable and sustainable supply chain 2014-2018. The clusters offer spaces for cooperation and dialogue, and are designed to promote a sustainable productive environment in a geographic area that is strategic to the development of Inditex's business model and compliance with human rights and fundamental labour rights. With the creation in 2015 of a new cluster in Cambodia, Inditex now has 11 clusters located in the Group's most important production areas.

These 11 clusters (in Spain, Portugal, Morocco, Turkey, India, Bangladesh, Vietnam, China, Brazil, Argentina and Cambodia) cover 91% of Inditex's total global production. Detailed information on each cluster can be found on the next page of this report.

Cluster	Internal team	External team
Spain	13	17
Portugal	2	35
Morocco	3	13
Turkey	7	30
India	7	64
Bangladesh	8	24
Vietnam	2	17
Cambodia	1	17
China	8	347
Brazil	1	38
Argentina	2	11
<b>Total</b>	<b>54</b>	<b>613</b>

### New cluster in Cambodia

In September 2015, Inditex created a new supplier cluster in Cambodia. As in the case of the Group's other clusters, it comprises local professionals with a high level of experience in the sphere of sustainability. Following the creation of this specific platform for Cambodia, the work of the remaining countries that made up the former South East Asia cluster along with Cambodia, will continue to be developed from its hub in Vietnam.

Apart from developing global policies and programmes, the new cluster in Cambodia has focused on responding to the country's specific needs.

The creation of this new cluster has also made it possible to continue developing different initiatives and programmes designed to ensure the sustainability of the supply chain in line with Inditex's Strategic Plan for a stable and sustainable supply chain 2014-2018. For instance, in 2015 Inditex maintained and strengthened its collaboration with the ILO's Better Factories Cambodia programme, which aims to improve working conditions in the textile and footwear sector. At year end, 30 Cambodian factories in Inditex's supply chain had been registered.

Another of the activities carried out was developed within the framework of collaboration with the ACT (Action, Collaboration, Transformation) initiative promoting decent wages in the textile and footwear sector. In September 2015, Inditex took part in an ACT meeting in Phnom Penh along with a range of brands, trade unions and NGOs with the aim of raising awareness on the importance of cooperation when establishing potential measures to achieve decent wages in this sector in the country.

Likewise, in 2014 Inditex, other brands and the trade union IndustriALL Global Union, submitted a letter to the government of Cambodia and the textile employers' organization Garment Manufacturers Association in Cambodia (GMAC), urging them to engage in negotiations for wage increases with the participation of all parties involved: the government, employers' organizations, and workers' representatives. As a result of negotiations between the parties, in October 2015 the government of Cambodia announced an increase to the national minimum wage in force as of 1 January 2016 of some 9.37% compared to the previous increase achieved in November 2014.

## Activities in clusters in 2015



	Spain	Portugal	Morocco	Turkey	India
<b>IDENTIFICATION</b>					
<b>Traceability</b>	-	33 traceability audits	542 traceability audits	40 traceability audits	142 traceability audits
	The teams at Inditex's head offices are responsible for coordinating traceability control in each of the countries, sharing good practices and working in conjunction with purchasing teams.	Traceability audits are carried out following the analysis of information provided by suppliers. During audit processes, the auditor gathers information on the production capacity of the factory and makes the necessary checks to verify the traceability of production.	Two types of traceability audits are performed. The first type focuses on the verification at the factory itself of the information provided by the supplier. The second type of audit is a process that monitors production.	The production monitoring is carried out via specific traceability audits and each visit to the factory. The information provided by the supplier on orders is compared with the corresponding documents at the factory.	The traceability verification process has various stages, including the preliminary analysis of factory capacity and monitoring of the raw materials and other elements required in production.
<b>Training for auditors</b>	-	24 auditors trained	-	60 auditors trained	77 auditors trained
	Global coordination of audits and audit management	As part of the collaboration between the cluster and the Catholic University of Porto, training was provided for 19 new auditors.	Coordination with local auditors and ongoing training to ensure audit quality.	Apart from training on the audit process, specific sessions were also given on worker health and safety.	The seven training sessions held in 2015 focused on guaranteeing compliance with Inditex standards by auditors.
<b>Audit quality management</b>					
Pre-assessment	87	239	43	587	246
Social	43	707	144	507	324
Special	4	59	375	20	459
<b>ASSESSMENT</b>					
<b>Compliance programme</b>					
A suppliers	109	114	48	92	77
B suppliers	69	49	48	70	44
C suppliers	9	4	7	6	8
CAP suppliers	2	2	3	7	4
<b>Worker participation</b>	Coordination of the global implementation of the Framework Agreement with IndustriALL Global Union and all of the activities it develops in the range of clusters.	Programmes with visits to textile and footwear factories in conjunction with the Portuguese Federation of Unions for Textiles and Footwear Industries (FESETE) in order to establish future channels for collaboration with a view to improving conditions in the sector.	Development of a specific worker health and safety programme to improve working conditions in factories.	Completion of the final phase of the Joint Turkey Programme, which included a productivity analysis and the identification of areas for improvement. A manual was also created on the introduction of improved management and dialogue systems.	Programmes with visits to the factories in the supply chain to get to know the management systems employed to manage worker rights and introduce projects in which Inditex participates designed to eradicate the sumangali labour practice.
<b>Corrective Action Plans</b>	n/a	59% successful	100% successful	50% successful	77% successful
<b>OPTIMIZATION</b>					
<b>Effective auditing</b>	Some 434 Inditex employees in Spain participated in training sessions on sustainability and 184 new employees were trained on sustainability.	Coordination and collaboration with purchasing teams via the Spain cluster.	Communication of audit results and the development of Corrective Action Plans to purchasing teams in Spain.	Thirteen local purchasers trained on social and environmental sustainability.	Three specific training sessions on traceability with 33 attendees from purchasing teams and specific training on specific projects developed by the cluster, with 20 attendees.
<b>Training and capacity building for suppliers</b>	Daily management of training for suppliers and coordination of the training activities carried out in the clusters.	17 suppliers trained	3 suppliers trained	98 suppliers trained	344 suppliers trained
<b>STAKEHOLDERS' ENGAGEMENT</b>					
	Representation of Inditex in international platforms such as the Ethical Trading Initiative, UN Global Compact, the ILO or participation in the Better Work Global Buyers Forum.	Agreement with the Portuguese Catholic University of Porto on the training of young professionals on social auditing.	Projects with Medicus Mundi to improve worker health and safety in Inditex's supply chain.	Collaboration with entities such as the Refugee Support Centre on the protection of migrant workers, or with KADAV on research into and measures to combat workplace harassment.	Shaki Health programme to create good practices in health, hygiene, nutrition, menstrual and reproductive health with St. John's Medical School, and participation in the Freedom Fund to raise awareness and implement coordinated activities to combat employment schemes such as the sumangali practice.

INDITEX  
OUR PRIORITIES - INTEGRITY OF THE SUPPLY CHAIN

Bangladesh	Vietnam	Cambodia	China	Brazil	Argentina
28 traceability audits	89 traceability audits	137 traceability audits	213 traceability audits	561 traceability audits	1,081 traceability audits
Management of the supply chain traceability by implementing a specific mechanism to monitor suppliers and manufacturers. This will contribute to the compliance with requirements laid down by Inditex, as one of the signing companies of the Accord.	The monitoring of traceability requires various documents from the factory, which are compared with the information registered on Inditex's traceability systems, as well as a visit to analyse all of the processes involved in production.	The method used in traceability audits involves the analysis of information registered on Inditex's traceability systems and comparison with the documents supplied by the factory. In situ verification of real production in the factory is also carried out.	The analysis of information on orders and production processes enable the identification of those factories that might require a traceability audit. Moreover, all social audits and factory visits include monitoring of production.	In Brazil, 100% of orders are monitored in order to ensure that all production comes from authorized companies. To make sure this is the case, an auditor is assigned to each supplier that works for Inditex. Every two weeks, monitoring takes place of every order, ensuring a reasonable surveillance of all phases of production.	Traceability audits verify that the quantities recorded correspond with those requested on the order, that the processes employed in factories are those required, and that the allocated production times are in line with factory capacity.
25 auditors trained	2 auditors trained	-	3 auditors trained	2 auditors trained	16 auditors trained
Specific training sessions were held on the country's labour legislation.	Shadow audits were performed in which a member of the internal team accompanied an external auditor to observe and evaluate performance.	Coordination with local auditors and ongoing training to ensure audit quality.	The three training sessions held in 2015 were targeted at strengthening and refreshing auditors' knowledge of audit processes.	The cluster ran a session to train auditors in the methodology used in pre-assessment audits.	During 2015, some 16 auditors were trained on the methodology used both in traceability and social audits.
67	67	70	896	80	30
207	82	58	1,114	300	157
198	102	137	173	40	17
24	2	1	49	15	19
55	1	-	230	-	7
-	2	-	50	-	2
2	-	-	8	-	1
Implementation of a project with the objective of empowering workers through the creation of participation committees.	Collaboration with IndustriALL on two visits to factories with the aim of evaluating working conditions and promoting social dialogue.	During the meeting of the Executive Committee of IndustriALL, held in Phnom Penh in December, two factories were visited with members Inditex's local cluster in order to observe the country's system of labour relations in Cambodia.	Implementation of the pilot phase of the LEAN project, which aims to improve working conditions of workers by means of improved factory management and the inclusion and participation of workers in the process to drive productivity.	Collaboration with the trade union Confederação Nacional dos Trabalhadores nas Indústrias do setor Têxtil, Vestuário, Couro e Calçados (CONACCOVEST) to improve labour relations.	Identification and adjustment of job classifications to their corresponding trade union to guarantee better pay for employees and better control for factories.
91% successful	93% successful	75% successful	54% successful	69% successful	n/a
Training for 43 local purchasers on the Code of Conduct for Manufacturers and Suppliers and training for 16 local purchases on traceability.	Ongoing surveillance by purchasing teams of the working conditions experienced by employees.	Ongoing surveillance by purchasing teams of the working conditions experienced by employees.	Eleven training sessions for 56 members of purchasing teams on sustainability practices and the Code of Conduct, as well as training on specific projects developed by the sector.	Coordination of sustainability activities with all other business departments.	Coordination and communication with purchasing teams on issues of sustainability.
296 suppliers trained	Ongoing work with suppliers in the cluster	1 supplier trained	501 suppliers trained	10 suppliers trained	30 suppliers trained
Founding member and presence in the Steering Committee of the Accord on Fire and Building Safety in Bangladesh (Accord).	Fourteen factories registered to the Better Work Vietnam programme, and participation in regional forums.	Thirty factories registered to the Better Work Cambodia programme, and participation in regional forums.	Collaboration with the China Corporate Caucus of the ETI on social security and social dialogue for harmonious industrial relations in Chinese supply chains	Implementation in Sao Paulo of an immigrant integration centre (Centro de Integración a la Ciudadanía del Inmigrante).	Collaboration with the National Institute of Industrial Technology (Instituto Nacional de Tecnología Industrial, INTI) to develop competencies in aspects of traceability.

our priorities

# The quality of our products

One of our main challenges is to offer ever more sustainable products. This means working hard on product design, on selecting the right processes and raw materials to be used, and on the whole production process in general, right through to the end of the product's life cycle.

Achieving maximum product quality is closely linked to sustainability: in our view, maximum quality means safe products that are manufactured in appropriate social and environmental conditions. To achieve this, we work at every stage of the value chain – from design through the right choice of raw materials, and the manufacturing and distribution processes, right up until the end of the product lifecycle – using the best available techniques to reduce consumption and environmental impact, especially when it comes to greenhouse gases. The completion of our Strategic Environmental Sustainability Plan 2011-2015 has allowed us to introduce and consolidate various workstreams at all stages of the value chain. Building on the achievements and progress made with this plan, we have set new environmental targets within a new 2016-2020 plan (detailed information on the plan can be found in the chapter Efficient use of resources, pages 70-79).

Within the environmental plan that has just come to an end, the year 2015 stands out for the progress made in developing more sustainable products. This has allowed us to set a technical standard for validating those producers who are investing in sustainable innovation in clothing manufacture, to whom we give an internal classification of *Right to Wear+*. At Zara, this standard is reflected on labels explaining the added environmental value of these products. *Zara Join Life* labels identify items produced using the most sustainable raw materials, such as organic cotton or recycled materials; forest-based synthetic fibres made using an efficient process such as Tencel® Lyocell; or clothing produced with technology using renewable energy, or that demonstrates efficient use of energy

or water. The commitment to use more sustainable materials in our products has led to a 318% increase in the amount of organic cotton used since 2014. According to the Organic Cotton Market Report, Inditex was one of the leading consumers of this material during this financial year.

In 2015 we also made progress towards the circular economy model with the Closing the Loop project, which combines environmental and social sustainability to pursue the goal of ensuring no used textile item ends up in landfill. The project began with a pilot run in 37 Zara stores in five countries, in which special bins were placed for the collection of used clothing. Universities, textile manufacturers, recycling companies and the third sector all collaborated on the initiative.

*Right to Wear+  
validates producers  
who are investing in  
sustainable innovation  
in clothing manufacture*

→ For further information see Efficient use of resources, page 70.  
Further information at: [www.wateractionplan.com](http://www.wateractionplan.com)



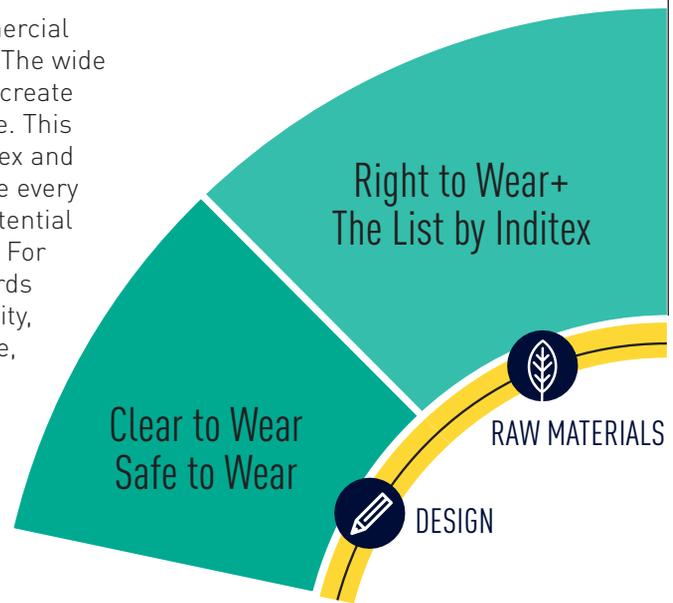


Zara designing team at the brand's head office in Arteixo (A Coruña).

# Towards a circular economy model

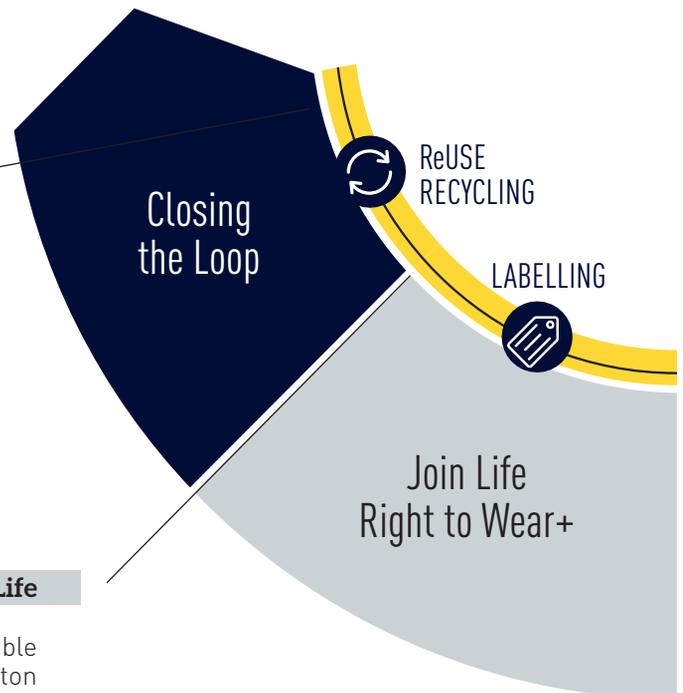
## RIGHT TO WEAR: KEY TOOLS FOR MORE SUSTAINABLE PRODUCTS

At Inditex, we are conscious of the complexity of our commercial offering, with more than 50,000 references sold each year. The wide variety of raw materials, processes and finishes we use to create this range of products calls for responsibility at every stage. This is why more than 1,500 professionals working both at Inditex and at our scientific and technical partners study and supervise every stage of the creation of our clothing, from design to the potential recycling of garments once they reach the end of their life. For this rigorous task, we have set demanding internal standards for preventive health, safety and environmental sustainability, as well as monitoring at every stage of the product lifecycle, all of which come together under the umbrella of our sustainability philosophy Right to Wear.



### Closing the Loop

Project for the reuse and recycling of products at the end of their lifecycle, in partnership with the third sector, recycling companies, textile manufacturers and technologists.



### Right to Wear+ / Zara Join Life

Technical standard that identifies the most sustainable items, produced with raw materials such as organic cotton or TENCEL® Lyocell; with recycled materials or with technology that uses renewable energy, or processes that use water and energy efficiently. At Zara, these items are identified with the Join Life label.

**The List by Inditex**

Pioneering global programme to improve the quality of the chemical products used in the manufacturing of textile and leather products. Through a manufacturing audit programme to analyse and then classify those chemical products, progressive improvements have been made to their production process so that garments' health and sustainability can be guaranteed, even before they are designed.

**Green to Wear**

A specific standard to guarantee a clean, environmentally responsible production process that is less intensive in its resource consumption. The main focus of Green to Wear is to reduce and improve natural resource consumption, and to continuously improve the environmental impact of the whole supply chain.

**Ready to Manufacture**

Code of good manufacturing practices that guarantees the enforcement both of product health (Clear to Wear) and the Manufacturing Restricted Substances List (MRSL) in wet process facilities.

**Clear to Wear and Safe to Wear**

Product health and safety standards. Constantly reviewed in accordance with the strictest and most up-to-date legislation in the field.

**Picking**

Product inspection and analysis programme applied during the manufacturing phase.

**Green to Pack**

Packaging optimization programme used throughout the whole supply chain, in collaboration with suppliers. Through measures to homogenize and standardize the packaging used, we are encouraging reuse, and improved sorting and recycling.

**Eco-efficient Store Manual**

Includes all of the efficiency and sustainability requirements fulfilled by our stores in terms of their construction, facilities and the activities carried out there, such as waste management.



(\*) dyeing, printing, washing, tanning and finishing.



## More sustainable design and raw materials

The production of responsible clothing begins with its design and the selection of more sustainable textile fibres, such as those from organic or recycled sources. In the production of our clothing, we promote the use of raw materials containing fibres with environmental benefits that help protect and conserve biodiversity, such as organic cotton, TENCEL® Lyocell and recycled cotton and polyester. This allows us to reduce the environmental impact associated with growing and producing conventional fibres.

In recent years, the use of more sustainable raw materials has grown, thanks to the awareness and training of our commercial teams and suppliers on the advantages offered by this type of fibre compared with conventional fibres.

*The use of more sustainable raw materials has grown, thanks to the awareness and training of our commercial teams*

## Organic cotton

Organic cotton is a raw material that protects biodiversity and reduces the environmental impacts associated with traditional cotton production, guaranteeing that no genetically-modified seeds are used, nor any pesticides or artificial fertilizers.

During 2015, we placed 34 million items of clothing using certified 100% organic cotton onto the market. This translates into a consumption of 4,219 tonnes of organic cotton and represents an increase of 318% by weight from last year. As a result, we have become the world's ninth biggest consumer of organic cotton(\*).

The Inditex Group is a founding member of the *Organic Cotton Accelerator (OCA)*, a multi-sector initiative set up to promote a prosperous organic cotton sector that benefits all stakeholders from the producer to the consumer. The objective is to create a robust market, encouraging fairness at every stage of the value chain and promoting the use of organic cotton.

Over the next two years, the OCA will focus on establishing a prototype that defines an appropriate business model for producers and developing a traceability system that will enhance the integrity of the organic cotton supply chain.

In addition, Inditex works closely with international initiatives, such as Textile Exchange and Better Cotton Initiative, on projects to support farming communities in India and China.

[\*] Source: Organic Cotton Market Report.



A Zara designer making a sketch at the brand's head office in Arteixo (A Coruña).

As well as certified organic cotton, a raw material we used in 34 million items in 2015, over recent years we have also started introducing other sustainable or recycled materials into our collections, such as TENCEL® Lyocell or recycled cotton and polyesters, which provide a considerable reduction in water consumption and energy, as well as reducing natural resources consumption and waste generation.

TENCEL® Lyocell is a fibre derived from the cellulose extracted from trees grown in woods with a sustainable forestry certificate and via a highly efficient closed process. Water consumption in the production process for recycled cotton is approximately 80% lower than in traditional cotton production, while the polyester recycling process considerably reduces water and energy consumption.

➔ Further information at: [www.wateractionplan.com](http://www.wateractionplan.com)

## Commitment to improve chemical products

To guarantee the health and safety of the products sold by Inditex, R&D programmes are in place to detect and

replace certain processes and substances in order to achieve the highest environmental quality. The result of this policy of preventive action is The List, by Inditex, which began in 2013 as a pioneering global programme

with the aim of improving the quality of chemical products used in the manufacture of textile and leather items. To create The List, Inditex works proactively and in collaboration with the chemical industry to monitor the quality of chemical products and to make progressive improvements to their manufacture in order to guarantee that garments are healthy and sustainable – even before they are designed.

The List, by Inditex programme is the result of a broad research project in partnership with the

University of Santiago de Compostela and a close working relationship with the world's major manufacturers of dyes, pigments and auxiliary chemical products used in the production of textile and leather goods. This programme has already achieved success in the shape of global classification for thousands of dyes, pigments and auxiliary chemical products used in the production of textile items, footwear and accessories, according to their compliance with Clear to Wear. Currently, The List, by Inditex includes more than 14,000 analysed and classified chemicals, representing more than 85% of the global market in these products.

### The List, by Inditex in 2015

- **23 chemical product companies** (the 2014 list included 15 companies)
- Approximately **15,000\* chemical products** analysed and classified (8,258 chemical products in 2014)
- Approximately **35,000\* analyses performed**, compared with 8,289 in the previous year
- **More than 85%** of the market covered, compared with 85% the previous year

[\*] Estimated figure assuming that 100% of the samples requested to suppliers during the reported period are received.

*We work to ensure  
that all our forest-  
based raw materials  
are sourced  
from sustainably  
managed woods*

### **PFC-free products**

We also work towards our zero discharge commitment through the Perfluorocarbons Free Policy. This policy, which is obligatory for all of our suppliers, requires all perfluorocarbon (PFC) compounds to be removed from the water-resistant finishes of our products. We also inform our suppliers of the alternatives to PFCs that are available on the market. During 2015, we worked closely with 90 suppliers to promote the substitution of these undesirable substances with more sustainable products.

### **Advances in the Forest Products Policy**

Since the publication of the Forest Products Policy in 2014, we have been working with our supply chain to ensure that the raw materials we use from forest sources all come from sustainably managed woods. In addition, we give preference to procuring forest products with a high proportion of recycled and post-consumer waste material, and encourage our suppliers to maintain, improve and increase their offering of this type of product.

As founders of the *Textile Leaders Group for Forest Protection*, together with the organization Canopy Planet and other brands from the sector, we work with suppliers of forest-based synthetic fibres (MMCF) such as viscose, modal or lyocell. Through this collaboration, we aim to fulfil our objective of guaranteeing that by 2017 none of the synthetic fibres used in our products originate from primary or protected forests. Currently, nine of the main suppliers of these fibres, which represent 65% of the production of viscose worldwide, have adopted policies in line with our own. In addition, two of the main producers are expected to complete a third-party verification process in 2016.

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

### **Animal welfare policy**

Inditex applies responsible production standards to its products with regard to the use of products of animal origin. None of Inditex's retail formats sell fur products. Since 2013, Inditex has been a member of the Fur Free Retailer Program by the Fur Free Alliance. In 2015, Inditex permanently banned the production and sale of angora upon an agreement with PETA organization (People for the Ethical Treatment of Animals).

➔ More information on our animal welfare policy can be found on [www.inditex.com/es/sustainability/product/products\\_animal\\_origin](http://www.inditex.com/es/sustainability/product/products_animal_origin)

### **Collaboration with international initiatives**

Inditex works closely with international initiatives such as *Textile Exchange* and *Better Cotton Initiative*, with the aim of promoting the production of more sustainable raw materials. As a result of these partnerships, we help to finance agricultural projects in China and India (Mecilla Project in the Chinese province of Shanxi, and the Chetna and BCI projects in India). In all of these, ecological agriculture is encouraged, with the development of seeds that are suitable for organic cultivation, training of farmers in ecological techniques, sustainable management of natural resources, and responsible use of chemical products such as pesticides and fertilizers. These programmes help to guarantee the conservation and supply of organic cotton seeds, improve living conditions for producers and their families, and generate a positive impact on the environment.

## Advances in the evaluation and control of wet processes

At Inditex, we are working to ensure more sustainable production processes and to achieve zero discharge of hazardous substances by 2020, through continuous improvement of the supply chain. To achieve this, in the area of wet manufacturing processes (dyeing, printing, washing, tanning and finishing) we have designed and implemented our own programmes to regulate the facilities and processes that use these substances, in order to guarantee the health and safety of the products and to ensure that they are produced in a clean manner. *Green to Wear* is the standard that seeks a cleaner, more environmentally friendly production process with less intensive consumption of natural resources; while *Ready to Manufacture* is the code of good manufacturing practices that ensures compliance with both the product health standard *Clear to Wear* and the List of Restricted Manufacturing Substances in wet process facilities.

### Green to Wear

At Inditex we believe that achieving a more sustainable supply chain and reduced natural resources consumption demand a commitment to continuous improvement. Since we implemented the *Green to Wear* internal standard in 2014 with the aim of achieving more sustainable production practices and less intensive resource consumption, we have continued to make progress in identifying the best techniques available in wet processes, in order to incorporate them into our supply chain.

We continue working to ensure that our suppliers follow the *Green to Wear* standard in their wet processes, by means of specific technical training projects. In 2015, participation in these projects by near to 200 direct suppliers and 404 wet process plants has led to improved traceability and environmental performance in our supply chain. This has been achieved by applying practical measures that enhance the sustainable management and efficiency of wet process plants in the following areas: raw materials, water, technology and processes, chemical products, waste water, waste and energy.

Moreover, through our collaboration agreement with the University of A Coruña, we have developed training materials on the different water purification systems, to help improve the water purification

stations used by our suppliers. These support materials, available on the Water Master Plan website in Inditex's supply chain, enable suppliers to optimize the performance of their waste water purification systems and to improve minimization at source of undesirable substances that may be detected in the discharge. For example, the support guide for the manufacturing of sustainable products has provided wet process facilities with valuable technical and practical information for the correct implementation of the *Green to Wear* standard.

We also work with the University of A Coruña on analysing the most important chemical substances present in textile wastewater. This task allows us to continuously improve the methodology on which the *Green to Wear* standard is based, and moves us further towards our target of zero discharge. The findings from this analysis and other collaborations for supply chain technical training are published on the Water Master Plan website: [www.wateractionplan.com](http://www.wateractionplan.com)

Our teams also check that wet process facilities have correctly sized and installed waste water purification stations, and that they are adequately managed and meet the established discharge parameters. The correct installation and appropriate management of a standard purification station in the textile industry also allows some of the treated water to be reused, mixing it with clean water and then using it again in the wet process. This practice is among those that our suppliers must follow in order to be classified as Right to Wear+ in our environmentally sustainable production standard for *Green to Wear* products.

The results of our supply chain's waste water analyses are publicly available, on the website of the Water Master Plan in the Inditex supply chain. We also encourage our suppliers to disclose the results of their waste water analyses, in particular in China on the Institute of Public and Environmental Affairs of China (IPE) website, which includes information on the situation of factories and promotes their improvement. We also work with the IPE to improve the environmental behaviour of wet process facilities in China by promoting the implementation of corrective measures to resolve any environmental breaches.



## Partnership for Cleaner Textile in Bangladesh – PaCT

Inditex participates actively in the Partnership for Cleaner Textile in Bangladesh (PaCT) programme, which seeks to improve the wet processing sector in Bangladesh, contributing to the wellbeing of its workers and the community, and promoting their long-term competitiveness.

Through this programme, we have not only achieved reduced water-consumption, but have also improved the quality of the discharged water. To this end, we work jointly with the World Bank to disseminate technical knowledge and to provide access to funding for cleaner production processes.

Involvement in this programme by a large part of our supply chain in Bangladesh has enabled 13.4 million cubic metres of water a year to be saved and has avoided the emission of 169,400 tonnes of CO<sub>2</sub> and the discharge of 10.6 million cubic metres of waste water.

## Ready to Manufacture: Wet processes for safe products

Inditex has increased its product safety requirements and environmental commitments across its manufacturing processes by developing and implementing its code of good manufacturing practice: *Ready to Manufacture*.

Where *The List*, by Inditex is the tool we use for the monitoring, control and classification of chemical substances used in the manufacture of our products, *Ready to Manufacture* is the programme designed and implemented by Inditex to control the facilities and processes that use restricted substances.

The programme includes a guide to good manufacturing practices, aimed at reducing the risk of non-compliance with the product safety standard and the List of Restricted Manufacturing Substances in facilities using wet processes (dyeing, tanning, printing, finishing and washing). It also includes a training and auditing protocol for the facilities that form part of the value chain, allowing the implementation model to be adapted to the specific conditions at each facility and to the level of experience of its personnel.

Since the programme began in 2013, some 335 direct suppliers have been trained and 1,506 facilities audited.

### Ready to Manufacture in 2015

- 197 direct suppliers selected
- 311 audited facilities
- 61% direct suppliers showing improvement
- 98% improvement in facilities

## Maximum guarantee of our commitment to customers

Inditex's commitment to guarantee our customers environmentally responsible and sustainable products includes preventive control actions at all stages of production: design, selection of raw materials and dyes, manufacturing and printing systems, monitoring during manufacturing and continuous innovation in all processes.

### Picking

The Picking programme is a key tool at the production stage in order to guarantee the quality of all products. Moreover, in recent years it has developed to become the most comprehensive and efficient verification tool for Inditex's specific business model.

Picking is organized into various stages, which include the prior assessment of the potential risks of each item. This entails taking representative samples of the products for analysis and testing in accredited analytical laboratories, to establish whether the items meet Inditex's *Clear to Wear* (CtW) and *Safe to Wear* (StW) health and safety standards. The programme also includes a detailed study of the results so that, if possible, specific modifications can be made in order to comply with CtW and StW standards.

Additionally, to make the programme more efficient and effective, Inditex has collaborated with chemical and mathematical researchers at the University of Santiago de Compostela to develop statistical analysis tools that enable the detection of manufacturing technologies that pose a risk of breach (*Manufacturing Epidemiology*), the breakdown of manufacturing risk with regard to the components of the garments, and optimization of the use of resources for the Picking programme. These focus on items or components that pose a potential risk.

In this respect, in recent years we have managed to increase the use of cutting-edge technologies when assessing the potential risk of each item and increase the agility with which the analysis is carried out. This means that we have been able to check compliance with the standards in a higher number of products using fewer analysis studies, without compromising our commitment to and maximum responsibility for the health and safety of our products.

### Innovation

The development of innovation projects in close collaboration with academic institutions such as the University of Santiago de Compostela and the Polytechnic University of Catalonia, and with public and private scientific and technological partners, has been essential to the development of many of the key tools used by Inditex to ensure that our products are healthy and safe for our customers.

With regard to accuracy in labelling the composition of garments, we are cooperating with renowned international institutes and technology centres to develop new technologies, mainly aimed at distinguishing between certain animal and plant fibres that are difficult to differentiate using conventional testing methods; for example, cashmere and wool or linen and ramie.

A key step in ongoing progress towards the use of better technologies for the manufacture of our items is to replace the less desirable chemical substances used with safer alternatives.

To achieve this, in collaboration with biologists at the University of Santiago de Compostela, we are developing a testing method to quantitatively establish the toxicity indexes of the chemical substances used in the textile and footwear industries and to identify candidate substances to replace them. The initial results from this project are being used to guide the search for safe substitutes for PFCs in water-repellent applications for outerwear garments.



In this pilot programme, collection bins for used clothing, footwear and accessories have been placed in 37 Zara stores.

## Use and end of life

As part of its environmental and social commitment, Inditex is aware of the need to work towards better management of the waste generated by our textile and footwear products. With the *Closing the Loop project*, launched in 2015, we aim to promote the reuse and recycling of our garments, collaborating with social entities, recycling companies, textile manufacturers and technologists to explore efficient textile recycling solutions and contribute to our communities.

*Closing the Loop* combines environmental and social sustainability to pursue the goal of ensuring that no used textile item ends up in landfill. The project began with a pilot in 37 Zara stores in five countries (Spain, United Kingdom, the Netherlands, Denmark and Sweden), in which special bins were placed for the collection of customers' and employees' used clothing, footwear and accessories. These items are then donated to our non-profit partners, such as Caritas, or the British Red Cross. In the case of our collaboration with Caritas, the emphasis is on providing jobs to those at risk of social exclusion to support the sorting and repairing of clothes for resale. In 2015 alone, we collected 5.7 tonnes of

items from stores and 37 tonnes from logistics centres and offices. Our non-profit partners were then able to keep 100% of the funds raised through the sale of these items to finance their activities. In 2016, this initiative will be extended to other markets such as Germany, Italy, Portugal, France, Japan, China and Hong Kong.

With regards to items that cannot be resold by our non-profit partners, as well as other production waste, such as cutting waste at the factory level, we have developed a channel that facilitates their recycling through innovative industrial solutions. In collaboration with technologists and leading companies in the sector, we are assisting with the development of recycling technologies to generate new raw materials of equal or better quality than those collected, whenever possible.

Additionally, in 2015, we continued collaborating with various social purpose organizations, such as the Roba Amiga cooperative, the Asociación de Desarrollo Comercio Alternativo y Microcrédito (ADCAM) and A Puntadas, which specializes in the management of second-hand clothing and also promotes labour integration for people at risk of social exclusion.

## Collaboration with policy-making and sectoral organizations

Transparency and collaboration with official policy-making and sectoral organizations and their stakeholders are vital for the success of our programmes. Dialogue and participation have allowed Inditex to share and apply best practices in the areas of the health, safety and environmental sustainability of the product.

### EU PEF Pilot

In 2014, The European Commission started the pilot programme Product Environmental Footprint (PEF), which aims to develop shared labelling methods that will allow the environmental impact of different products to be quantified. At Inditex, as part of the textile value chain, we actively monitor working groups, particularly those linked to footwear. We bring our experience and encourage the development of calculation methods that are applicable to the whole textile value chain.



### SAC / Higg Index

As active members of the Sustainable Apparel Coalition (SAC), Inditex participates in various working groups for the consolidation of the Higg sustainability index. The objective of the Higg Index is to evaluate the environmental and social impact of each of the stages of the textile production process, identifying opportunities for improvement for the industry, enabling the end consumer to make sustainable buying decisions. In 2015, we worked with the SAC to improve the Higg Index by developing a new module, the *Retail Module*, which evaluates the environmental impact of stores and distribution centres.

We additionally participated in updating the section of the Higg Index module, which evaluates the environmental impact of suppliers, adapting the index for small and medium businesses in the textile sector, and developing an index that represents the industry as a whole.

In this period we also collaborated on the development of a process that allows designers to evaluate the environmental impact of a product quickly and simply, based on the decisions taken during the design phase.



### Zero Discharge of Hazardous Chemicals (ZDHC)

As a member of ZDHC, Inditex has actively participated in the development of training materials for the correct management of chemical products in textile manufacturing processes, as well as on the systematic accreditation of trainers. We also collaborate with other textile brands with the aim of feeding into and aligning our efforts within the supply chain.

In 2015 we also participated in creating a standard on the quality of waste water, which will help our suppliers to make progress towards the zero discharge of dangerous substances by 2020.



### European Retail Round Table (ERRT)

The European Retail Round Table (ERRT) is an initiative where leading companies in the retail sector at the European level join forces to achieve a more sustainable model of consumption. At Inditex, we contribute our knowledge and experience to promote the creation of more sustainable strategies within the sector.



### EUREKA innovation across borders (Turkey)

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



### CIQ Shanghai (China)

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

our priorities

# Efficient use of resources

The Strategic Environmental Sustainability Plan 2011-2015 allowed us to introduce and consolidate various workstreams at all stages of the value chain. Now we are implementing a new 2016-2020 Plan, which will emphasize environmental innovation and its local adaptation as its levers of transformation.

In 2015, we concluded a cycle of environmental work focused on fully integrating sustainability throughout the Group's supply chain. Under the name Sustainable Inditex 2011-2015, the strategic plan came to a close with tangible positive results in sustainable manufacturing and in the efficient management of resources in the operations of corporate head offices, logistics centres and stores.

The new 2016-2020 plan has been established within the context of the guidelines of our Environmental Policy and continues the development of the roadmaps set out by our three main strategies, the Global Water Management Strategy, the Energy Strategy, and the Biodiversity Strategy and Forest Product Policy. In addition, its objectives and plans encompass the Sustainable Development Goals 2030 of the United Nations on issues related to the environment.

Efforts in the 2016-2020 period will principally be focused on achieving strategic objectives through regional environmental programmes adapted to the specific characteristics of each country.



## Strategic environmental objectives 2020

- Maintain our commitment to Zero Discharge of Hazardous Chemicals (ZDHC Commitment) with our suppliers.
- By 2020, reach the "Zero Waste to Landfill" objective, which concerns the generation of direct waste by our head offices, logistics centres, stores and Inditex factories.
- All our stores to achieve compliance with the requirements of the eco-efficient store standard, including new openings and renovations.
- Increase the manufacture of more sustainable products through the use of more sustainable fibres and employing the best available production techniques with the least environmental impact.
- Reduce emissions resulting from the value chain and promote a low-carbon economy.



A Zara designer at the brand's head office in Arteixo (A Coruña).

## Environmental Management in head offices and stores

The efficient use of resources is essential to sustainable development and the protection of the environment. Along with sustainable manufacturing, which is discussed in the chapter Maximum Product Quality, it is the central axis of our strategic environmental plans. Our strategies in the field of environmental sustainability allow us to manage our resources at all stages of the value chain in a rational manner.

As a result of advances in efficiency and environmental sustainability made during the 2011-2015 plan, by 2015 we succeeded in reducing the relative power consumption per item of our logistics centres, offices and Inditex factories by 4%. In addition, we have reduced the relative electricity consumption per item in stores by 12% as a result of the consolidation of the measures defined in the eco-efficient store manual.

To ensure that our items leave the smallest carbon footprint possible, we continue to improve energy efficiency and the reduction of emissions at the logistic centres, stores and offices of Inditex and its brands. The year 2015 has seen several milestones for the Group such as the implementation of maximum energy-efficient facilities, including the expansion of the Inditex logistics centre in Cabanillas (Guadalajara), the renovation of the Pull&Bear corporate head office in Narón (A Coruña) and the opening of 330 eco-efficient stores.

## Logistics platforms and offices

The environmental management of our logistics platforms was certified ISO 14001 compliant, which reflects efficiency and proper operation. In addition, we promote the purchase of green energy and are committed to the generation of renewable energy at our facilities. In 2015 alone, we generated more than 47 million kWh of renewable energy at our logistics centres.

During that year, an Efficiency Plan was launched at logistics centres and offices with the objective of reducing the energy consumption and improving the efficiency of the facilities. In 2015 we began to replace fluorescent lighting with high-efficiency LED bulbs, which led to energy savings in lighting.

Finally, for improved emissions control, we developed a tool that calculates emissions resulting from shipments made, in line with the GHG Protocol.

The training and awareness of employees is critical not only to the environmental plan, the latest of which is working towards deliverables for 2020. But also we have a Manual of Good Environmental Practices, for corporate head offices and subsidiary

offices, which has become a standard for environmental management and performance, and which includes daily actions and activities that, when implemented, reduce the impact generated at the facilities.

We have also increased the number of programmes and hours devoted to environmental training aimed at our employees in logistics centres and international offices.



## Green logistics: Green to Pack

In 2015 we continued to make progress on reducing energy consumption and emissions from power generation, taking actions throughout the value chain. By ensuring that at least half of our production is in close proximity to our head offices and logistics centres, all located in Spain, we managed to significantly reduce the energy consumed in shipments to stores. In addition, transport has been improved through the development of sustainable logistics measures, including the launch of the Green to Pack programme, the main objective of which is to optimize the packaging used throughout the supply chain, progressing towards our zero waste to landfill goal.

The packaging involved in logistics activities plays an important part in our waste generation. Green to Pack is a programme that actively involves both product and logistics service suppliers. With these suppliers, we have homogenized and standardized packaging material in order to reduce the consumption of raw materials and improve shipment density, increasing the amount of products transported in each shipment. Additionally, the use of more sustainable materials in our packaging was encouraged, improving re-use

in multiple shipments and its subsequent separation and recycling.

Implementing the measures included in the Green to Pack programme allowed us to save using 660 containers in maritime distribution and, thanks to improved land transport planning, avoid 2,300,000 kilometres of transport and their associated emissions. In addition, plans for improving shipment density were completed, avoiding the use of 185,700 m<sup>2</sup> of cardboard.

Complementing these shipment density improvement plans, the measures contained in the Zara packaging guidelines define the specifications for optimal product packaging and distribution for our suppliers. In our stores, the Waste Minimization Plan has been implemented. This plan, together with the In-Store Waste Management Manual, allows us to combine efforts and reduce the amount of relative waste generated. In 2015, the reuse of boxes, hangers and alarms in the shipment of our garments resulted in the reuse of 815 million alarms and resulted in the reuse of 87 million plastic hangers. When hangers are broken they are recycled, reducing waste generation and actively promoting a circular economy.



New Zara Home logistic premises in Cabanillas (Guadalajara), with LEED Gold certification.



Bershka store located at the Calle Colón in Valencia. The premises have been awarded the LEED Platinum certification.

*Our objective is that  
all stores in China be  
eco-efficient  
by 2018*

*Training has been  
given both at  
logistics centres and  
stores, promoting  
effective behaviour  
and responsible  
practices*

## **Environmental Commitment to China**

One of the first regional environmental programmes included in the new 2016-2020 Plan will be implemented in China. Inditex has made a specific commitment to the Chinese Ministry of the Environment that by 2018, two years before the global Group objective, all stores in this market will be eco-efficient, incorporating the most advanced technologies in order to reduce their environmental impact and greenhouse gas emissions.

Also in China, Inditex will implement a specific environmental control project in the supply chain, supporting the Ministry and the *Institute of Public & Environmental Affairs (IPE)* in its enforcement of environmental legislation, by improving water quality, evaluating zero discharge compliance and ensuring proper waste management. Our teams will continue to work with strategic suppliers to improve their environmental performance and transparency through disclosure of their impact.

## **Employee training in environmental sustainability**

At Inditex, we have developed training projects in order to ensure that environmental sustainability is implemented in all of our activities, with the objective that all of us at Inditex demonstrate exemplary behaviour with respect to the environment.

In recent years, training has been given both at the logistics centres and at the stores, promoting effective behaviour and responsible practices. Through workshops focused on the *Logistics Centre Zero Waste to Landfill objective*, logistics platform and store employees have received training on the Group's sustainability strategy, the importance of proper waste management and eco-efficient stores. Training in environmental sustainability has also been given at the Group's corporate head offices and international offices, based on the specific needs of each department or work area.

## Eco-efficient stores: Objective 100% by 2020

At the end of 2015, we had 3,778 eco-efficient stores, some 54% of the Group's network of stores. We continue to pursue the goal of ensuring all stores are eco-efficient by 2020. An eco-efficient Inditex store reduces electricity consumption by up to 20% and saves up to 50% on water consumption compared with a conventional store.

The Eco-Efficient Store Manual describes all the actions and technical requirements facilities must comply with if they are to meet our efficiency and environmental sustainability requirements for construction (electrical installation, HVAC, plumbing, lighting, materials, furniture), as well as the operations carried out at the facilities, such as waste management. The majority of the electricity savings are found in the HVAC systems, which produce average estimated savings of 40%, with the additional reduction in greenhouse gas emissions.

Stores constructed before 2007 will be renovated in order to comply with the parameters defined in the Eco-Efficient Store Manual. In 2015, under these eco-efficiency parameters, flagship stores such as Zara, on Place du Molard (Geneva), and Oysho, on Paseo de Gracia (Barcelona) were renovated, among others. These two stores will obtain LEED Gold certification next year.

In order to maintain the 2020 objective, we have an efficiency platform that centrally monitors the stores' HVAC and electricity installations. This centralized control allows the installations to be adjusted, to optimize their management, identify the most efficient systems, improve their maintenance and define

strategies to decrease energy demand and reduce greenhouse gas emissions produced by our stores. We now have a total of 1,444 stores in 28 countries connected to the central efficiency platform.

All forest products used in our stores have sustainable forest certification. All furniture and paper products such as paper bags and labels used in our activities have PEFC or FSC seals, guaranteeing that the entire process of forest-based raw material management is operated in a sustainable and controlled manner.

Additionally, in the different markets in which Inditex has a commercial presence, specific

actions have been taken designed to improve efficiency. An example of this is the purchase of renewable energy by our stores located in Germany, totalling 47 million kWh, avoiding the greenhouse gas emissions associated with fossil fuels.

The Eco-Efficient Store Manual is updated constantly with the most innovative technologies for commercial use in the field of eco-efficiency and it includes best practices in environmental sustainability. In order

to ensure that our Eco-Efficient Store Manual complies with the most up-to-date sustainability and efficiency requirements, we continue to certify some flagship stores under the LEED and Bream seals of sustainable construction, two of the most prestigious standards in the world. As of the end of 2015, we had 20 flagship stores certified to the LEED sustainable construction standard (Gold and Platinum) and six logistics centres or head offices with this seal. Three of our stores are currently in the process of certification: Zara, Karl Johansgate (Oslo); Zara, SoHo (New York); Zara, rue Halévy (Paris).

In 2015, we opened a total of **330 new stores**, all with eco-efficiency criteria. We additionally renovated another 57 stores in order to upgrade their facilities to the most demanding efficiency parameters identified in the Eco-Efficient Store Manual. At year end, we had **3,778 eco-efficient stores**, 54% of the total in the Group.

As a result of the **renovations** carried out on **flagship stores** this year, the Zara, Place du Molard (Geneva), and Oysho, Paseo de Gracia (Barcelona) stores will obtain LEED Gold certification next year.

20 of our  
 flagship  
 stores and  
 six logistics  
 centres or  
 head offices  
 have LEED  
 certification

**LEED and BREAM certified stores, logistics centres and headquarters worldwide**

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



Pull&Bear head office in Narón (A Coruña), LEED Gold certification.



Oysho employees at the brand's head office in Tordera (Barcelona).

our priorities

# Developing everybody's talent

During 2015, 15,800 new jobs were generated, 4,120 of them in Spain. With this increase, Inditex has 152,854 people of 90 nationalities on its payroll. The Group wants to be close to each employee, believe in their talent and provide a favourable working environment to promote their development.

In line with the overarching goals set out by the United Nations as part of its Sustainable Development Goals, Inditex has created stable and quality jobs in line with its sustained financial growth in recent years.

While adding 50,000 people to its workforce in the last half decade, Inditex has focused its energy on giving its staff stable and quality jobs that keep the business running smoothly. In Spain for example, over 73% of our Group's staff are on permanent contracts.

Women and young people are defining features of the Inditex Group workforce. More than three quarters of our employees worldwide are women: 76% versus 24% men. The average age of staff in 2015 was 30.

Staff working in stores are Inditex Group's largest group of employees. In 2015, they accounted for 87% of the Group's total workforce. The number of employees working in logistics (5% of the workforce), central services (7%), and manufacturing (1%) remains the same as in 2014.

In terms of geographical distribution, almost a third of the 152,854 Group employees are in Spain.

The rest of Europe accounts for 46% of the Group's workforce, with a total of 69,556 employees. The 18,060 professionals in the Americas and the 19,129 in Asia and the rest of the world each account for 12% of the workforce.

*We employ people who are not afraid to think outside the box, who are creative and self-disciplined, and who love working in a team*





Uterqüe employees at the brand's head office in Tordera (Barcelona).



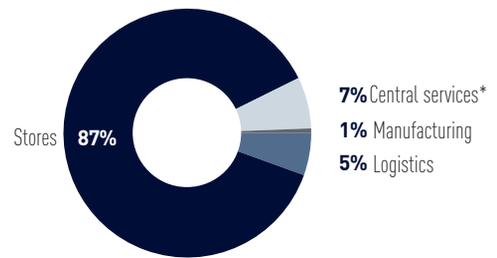
Employee of the Pull&Bear logistic platform in Cabanillas (Guadalajara).

### Our position as employers



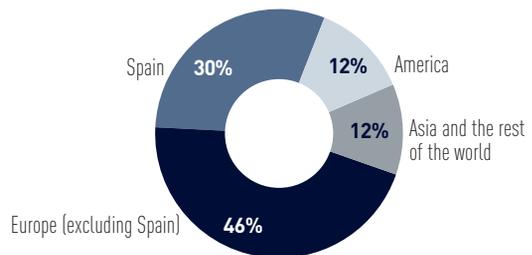
The steps we have taken to be a top-quality employer are reflected in our position on the job market. For the fifth consecutive year, Merco Personas- a tool that ranks the 100 best companies to work for in Spain based on employee and student surveys- has named us the Best Company to work for in Spain. Universum, another employer evaluation tool that ranks the 100 best companies to work for based on student surveys, awarded us third place in the Business and Sales category in 2015.

### Distribution of the workforce by activity in 2015



\*Includes the Management and Administration and Design Departments, among others.

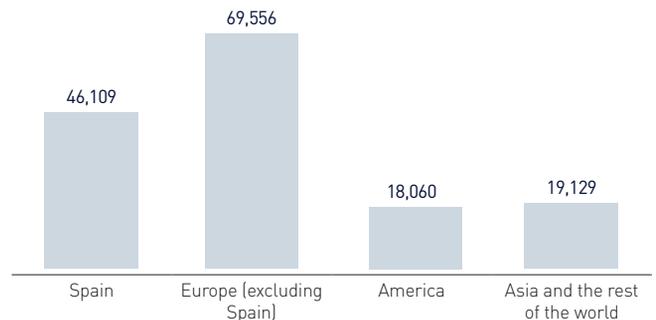
### Employees by Group market



### Change in total staff over recent years



### Number of employees per Group market



## Distribution of the Inditex Group's workforce by markets

EUROPE	
Albania	160
Austria	1,358
Belgium	2,121
Bosnia-Herzegovina	218
Bulgaria	518
Croatia	790
Czech Republic	457
Denmark	216
Finland	196
France	7,945
Germany	5,271
Greece	3,471
Hungary	899
Ireland	932
Italy	6,306
Luxembourg	152
Macedonia	134
Monaco	37
Montenegro	107
Netherlands	1,871
Norway	226
Poland	4,620
Portugal	6,078
Romania	2,192
Russia	10,223
Serbia	427
Slovakia	209
Spain	46,109
Sweden	707
Switzerland	1,296
Turkey	4,069
Ukraine	1,123
United Kingdom	5,227
<b>TOTAL</b>	<b>115,665</b>

ASIA AND THE REST OF THE WORLD	
Australia	1,174
Bangladesh	48
China	9,888
India	712
Japan	4,438
Kazakhstan	555
Morocco	4
South Africa	383
South Korea	1,273
Taiwan	647
Vietnam	7
<b>TOTAL</b>	<b>19,129</b>



Bershka employee at the store in Calle Colón, Valencia.

AMERICA	
Argentina	772
Brazil	3,035
Canada	1,779
Chile	692
Mexico	6,108
United States	5,397
Uruguay	277
<b>TOTAL</b>	<b>18,060</b>

Total 152,854

## Employee development and growth

The growth and development of the professionals working at Inditex is one of the Group's priorities. To give this commitment the emphasis it deserves, the company uses training and internal promotions as a means of developing and maximizing creativity, as well as building professional skills.

The Group's eight retail brands have a network of more than 1,700 professionals recruited to fill product team positions ranging from product managers to designers, as well as buyers or division managers.

### Internal promotion programmes

Inditex is constantly growing and evolving. We are committed to internal promotions. This is particularly evident in the stores, our business core, where almost half of Inditex's product managers and product department heads started working with us. Inditex strongly believes that its stores are a prime source of talent, very well attuned to its customers' needs.

To reinforce this commitment to the Group's sales force, in recent years, we have developed specific mechanisms for identifying potential and skills among store employees. The most important of these tools are the InTalent and Go! systems, designed to find and promote internal talent as efficiently as possible.

### InTalent

Founded more than half a decade ago in 2010, InTalent is a system designed to reach out to our store employees and get to know them better by centralizing the information on their curricula.

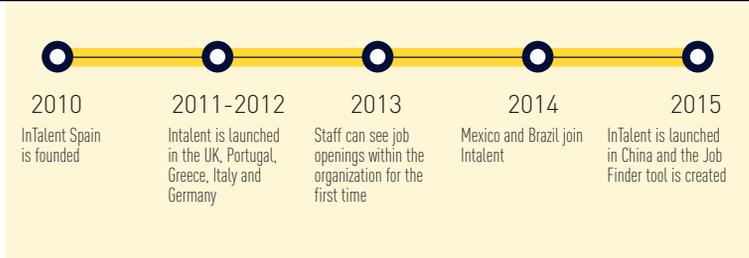
This simple tool also allows users to submit their CVs and update them at any time. It also has a section where users can ask work-related questions and explain their career goals at the company.

During 2015, we continued to expand InTalent to a total of 27 markets. The most significant new addition was China. Parallel to InTalent's arrival in these markets, the Job Finder was launched in some European countries, as well as Brazil and Mexico. This tool publishes internal job openings and was launched in 2014 to give employees a chance to hear about positions and sign up to apply for them.



Pull&Bear Visual Merchandising team at the brand's head office in Narón (A Coruña).

## Intalent Timeline



## Project Go!

Project Go! was created in 2013 as a way to identify, select and develop promising young talent both inside and outside of the company to fill openings on Zara's teams. This initiative has connected the talent in our stores, the cornerstone of our growth, with the world's main education centres.

Zara Go! was originally developed in response to the needs of the Zara product teams in the various countries. But the programme caught on quickly and successfully, and every year it has expanded to other product teams and areas such as procurement, distribution, management control and logistics, all of which have adopted this system. Other brands like Zara Home, Massimo Dutti and Oysho also use the system.

By the end of the year, 94 people from eight markets in Europe and Asia had joined our teams thanks to Zara Go! All of them have benefited from a personalized development plan revolving around the stores.

The project will continue in 2016 under the name Go! Logistics for the Transport, Infrastructure and Automation Departments. We have also launched Zara Go! Stores to strengthen the Zara store teams in Germany and the UK. This new project type is designed to identify talent at the major universities of those countries and offer career tracks at the Group.

The project has already yielded results: 55% of new hires are internal promotions and 67% hold management positions at product divisions. Both statistics confirm that stores are the company's primary source of new talent.

## Training for internal teams

We encourage the growth, development and promotion of our employees by investing in training. All of the Inditex Group's areas of activity offer specific technical or skills-based training programmes which vary by specialization but share a cross-cutting focus on serving our stores. This customer-oriented approach extends to all employees, regardless of whether their daily work is directly related to stores: from those participating in the production process – designers, salespeople and logistics teams– to professionals working in corporate divisions such as human resources, systems or finance.

Across the board, the training given to store employees emphasizes familiarity with products and processes, and a customer-centric mindset. In line with this philosophy, in 2012 Inditex designed the e-Fashion programme in collaboration with the European Institute of Design in Madrid. This online integral fashion business management programme provides certified and specialized training to enrich our employees' professional skills and improve their competencies.

In 2015, the programme expanded to Italy and trained 30 professionals in store management. The programme's latest round in Spain provided training to 122 people from different management areas, for a total of 152 people trained in 2015, and a total of 565 alumni since the project's inception.

Our commitment to training continues to grow. Time spent on training rose notably in 2015 as compared to the previous year with 550,000 additional hours. Our Group devoted more than 1.3 million hours to training its staff in 2014, while the 2015 total exceeded 1.8 million hours. Altogether, this training benefited more than 75,800 employees in more than 50 markets where the Inditex Group operates.

Of these hours, 154,862 were spent on languages, IT and skills. 65,106 hours were devoted to training professionals in workplace risk prevention.

## Training hours by country 2015



inditexcareers.com

Country	Total training hours	Attendees
Albania	1,740	93
Belgium*	61,689	2,416
Bosnia-Herzegovina	520	10
Brazil	82,341	ND
Bulgaria	3,191	241
Canada	28,397	1,404
Chile	8,338	131
China	40,116	6,748
Croatia	2,577	45
Czech Republic	1,562	449
France***	243,260	8,840
Germany	36,491	1,457
Greece	120,382	819
India	34,157	663
Indonesia	761	228
Ireland	3,530	367
Italy	24,628	429
Japan	10,989	348
Kazakhstan	3,617	524
Macedonia	2,004	39
Mexico	9,238	1,208
Netherlands	11,774	887
Philippines	62,686	338
Poland	2,494	319
Portugal	475,299	13,387
Romania	7,947	1,061
Russia	13,540	1,735
Scandinavia**	9,417	126
Serbia	5,765	157
Singapore	3,296	304
Slovakia	1,027	259
South Africa	76,677	ND
South Korea	1,420	199
Spain	280,656	18,206
Taiwan	1,548	321
Thailand	1,652	164
Turkey	45,870	5,018
Ukraine	9,380	139
United Kingdom	36,839	4,529
United States	108,436	2,267
<b>TOTAL</b>	<b>1,875,248</b>	<b>75,875</b>

\* This number also includes training in Luxembourg

\*\* Scandinavia comprises Sweden, Norway and Denmark

\*\*\* This number also includes training in Monaco

ND: No data available

## Attracting talent

Our Group's cycle of internal promotions and employee training is completed by our talent attraction strategy, the cornerstone being the Inditex Careers website. In 2015, Inditex Careers replaced its predecessor, Join Fashion, with the goal of centralizing and channelling job offers from all of the Group's areas of activity.

Inditex Careers is an international job site designed to collect information about our candidates, as well as a platform for open communication to provide potential candidates with as much information as possible about our company.

Under the philosophy that "talent moves in all directions", the site offers specific information about the Group's major areas of activity. In each area, users have access to specific multimedia content: personal stories from staff showing who we are and how our teams operate on a day-to-day basis.

In addition to the directory of job offerings, the site gives the locations of the nine recruitment and training centres run by our Group in eight different countries. In 2015 alone, more than 220,000 people came in to our centres, where they were met by a team of 80 recruitment experts in order to fill more than 44,000 openings.

The goal of this process is to ensure that we recruit the best professionals in the cities where our business has a significant presence. But it is equally important that everyone who approaches us has a positive experience, receives a clear response regarding their application and goes through a streamlined and simple process they can enjoy and share.



Some of the young professionals that have joined Inditex through Cantera Project.

### Also on social media

In 2015, Inditex reworked its employer brand image on social media to reach candidates via content conveying the Group's philosophy. The goal is to make Inditex Careers social media profiles the primary online space for dialogue with candidates. This move has allowed us to hold hundreds of personal conversations each day with the people interested in working with us.

Furthermore, our Facebook followers have more than doubled over the course of the year, jumping from 100,000 in January 2015 to 240,000 in January 2016.

### Fashion school visits

Designers have one of the most important jobs at our Group. As we like to say at Inditex Careers, "Inditex is made up of eight brands" but, more than that, "Inditex is what you put on to go to work, how you decide to decorate your life, or what you wear for that special occasion." That is why in 2011 we began to visit and learn about some of the best fashion and management schools and universities in Spain and abroad. We currently have a network of 600 designers for the different brands.

### Cantera Project

One of our strengths lies in our commitment to young talent: more than 40% of the year's new recruits for product teams are young professionals from Spain and abroad who are offered a career and growth opportunities at the Group.

This is the spirit of the Cantera Project, which recruits young recent graduates and tailors their training to develop professionals who can meet our specific future needs, especially in the design and purchasing departments, and product managers.

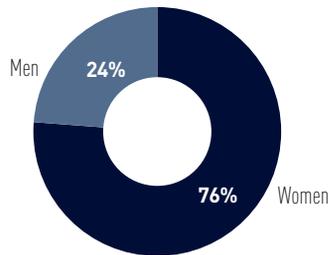
Since 2011 we have been going to the main Spanish and international design and management schools to find just the right people, although direct recruiting and job sites have been no less important strategies. In 2015 alone, we visited 29 schools in five different countries and recruited a total of 34 people for the Group's different brands.

The backbone of the Cantera Project is a system of concrete and definite steps: following the selection process, the new hire spends six months rotating between the different department teams with no fixed position. This gives them a holistic perspective on our work, as well as a better understanding of how their division works, its mechanisms and how it all fits together. After this period, they are given a specific job and are fully integrated into the department.

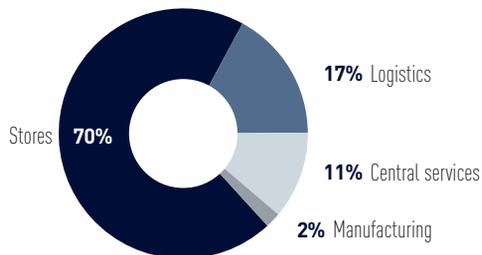
## Quality employment

One of Inditex's main goals is to constantly improve the quality of its employment. That is why an essential goal at the Group is to maximize opportunities for stable employment. To this end, we have launched various initiatives in different countries to improve job quality. For example, in Spain over 73% of staff are on permanent contracts and over 42% have full-time work, in line with the figures from previous years.

### Workforce distribution by gender in Spain

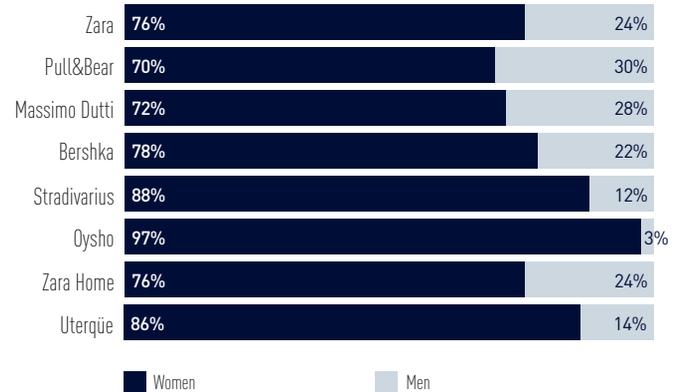


### Workforce distribution by activity in Spain

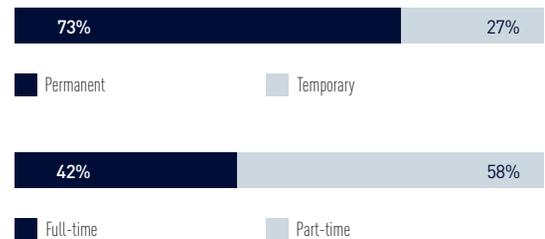


*The quality of employment is a goal for Inditex: In Spain over 73% of staff are on permanent contracts*

### Workforce distribution by gender and retail format in Spain



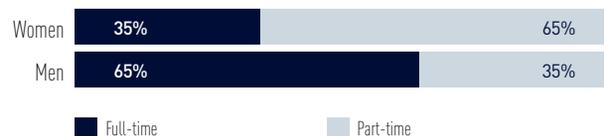
### Workforce distribution by contract type in Spain



### Workforce by contract type and gender in Spain



### Workforce by working hours in Spain



## Remuneration policy

At Inditex we apply general policies to all areas of activity and specifically adapt them to each market and work environment. The growing importance of variable remuneration is without question the most noteworthy of these policies.

Variable remuneration aims to establish a link between remuneration and the company's performance, and is visible proof of the ongoing effort to improve our Group's remuneration policy. The scheme is designed for all employees in all divisions, from stores to central services.

(in thousands of euros)	2015	2014
Fixed and variable wages	2,772,774	2,425,665
Inditex social security contributions	562,472	506,539
<b>Total staffing expenses</b>	<b>3,335,246</b>	<b>2,932,204</b>

## Employees with flexible remuneration in Spain



Inditex also strives to adapt its human resource initiatives to the interests and priorities of its employees.

One of these initiatives is the progressive implementation of flexible pay schemes in Spain, which let staff choose between different tax-saving pay options such as medical insurance, restaurant cards or childcare, among others.

The flexible pay scheme was first launched in 2009 with the participation of 3,824 employees. In 2015, more than 32,000 people benefited from it, meaning that the flexible pay scheme now applies to all permanent Group employees in Spain.

## Employee profit-sharing plan

In addition to these variable pay schemes, last year Inditex Group launched a special, one-time profit-sharing plan with a duration of two years. Thanks to the hard work of all of our employees, the company achieved exceptionally positive results in 2015. For this reason, throughout the month of April 2016, all beneficiaries received a payment tied to the company's growth.

The plan is intended for staff working at stores, factories, logistics centres, brands and subsidiaries worldwide who have been providing services for more than two years as of 31 March 2016 and 2017. The Group distributes 10% of the increase in net profits over the previous year to these employees, up to a ceiling of 2% of total profits. This scheme benefits around 78,000 people in 50 countries where we do business.

## INet APP: an app designed for employees

In 2015, we decided to go one step further and develop our own mobile app for employees and use it to strengthen our relationship with them. This *app* gives them access to INet, our intranet, from any *smartphone*.

The purpose of the INet *app* is to share what we are doing directly with our teams, giving them access to information and involving them in the process of creating content that meets their needs.

The application also has a feature for sending notifications so we can be in constant contact with our employees and provide them with information as soon as it is generated.

Launched in Spain in March 2015, the new INet *app* for Android and iOS is already serving 47,000 employees in 12 countries: Spain, Italy, Greece, the United States, Mexico, China, Germany, the United Kingdom, Ireland, France, Russia and Austria.



Pull&Bear menswear designer at the brand's head office in Narón (A Coruña).

## Equal opportunities

Inditex maintains its clear commitment to equal opportunities between all groups and does not tolerate any form of discrimination. In 2006 the company ratified the EQUAL Diversidad Activa (Active Diversity) project co-financed by the European Commission and directed by the Spanish Coordinator of the European Women's Lobby and Fundación Carolina.

During 2015, we have developed several initiatives in the field of equal opportunity with the aim of raising awareness and spreading prevention schemes and protocols against sexual harassment and gender

discrimination. They include measures such as Massimo Dutti's new protocol and the addition of equal opportunity training to the induction programme for new logistic employees. This training initiative at our logistics centres accounted for 5.13% of the total hours spent training employees.

## Occupational Health and Safety

The OHSAS 18001 certification process for all store, design, logistics and manufacturing companies in Spain was concluded in 2015, strengthening Inditex Group's commitment to hold itself to the highest occupational health and safety management standards.

By implementing the OHSAS integrated health and safety management certification, Inditex ensures the involvement and inclusion of all departments and staff. This year we also received this international certificate in Italy, the United Kingdom and Ireland. All Group brands in Portugal are also on track to receive this certificate in 2016.

### Incidence and frequency rates for work-related accidents in Spain, 2015\*

#### Stores

Incident rate of accidents resulting in leave (**)	22.41
Frequency rate (**)	11.49

#### Head Offices

Incident rate of accidents resulting in leave	1.32
Frequency rate	0.73

#### Logistics

Incident rate of accidents resulting in leave	123.76
Frequency rate	68.76

#### Manufacturing

Incident rate of accidents resulting in leave	90.67
Frequency rate	50.37

(\*) In 2015, the average duration statistic was eliminated and replaced by incidence and frequency rates. Data on 78% of the staff in Spain

(\*\*) Incidence Rate = (No. of accidents resulting in leave\*1,000)/average number of workers  
 Frequency Rate = (No. of accidents resulting in leave\*1,000)/(number of hours worked in a specific period\*average number of workers)

### Encouraging a healthy lifestyle

In 2015, Inditex pursued various initiatives to promote the health of its workers, especially in the manufacturing and logistics division. For example, the León logistics platform organized a social event attended by almost 100 people with the slogan "We Are Healthy." At the Meco centre in Madrid, 60 workers completed a course on ergonomic risks. At the Arteixo factories, Inditex has launched preventive plans encouraging physical activity and therapeutic rehabilitation, with the participation of 261 people. And at Zara Logística, the programme promoting physical rehabilitation activities has benefited 405 employees.

Activities have also been introduced involving the prevention of musculoskeletal risks. For example, a physical therapy and stretching area was installed at the Europe centre (Zaragoza). At Pull&Bear Spain, 90 participants took part on the 'take care of your back' training programme to prevent poor posture.

Furthermore, Inditex is taking steps to outfit workplaces with the equipment needed to respond to cardiac emergencies. All logistics centres, factories and Group offices in Spain have semi-automatic defibrillators. In 2015, a total of 423 workers were trained to use these devices.

Because of all the steps we took to promote healthy lifestyles, in 2015 all stores of the brands in Spain, the Arteixo and Narón factories and the Zara Logística and León Platform logistics centres were certified as Healthy Companies.

### INhealth: the Healthy Lifestyle Platform

On the World Day for Health and Safety at Work on April 28, the INhealth Healthy Lifestyle Platform was made available to all Inditex workers in Spain on the Corporate INet.

INhealth's mission is to promote workers' health both at and away from work. Its features and content include a newsletter published every two weeks, which workers can subscribe to for information about health, physical activity and healthy eating; a blog with health news and articles; and a platform for health management, sport challenges and a digital library.

Since it was launched in April 2015, 15,600 people have joined Inhealth, 8,486 have subscribed to the newsletter and 3,076 have signed up for the health management platform. The Healthy Lifestyle Platform is slated to go online in Italy, the United Kingdom and Ireland in 2016.

## Collaboration with society

Inditex works on different levels to help include people with special needs or in vulnerable situations in the workforce. The Group also ensures that all its employees with social concerns can find in Inditex a driving force to get their social projects off the ground.

In particular, in 2015 Inditex strengthened its commitment to the Ministry of Health, Social Services and Equality to help raise awareness about gender violence and incorporate victims in the workplace. In line with this commitment, logistics platforms organized talks and activities with their works councils to commemorate the International Day for the Elimination of Violence Against Women.

## Salta and Jeunes Projects

Several years ago, Inditex launched a series of social initiatives to help include groups with special needs or vulnerable situations in the workforce. Among these, the Salta and Jeunes projects deserve special mention. The two initiatives share the same objective:

The Jeunes project was created in France in 2008 and aims to promote the employment of at-risk youth in the Paris metropolitan area. The Salta project was launched shortly afterwards in Spain to offer opportunities to young people at risk of social exclusion.

Success achieved in these two countries has led to the implementation of the Salta Mundo programme in eight more cities: Mexico, New York, Lisbon, London, Milan, Athens, Paris and Warsaw. This initiative adds to our shared commitment to support society and people at risk of exclusion and it is in line with the Sustainable Development Goals of the United Nations. This project has helped over 200 hundred people to gain long-term access to the labour market. These initiatives are yet another way we show our support for society and its most disadvantaged groups, in alignment with the United Nations Sustainable Development Goals.

The Salta project would not have been nearly as beneficial without the involvement of Inditex's employees, who played a key role in bringing the project alive in its implementation and follow-up phases, and in the transformation of the participants. A total of 638 employees worked to train, mentor and follow up with new staff to ensure their correct incorporation and adaptation to their new jobs. The plan is to extend this programme to five new countries in 2016.

## for&from Project

The for&from Project is a socially innovative programme run by Inditex to provide jobs for people with disabilities. The project is based on creating a network of special stores that align with the principles that govern our franchises. These establishments are managed by non-profit organizations and run, entirely and to the extent possible, by people with disabilities.

The model is based on supplying clothing and accessories from past seasons, which are sold at reduced prices by the franchised social organizations. After Inditex's initial donation to build the store, the model sustains itself through product sales.

In 2015, Inditex opened its ninth for&from store in the Tempe format. The establishment, located in Culleredo (A Coruña), is staffed entirely by people with physical and or intellectual disabilities.

The for&from project currently generates 95 job positions, 75 of which are filled by people with disabilities. In 2015, the projects took in more than €5.3 million. Net profits exceeded €470,000, all of which were invested back into projects for disabled people run by the four partner organizations: Confederación Galega de Persoas con Discapacidade (COGAMI), Fundació Molí d'en Puigvert and Moltacte.

	2014	2015	Change
Sales (in euros)	4,066,085	5,322,380	31%
Profit (in euros)	309,782	472,610	53%
Number of employees with disabilities	60	75	25%



**95** direct beneficiaries

**75** people with disabilities hired

**472,000** euros in net profits generated for social projects



Of the total number of direct beneficiaries\*:

### depth of impact



- connection
- improvement
- transformation

### type of impact



- behavior or attitude change
- skills or personal effectiveness
- quality of life/well-being

(\*) Definitions of depth and type of impact have been established based on the LBG methodology and can be found on page 102.



Tempe for&from store team at Culleredo (A Coruña).

our priorities

# Innovation in customer services

Customer services are central to our business model. Listening to customer fashion requests and desires in store and fulfilling them as soon as we can calls for an ongoing commitment to innovation. In 2015, this principle guided the consolidation of the RFID system or the self checkout tills and the interactive fitting room projects.

From the birth of Zara to the more than 7,000 stores on five continents that we have today, Inditex's trajectory has passed through various stages. We have, however, stayed true to our original goal, which is to listen carefully to customers' needs and to offer them the fashion they want.

That is why commitment to our customers is at the centre of our business model. This is a sustainable model that rests on four pillars: the online and physical stores, where customers' demands and desires are analysed daily; the design teams, who renew the collection based on this information; the supply chain, which make short production runs; and logistics, which guarantee that there are new products in store twice a week.

In recent years, newest technology and, above all, social networking have empowered consumers through multiple tools that allow them to choose how and where they communicate with companies. And customers expect rapid, transparent and, most importantly, human responses from these companies. Faced with new challenges in customer service, at Inditex we remain committed to specialization through our brands' websites and their social media profiles.

Beyond the continual evolution and strengthening of the dialogue with our customers through various channels, our Group continues to develop mechanisms and projects that allow us to improve quality of service and the shopping experience, across the company's premises and platforms.

Radiofrequency identification technology (RFID), which has been applied in Zara during the past years to stock management, has increased its implementation in more of the brand's stores and markets. Self-checkouts and interactive fitting rooms have also been introduced and developed during this period. All of them are new systems tailored to our stores, with the aim to improve the service offered to our customers and make their shopping experience richer.

Additionally, to improve this dialogue with customers, Inditex runs ongoing training programmes for its store employees, focusing on customer service. During these programmes, people are named within each team to be responsible for evaluating and improving customer relations.

We do not concentrate solely on themes linked to fashion or the collections. Although trends and





Bershka staff at the store in Calle Colón, Valencia.

products form the majority of customer requests and queries, they also make their social and community concerns, which define them as citizens, known to Inditex. This is demonstrated by the growing number of inquiries made about our supply chain, our suppliers, our Code of Conduct and the environment, among other issues. An area where team work is key in order to offer fast, coordinated, global, transparent responses and to meet our customers' high expectations.

## Information security and privacy

Protection of our customers' personal data and information security are an absolute priority for Inditex. The Group's Information Security Committee ensures that all of our divisions are aware of the importance of information security and privacy, which are an inherent principle of our management. By default, privacy is incorporated into all our business processes and tools involving personal data, and we adopt the necessary measures from the outset and throughout the data lifecycle.

Our Information Security department uses the latest technology and security solutions. These include our Technology Centre, located at the Group's headquarters in Arteixo in A Coruña, Spain, which also

provides a laboratory for new technology initiatives, and is the platform that offers us a maximum security guarantee in all processes.

This centre is designed to mitigate physical and geological risks, as well as providing dual equipment and cable systems that guarantee the continuous operation of all our systems. Thanks to its TIER IV and LEED Platinum certification, Inditex's Technology Centre is the only data processing centre in the world that combines maximum certification in infrastructure reliability and environmental sustainability.

## RFID Technology

One of the results of Inditex's commitment to innovation, which has seen more than 1,000 million euros invested in technology over the last four years, is Radio Frequency Identification technology (RFID), which Zara has developed in recent years with the aim of responding to customer needs in store.

RFID allows garments to be individually identified, from logistic platforms through to their sale. This technology represents a huge step up in technology that allows the entire workflow to be redesigned in stores where it is implemented, leading in turn to an improved level of customer service.

## Technology applied to customer services: Self checkout tills and interactive fitting rooms

Driven by excellence in customer service in our stores, we have developed specific projects in order to improve the shopping experience. With this aim, we have started to test and implement self checkout machines and interactive fitting rooms at Zara stores.

Self checkout units complement the purchasing options in order to speed up the paying process at stores, since customers can independently complete the payment for their selected items without approaching the till point. Located next to the fitting rooms, the device scans the pieces that the customer is about to purchase. Those pieces will be displayed on the screen while waiting for the customer to confirm, scan additional garments or correct possible mistakes and subsequently proceed with payment.

Alarms are removed from the items after their payment. Garments are accurately identified with the help of the RFID technology and put into bags. This system has been tested and implemented

during 2015 at Zara stores in Marineda Shopping Centre (A Coruña, Spain) and Mercado de San Martín (San Sebastian, Spain). 2016 foresees the implementation of self checkouts in several stores of the brand.

Interactive fitting rooms began their trial stage in 2015 at the Zara store located in Mercado de San Martín shopping centre. This system was implemented to cut customers waiting time to be handed other sizes, colours and models while trying on some clothes, avoiding their need to leave the fitting rooms to search for the items themselves.

This service is available through tablet devices, located inside each of the fitting cabins. They allow customers to directly communicate with the counter placed at the entry of the fitting area. With this system, customers can also request the advice of store staff as personal shoppers. Information on the garment, pictures and tips, included in the "Match with" option, are taken from zara.com.

Thanks to this system, tracking products is much quicker and more precise: when a customer looks for a specific product, the staff can check its availability in real time in that store, a nearby establishment or on zara.com, facilitating the shopping process. Even payment processes benefit from this process, since RFID technology is integrated into our tills.

During 2015, RFID technology was introduced at 1,542 stores and 63 different markets with a Zara presence. Its introduction was completed in 47 markets. By the end of 2016, we expect RFID to be operational in all Zara stores worldwide.

The RFID process begins by coding each garment when it is alarmed in the logistics centres, which allows unitary control of the merchandise. At this stage of the process, the option to have up-to-date information at any point during the distribution process becomes available.

When the merchandise arrives in store, RFID also provides information about which garments need to be replaced and where they are located, which reduces the time needed for this task by half. This makes inventories and stock takes more efficient and 80% faster, dramatically reducing losses. All this allows teams to dedicate more time to better quality customer service.

## Number of messages and calls received by the Inditex Group's customer services team in 2015

	Forms (*)	Emails sales in store	Emails online sales	Calls sales in store	Calls online sales
Zara (**)	2,920	42,543	1,509,332	119,475	2,724,576
Pull&Bear	177	4,071	119,067	384	156,941
Massimo Dutti	243	7,441	135,803	8,387	211,478
Bershka	453	5,222	101,046	8,339	180,093
Stradivarius	378	6,066	104,672	5,107	109,451
Oysho (***)	352	n.a.	43,867	n.a.	45,586
Zara Home (***)	100	n.a.	151,905	n.a.	188,263
Uterqüe	51	2,830	17,650	2,637	27,511

(\*) Complaint forms only for Spain

(\*\*) Zara reports an additional total of 1,999,829 online chats with customers and 86,641 interactions on social networks

(\*\*\*) Oysho and Zara Home combine customer services data for online and physical sales

n. a.: no applicable

## Presence of Inditex Group's brands on social networks in 2015

	Zara	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	GROUP TOTAL
Facebook	23,736,474	4,665,369	1,742,411	8,586,012	3,472,438	1,396,748	1,435,875	165,950	45,201,277
Facebook (Care)	125,792	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	125,792
Twitter	1,084,566	296,423	58,762	366,451	186,838	87,104	74,761	14,770	2,169,675
Twitter (Care)	7,441	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	7,441
Pinterest	9,245,835	1,340,023	369,806	2,260,982	1,708,409	567,891	520,698	88,483	16,102,127
Instagram	11,500,000	1,700,000	518,000	2,700,000	2,000,000	688,000	737,000	122,000	19,965,000
Weibo (China)	650,242	33,355	25,098	30,180	26,440	15,781	n.a.	n.a.	781,096
VK (Russia)	228,480	37,722	11,427	74,488	25,718	10,230	4,854	n.a.	392,919
Youtube	24,417	14,242	5,358	16,261	4,137	2,473	n.a.	n.a.	66,888

our priorities

# Contribution to community welfare

Beyond our core business activities, the economic and social driving force for thousands of families worldwide, we at Inditex try to help generate social and human value in communities and settings that need a positive impetus. In 2015, over one million people benefited from this help.

To create value for society while creating value for the business is the fundamental target of Inditex's community investment programme. This creation of shared value seeks to contribute to the UN Sustainable Development Goals and ultimately to improve people's lives.

The year 2015 has been a particularly busy one in terms of community investment. We have renewed our partnerships with organizations that we have worked with for many years, including Médicins Sans Frontières (MSF), Entreculturas and Cáritas. We have also introduced new long-term strategic projects with new non-profit organizations such as Water.org, the China Youth Development Foundation and Every Mother Counts, among others. We have also responded to emergency situations, such as the refugee crisis in Europe and the Nepal earthquake.

Inditex's investment in social programmes in 2015 exceeded €35 million: up 36% over the previous year. Most importantly of all, this investment has directly impacted more than one million people in 44 countries: refugees, students, and people in need of medical support or a professional training opportunity.

In 2015 we continued to make significant progress on more in-depth analysis of the outputs and impacts of our community investment programmes.

More specifically, this year we have assessed the positive changes in programme beneficiaries based on two different dimensions: the depth and type of impact.

Over the following pages we detail the most relevant projects with an assessment of their outputs and impacts.

*In 2015, the Dow Jones Sustainability Index ranked Inditex as the leader of the retail sector in "corporate citizenship and philanthropy"*





Syrian refugees, in Greece. (Photograph: Alejandro Penso / MSF)

# Investment in social programmes 2015\*

## Inputs: What's contributed?

35.1

in millions of euros in investment in social programmes which represents **36%** more than the previous year

85%

of contributions support strategic long-term investment projects and **60%** of the investment is conducted through Inditex clusters

49

thousand of hours dedicated to social initiatives by employees during working hours

1.09

million of garments donated to social causes

## Outputs: What happens?

1.01

million direct beneficiaries

361

charitable organizations supported

456

social projects carried out

## Impacts<sup>(\*\*)</sup>: What changes?

36%

### Depth of impact:

**38%** of beneficiaries connected with, **26%** achieved an improvement and **36%** obtained a transformation

53%

**Type of impact:** **46%** of beneficiaries experienced a positive change in their conduct, **9%** acquired new skills and **53%** experienced an improvement in their living standards

85%

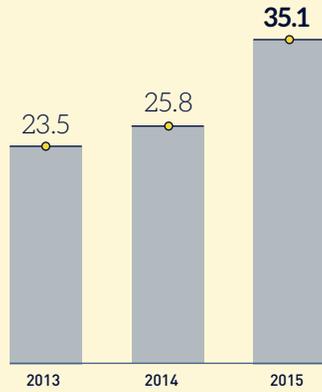
**Impact on organizations:** **85%** of the organizations supported improved their services, **79%** increased their capability to employ more people **81%** were able to raise their profile

(\*) Figures calculated in accordance with the LBG methodology based on voluntary contributions made by Inditex to social programmes during 2015. To convert the contributions into euros we have applied the exchange rate as 31 January 2016.

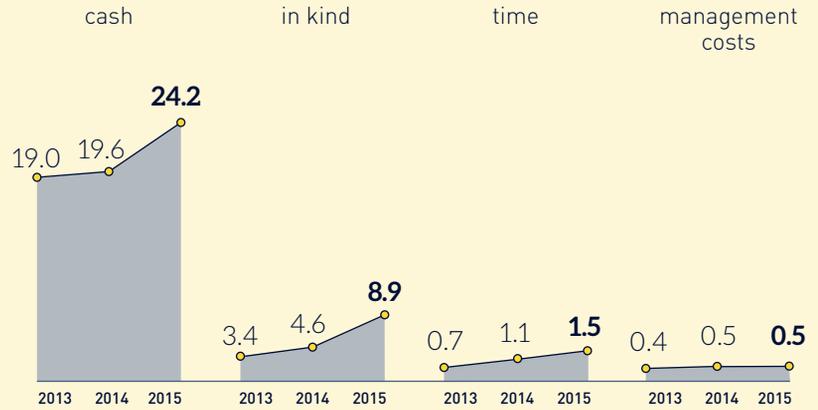
(\*\*) Out of the 1,008,545 total direct beneficiaries, impact assessment has been carried out of 636,449 of them. The remaining direct beneficiaries profit from one-off initiatives, mainly of in kind donations, where impact measurement is not applicable. Impact assessment performed on 139 non-profit organizations supported by Inditex in 52 long-term strategic projects.

## Evolution of investment in social programmes 2013-2015

Total investment in social programmes 2013-2015 (millions of euros)



How we contributed? (millions of euros)

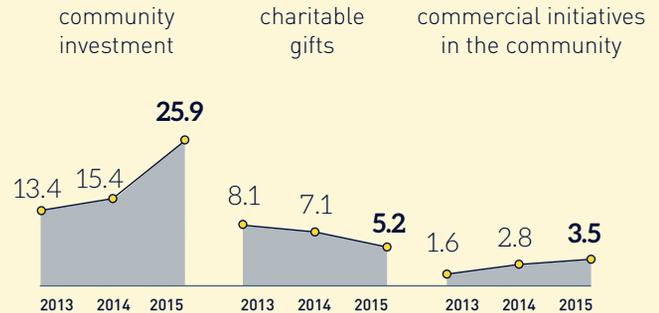


Why we contributed? (\*\*\*) (millions of euros)

Community investment: A long-term strategic commitment in collaboration with the community to support specific social activities.

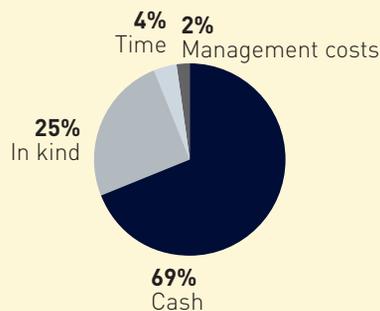
Charitable gifts: ad hoc or one-off contributions to the general goals of charitable organizations.

Commercial initiatives in the community: business-related activities that involve a contribution from the company to a charitable cause delivering community benefit.

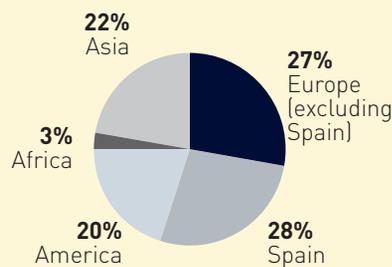


## Breakdown of community investment 2015

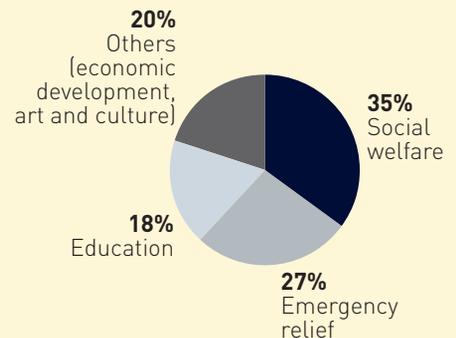
How we contributed?



Where we contributed? (\*\*\*)



What we supported? (\*\*\*)



(\*\*\*) Management costs are not included.

Inditex has chosen LBG measurement –London Benchmarking Group-[\*] to weigh and evaluate its community contributions. This choice was based on the worldwide acknowledgement of LBG’s measurement framework. This model classifies and measures community investments and weighs their impact on society, taking into account the depth and type of impact.

In terms of the depth of impact, the effects of our projects on their beneficiaries are broken down into the three following categories. The numbers recorded under each of the impact headings are mutually exclusive:

- **Connection:** The number of people reached by an activity who can report some limited change as a result of an activity.
- **Improvement:** The number of people who can report some substantive improvement in their lives as a result of the activity.
- **Transformation:** The number of people who can report an enduring change in their circumstances, or for whom a change can be observed, as a result of the improvements made.

In relation to type of impact, the changes experienced by beneficiaries are broken down into the following three categories. In this case, someone can experience more than one type of impact so it is possible for a person to be recorded under more than one heading:

- **Behavior or attitude change:** Has the activity helped people make behavioral changes that can improve the person’s life or life chances or has it challenged negative attitudes or preconceptions, enabling them to make wider, different or more informed choices?
- **Skills or personal effectiveness:** Has the activity helped people to develop new, or improve existing, skills to enable them to develop academically, in the work place and socially?
- **Quality of life or well-being:** Has the activity helped people to be healthier, happier or more comfortable (e.g. through improved emotional, social or physical wellbeing)?

[\*] A detailed description of the LBG model can be found at <http://www.lbg-online.net>

## Emergency Relief

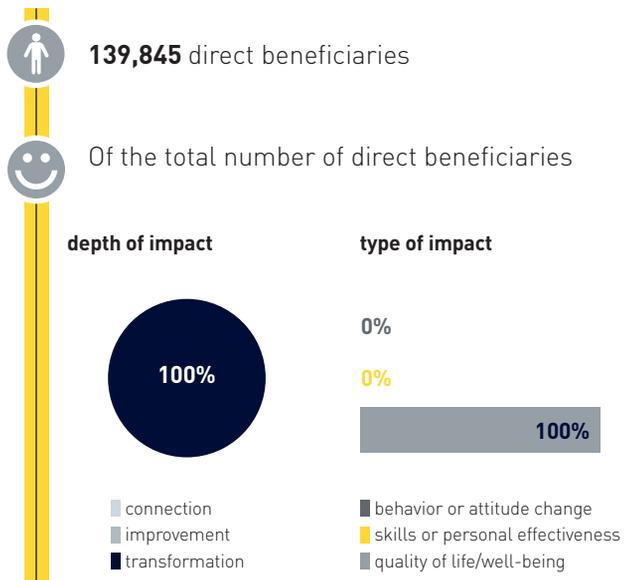
A number of natural disasters and the increased flow of refugees fleeing conflict have increased humanitarian crises. In 2015, Inditex destined 27% of its investment at social and humanitarian aid programmes to improving the lives of these people in a situation of vulnerability.

## Support to the MSF Spain Emergencies Unit

Médicins Sans Frontières (MSF) focuses its activities on caring for victims of emergencies caused by conflicts, epidemics, nutritional crises and natural or manmade disasters. The medical and humanitarian organization is constantly adapting its resources to respond to unforeseen circumstances.

The Emergency Unit of MSF can mobilize its people and resources within 48 hours to respond to any humanitarian crisis. At the same time, this unit is able to coordinate supplies and logistics centres to dispatch medical and humanitarian aid anywhere in the world where it is needed.

Throughout 2015, the MSF Emergency Unit has managed and dealt with the needs of victims of the Yemen conflict. It has also helped refugees fleeing to Europe. MSF also continues to support the large refugee movements caused by the threat of Boko Haram in Niger and Nigeria. It is also helping in countries where Ebola remains present, and it has monitored the most complex humanitarian needs caused by the Nepal earthquake.





UNHCR provides humanitarian aid to Syrian refugees in Greece. (Photograph: UNHCR 2015)

## Refugee crisis in Europe

The flow of migrants to Europe intensified in 2015 as people fled armed conflicts, poverty or human rights violations. Faced with this situation, Inditex set up an emergency relief programme to provide support to this refugee crisis, as well as asylum seekers and other migrants forced from their homes in search of a better life.

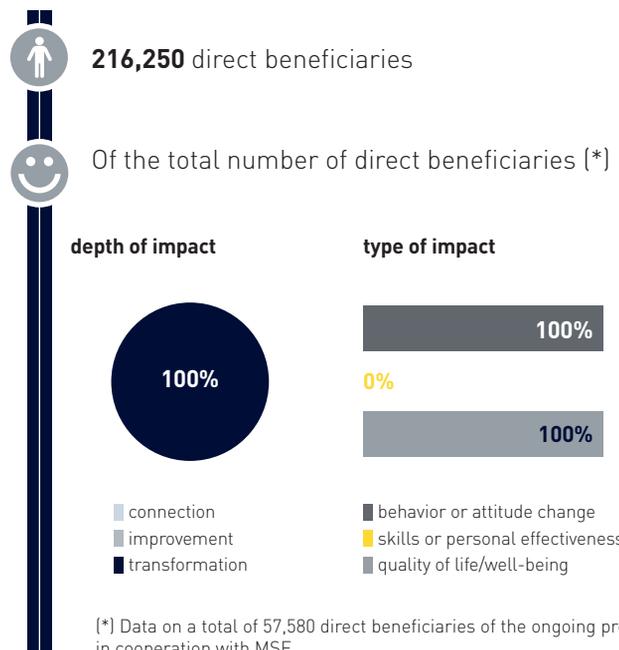
Inditex is collaborating with a number of wellknown non-profit organisations to tackle the issue from a range of angles. As part of this, Inditex is taking the following lines of action:

**Contributions in the form of clothing:** In 2015 Inditex donated more than 386,000 articles of clothing in humanitarian and refugee aid. These contributions in kind have been channelled through UNHCR, LIFE for Relief and Development and the Red Cross in countries such as Greece, Austria, Iraq and the Lebanon.

**Financial support for the Emergency Unit of MSF-Spain:** the emergency unit funded by Inditex since 2011 provides humanitarian aid in different countries such as Hungary or Serbia which are facing a large influx of refugees. More specifically, the Médecins Sans Frontières (MSF) teams have provided medical care, and emergency relief, in particularly critical zones.

**Regular projects with MSF to support refugees along the Syrian border with Turkey:** In addition to the one-off activities mentioned above, Inditex specifically collaborates to assist people fleeing the armed conflict in Syria since 2013 through a

regular project with MSF. In 2015 we doubled the financial aid contributed to this project, which is being implemented along the border between Turkey and Syria, through an annual contribution of €1 million. The MSF teams have focused on guaranteeing primary healthcare, psychological support, gynaecological and obstetrics services for women, and post-operative care. Furthermore, faced with a massive arrival of people as a consequence of the temporary blockades at borders, MSF has distributed much-needed basic items to support the refugees. Medical and humanitarian assistance has also been provided to more than 57,000 people.



## The project to fight against Kala Azar in India

Visceral Leishmaniasis or Kala Azar is a forgotten illness transmitted by sandflies which is fatal when not addressed with timely treatment. The Indian state of Bihar, located in north-east India on the border with Nepal, suffers from almost half of the world's cases.

Médicins Sans Frontières (MSF) started this project in 2007 to diagnose and to treat this illness. Since then, several international organizations have promoted medical research to achieve simpler treatments offering better results, which can be used as a benchmark for other countries. As a consequence of this innovative effort, more than 13,000 people have been treated since the project began, with a success rate higher than 90%.

Access to treatment has also been guaranteed and the project has resulted in reducing the number of reported cases in the country in 2015 to fewer than 10,000. This represents huge progress and a significant improvement in the quality of life for the hundreds and thousands of people that were suffering from this illness when the project began.

Having fulfilled these objectives, efforts are now focusing on identifying the prevalence of Kala Azar with other illnesses such as HIV, to foster a change of protocols for co-infected patients and their early treatment.

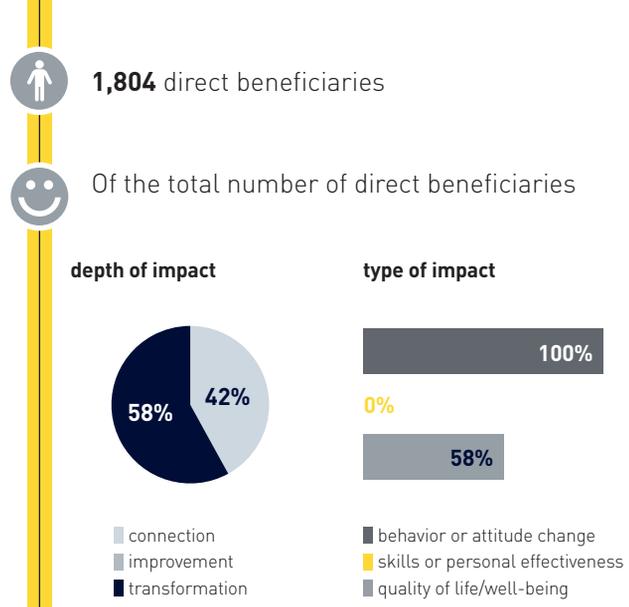
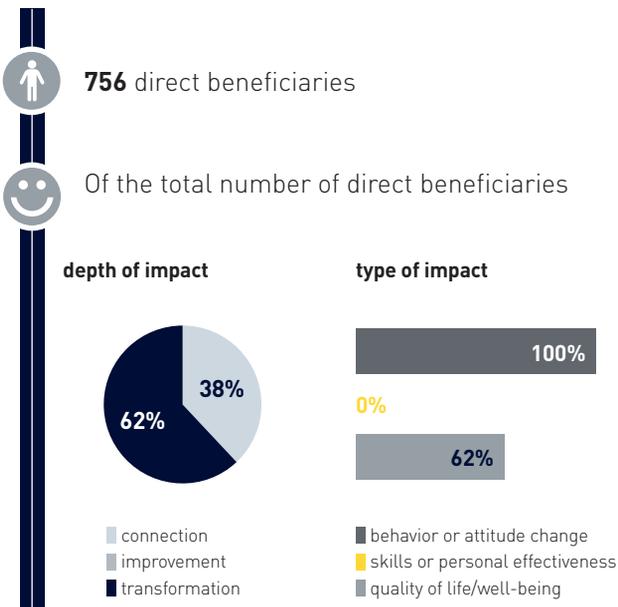
Since 2010, Inditex has donated a total €2.3 million to this project, with €350,000 having been allocated in 2015.

## Project to tackle child malnutrition in India

In 2009, Médecins Sans Frontières (MSF) started this project to combat child malnutrition in the district of Darbhanga (Bihar), a state in the north-east of India on the border with Nepal. At that time, almost 5 in every 100 children under the age of five in this region were suffering from severe malnutrition.

Since then, more than 19,000 children have received specific treatment and more than 90% of cases have been treated, turning this care strategy into the most efficient way of fighting against this pandemic, as well as offering the authorities a model that can be easily replicated in other districts by introducing the project into India's public health service.

Inditex has been supporting this project since 2011, with a contribution to date €2.8 million, of which €650,000 was donated in 2015.





Victims of the Nepal earthquake on the wake of the disaster. [Photograph: Oxfam Intermon]

## Nepal Earthquake Emergency

On 25 April 2015, an earthquake measuring 7.8 on the Richter scale shook Nepal and devastated what was already one of the most vulnerable countries of the world. Barely two weeks later, a second earthquake of a similar magnitude hit the country. Almost 9,000 people died and more than 22,000 were injured. More than 600,000 houses were completely destroyed and a further 290,000 suffered major damages.

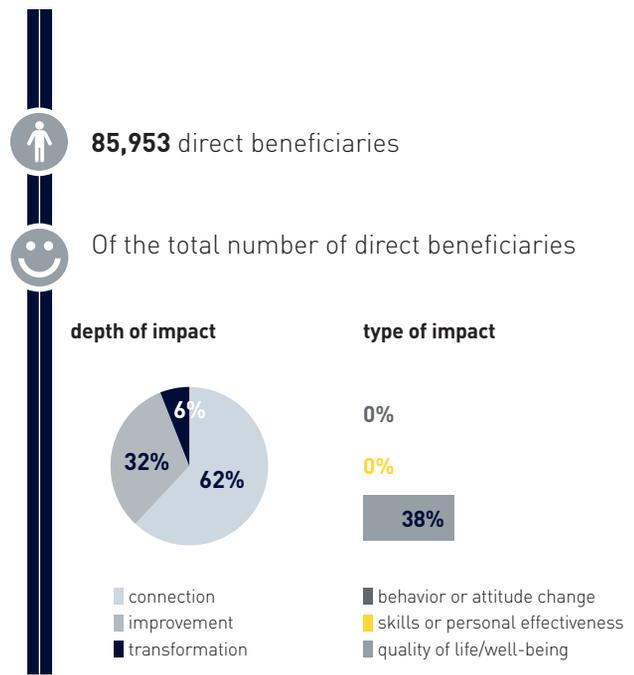
In response to this, Inditex launched a humanitarian aid programme channelled through three of the main organizations with a stable presence in the region: Red Cross, Oxfam and Cáritas.

Activities implemented via the Red Cross focused on providing the population with basic survival items, in particular blankets and tents, as well as providing permanent and stable healthcare.

With the contribution made to Oxfam a shipment of supplies was organized to supply water, sanitation and shelter for those affected. A complete series of vital aid was organized to avoid the spread of diseases in the immediate aftermath of the tragedy.

At the same time, Cáritas distributed emergency kits to those affected, which included food, tents, blankets, underwear, soap and washing items.

Search and rescue operations were also carried out to find people trapped among the rubble. This enabled part of the population whose homes had been destroyed by the earthquake to immediately find temporary shelter and basic conditions of sanitation, hygiene and water.



## Education

In 2015, Inditex allocated 18% of its investment in social programmes to initiatives focused on providing opportunities through quality education.

### Inditex-UDC Chair of Social Responsibility

The Inditex-UDC Chair of Social Responsibility in A Coruña (Spain) aims to provide a space to think about the community and provide academic training and applied research into social responsibility, as well as support with social innovations within public organizations, businesses and non-profit enterprises. The programme is run.

In 2015, the fourth edition of the Specialization Course in Social Innovation and Responsibility (CERIS), was run for 31 students who were selected out of 90 applicants. Thirteen of these students received grants to cover the cost of the course enrolment with funds provided by Inditex. The course has provided a total of 626 hours of certified training spread over a series of sessions and seminars, workshops, talks and visits to companies. The course was taught by a combination of UDC teachers, as well as those from other universities and also professionals and no less than 37 guest professors.

### Village Hope School Programme in China

In 2015, Inditex signed a partnership agreement with China Youth Development Foundation to support the organization's Village Hope School Programme. The aim of the project is to improve access to education in remote rural areas of China. Specifically, the aim is to build 10 schools in rural areas of Guangxi and Yunnan provinces, as well as to train teachers who will work in the centres. The initiative is still in progress.

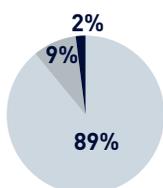


**366** direct beneficiaries



Of the total number of direct beneficiaries

depth of impact



connection  
improvement  
transformation

type of impact



behavior or attitude change  
skills or personal effectiveness  
quality of life/well-being

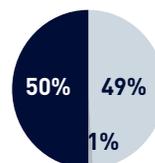


**812** direct beneficiaries



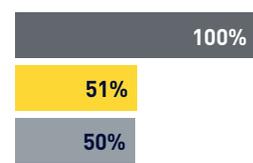
Of the total number of direct beneficiaries

depth of impact



connection  
improvement  
transformation

type of impact



behavior or attitude change  
skills or personal effectiveness  
quality of life/well-being



### Learning without frontiers

As part of the board of this programme, in summer 2015 we supported three students from Dhaka University to participate in an intensive Spanish course at the University of Santiago de Compostela. Shakhaowat Hossein, Md Sariful Islam and Mirza Wasfi Labben (from left to right, at the image) immersed themselves in Spanish culture during their stay in Galicia, during which they rated their time in Spain as equivalent to one year of learning Spanish in Bangladesh.

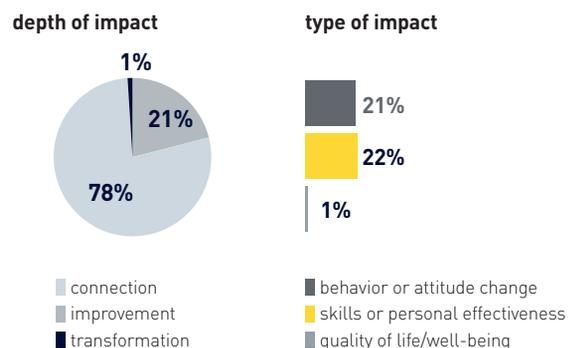
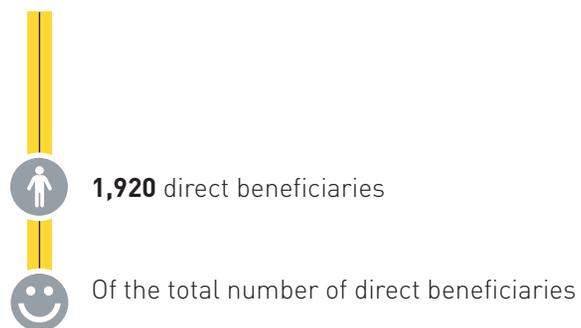
### Inditex Chair of Spanish Language and Culture in Bangladesh

The Inditex Chair of Spanish Language and Culture at the University of Dhaka (Bangladesh) has been giving Spanish classes since 2011. The universities of Santiago de Compostela and A Coruña oversee this Chair, which runs activities to build understanding of Spanish culture and to promote academic and scientific exchange between the universities in both countries.

In 2015, the Chair ran a Spanish language class for 400 students, up 13% on the number of students from the previous course. A highlight of the cultural activities on the course included a guitar concert by Margarita Escarpa and Víctor Monge Serranito. Around 2,000 attendees took part in both events.

The Inditex Chair in Dhaka is also the examiner of the DELE (Diploma in Spanish as a Foreign Language) of the Instituto Cervantes. In 2015, a total 25 candidates sat the examination -over April and November- for levels A and B1. The percentage of passes was 64%.

Meanwhile, thanks to grants for summer courses, three students have been on an intensive Spanish course at the University of Santiago de Compostela. We have also provided grants for Teaching Assistants on the programme, which employs two students.



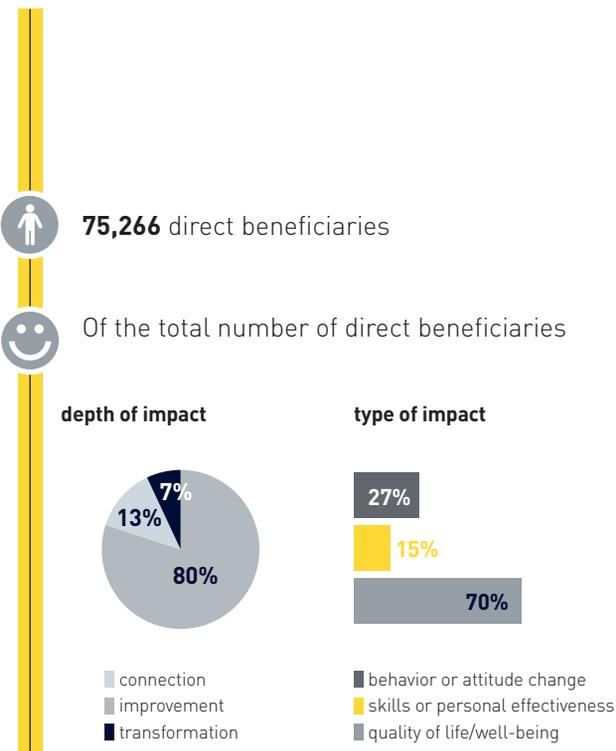
## EPGO Programme (Educating People, Generating Opportunities)

Inditex continues to collaborate with Entreculturas to support projects in Latin America and Africa following a framework agreement put in place in 2001. The current programme 'Educating People, Generating Opportunities' was established in 2014 and will run for three years. This project revolves around two major lines of action: technical-professional training and training and care of vulnerable groups. Inditex has so far financed 24 programmes run by Entreculturas since their partnership began 15 years ago.



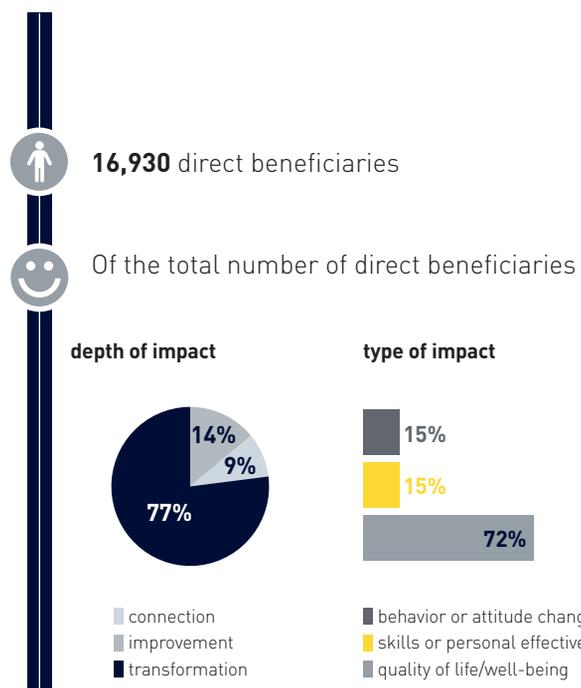
### EPGO America

In America, the programme has projects in Argentina, Bolivia, Brazil, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela. They are focused on providing skills and professional support to tackle poverty, as well as access to quality and inclusive education where there is greatest need. Among the most vulnerable groups, work is being carried out with the indigenous population, people with disabilities, young people at risk of social exclusion, migrants and refugees.



### EPGO Africa

In Sub-Saharan Africa, one of the poorest regions of the world, the EPGO programme is currently assisting 17,000 displaced people from countries such as Chad, the Democratic Republic of Congo, South Africa and Uganda. Education for children, literacy for women, and professional training courses are offered at refugee camps to promote education in the face of emergency situations and to help foster social and labour market integration of those affected. Professional training is offered to refugees in cities, as well as language training, medical care and legal support for social integration.





Entreculturas and the Jesuit Refugee Service have been supporting the victims of the Colombian Conflict for the past few years. (Photograph: Entreculturas)

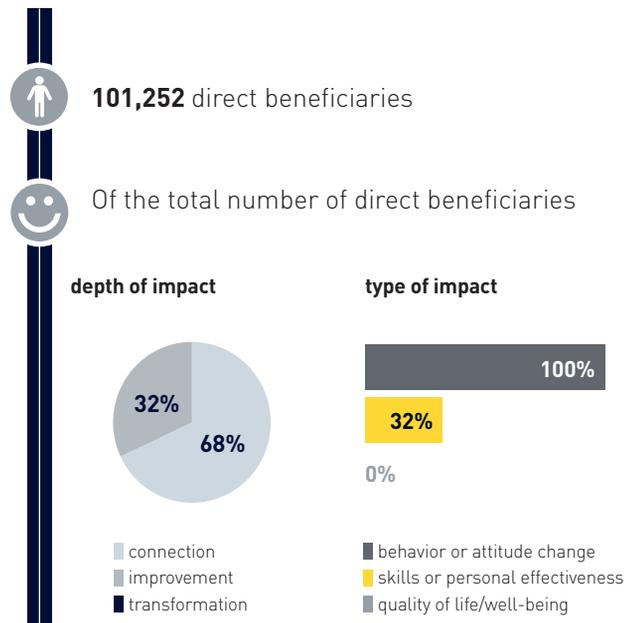
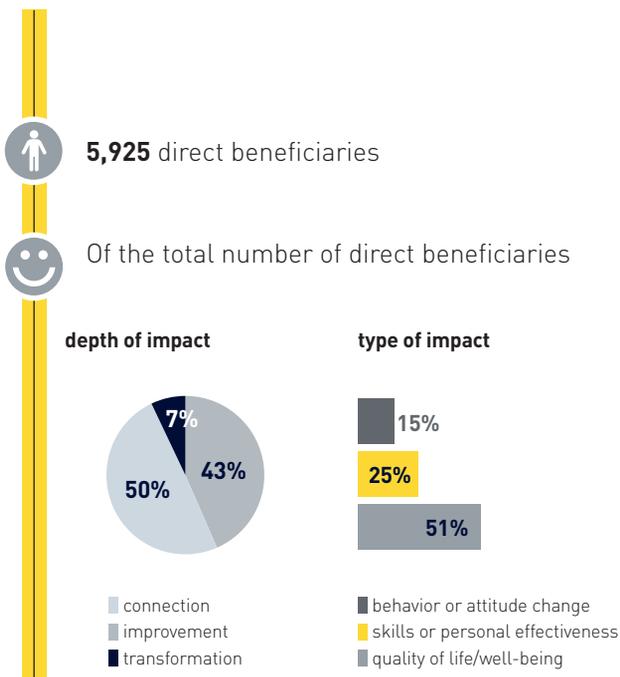
## “On the Colombian Borders” Programme

In 2015 we renewed our partnership with Entreculturas and with the Jesuit Refugee Service (JRS) to provide support to the victims of the Colombian conflict. This three-year programme focuses on offering opportunities to the most vulnerable border communities, through technical and food safety training, as well as access to education and psychological and legal assistance. A total of 6,000 refugees (as well as locally displaced people) currently have access to this project in Colombia, Ecuador and Venezuela.

## WE: Water Experience in China

The WE Water Experience forms part of the three year agreement signed with the Foundation for UNESCO, which promotes the education of Chinese schoolchildren about the global scarcity of water.

The project ramped up in 2015 tripling the number of participating students and extending its geographical scope to eight Chinese provinces, and municipalities including Beijing and Shanghai. Through activities developed by the non-profit organization Thirst, the programme’s message has been communicated even wider, based on the ethos that each person’s efforts can achieve global change.



↑ Outputs    😊 Impact

## Social Welfare

Inditex is aware of the importance of social integration of vulnerable people as an essential component of a diverse and inclusive society. In 2015, Inditex targeted 35% of its investment in social programmes at initiatives that promote the social well-being of these groups.

### Programme to promote employment in Spain for people in a situation or at risk of social exclusion

Since 2011, Inditex has been supporting the Social Economy and Employment Programme of Cáritas to foster inclusion into the job market of people suffering from or at risk of social exclusion. The collaboration is based on three fundamental pillars:

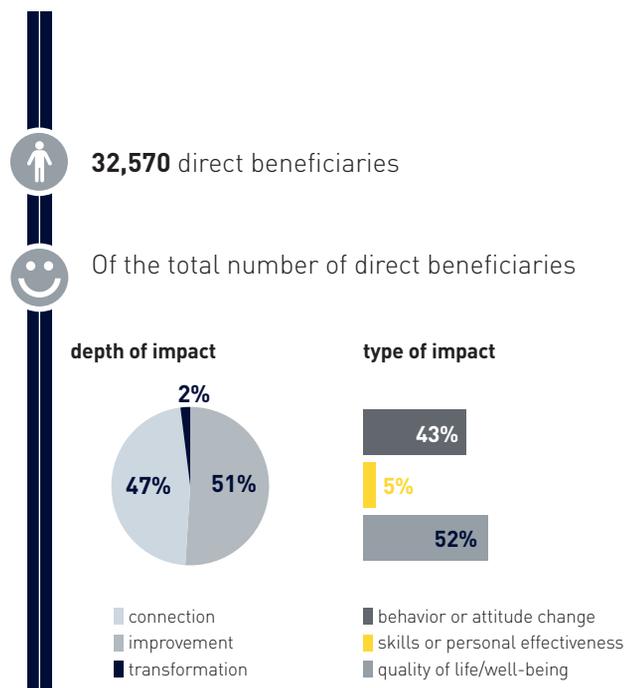
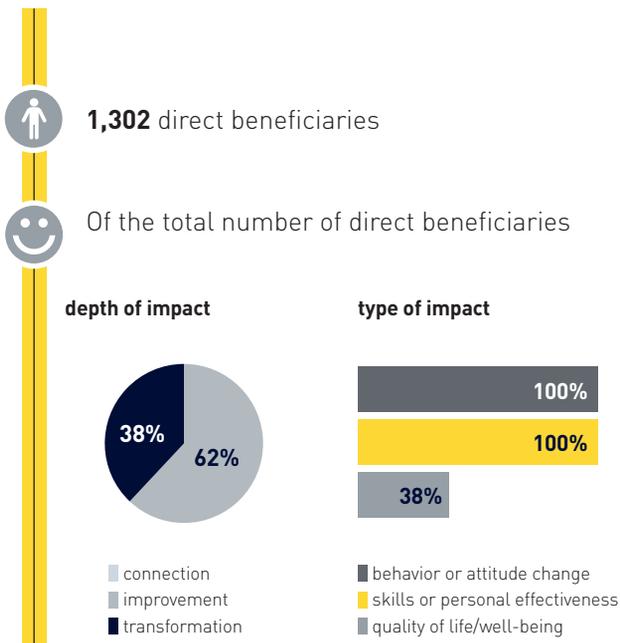
- A mentor for each person, to support their social inclusion.
- Skills and employability training, to support their access into the job market.
- Encouraging community initiatives that promote justice, social cohesion and the generation opportunities for everybody.

Throughout 2015, Inditex supported a total of 23 such projects which helped 1,302 vulnerable people by improving their job prospects: 1,156 received training and 493 people found a job.

### Integral community welfare and development programme in Cambodia

Community development and health programmes were run in Cambodian rural areas of the Battambang, Preah Vihear, Kampong Thom and Siem Reap provinces. These programmes were implemented with the help of community associations and volunteers and in cooperation with health centres and local authorities.

The main targets are to improve animal rearing and crop productivity, as well as to raise household income levels. Farmer cooperatives and home production are promoted with this aim, adapting to climate change challenges and the consequences of natural disasters. These programmes highlight in particular the importance of maternal and child health and improve access to hospitals and health centres. Vaccination is also promoted, as well as raising awareness on pregnancy care, and monitoring nutrition of children below 2 years of age.



## Community development programme in Bangladesh

This programme focuses on sustainable improvement in terms of socio-economic issues and rights in rural populations and poor urban areas. It has been conducted in Bangladesh's Rajshahi, Naogaon, Dinajpur, Sherpur and Mymensingh districts. The initiative has helped to improve families' living standards and has increased access to social rights, improved sanitation and education. The initiative also facilitates access to land ownership and organization.

Furthermore, access to job opportunities has been promoted based through training and food safety. It has also empowered women, the driving force of these communities, by supporting them to earn an income.

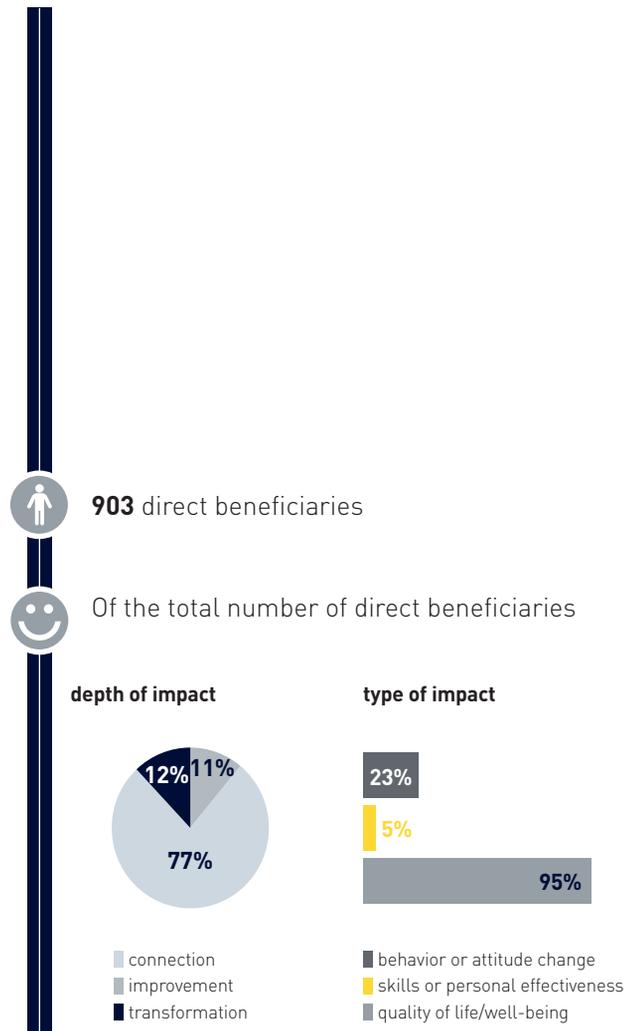
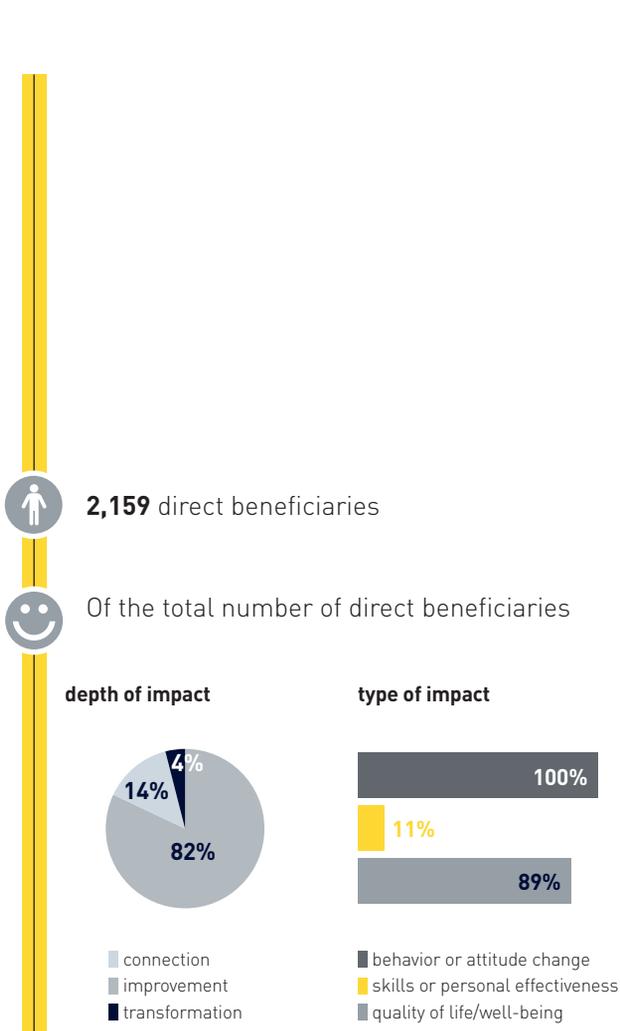
The aim is to reduce the vulnerability of people in poverty through education and skills training thereby, improving living standards, diversify income and guarantee access to sanitation, within a framework of strengthening communities.

## Programme to improve the welfare of garment workers in Morocco

In 2015, Medicus Mundi Andalucía launched this pioneering project to improve the health conditions of workers in the textile sector in Tangiers (Morocco). The aim is to create a method to improve the health conditions of workers.

The programme revolves around the following lines of action: promotion and improvement of health; promotion of sexual and reproductive health; improved access for workers to primary health services; training in risk prevention; first aid in the textile industry, and reinforcement and development of services for occupational health and safety.

In 2015, six companies took part with the voluntary inclusion of 57% of their workers, from the areas of human resources and medical services. The supervision and promotion of health has been carried out in partnership with the Regional Department of Jobs and Social Affairs of Tangiers.



## Integration programme for the immigrant population in Brazil

During 2015, through the Associação Escola da Cidade – Arquitetura e Urbanismo (AEC), Inditex contributed to setting up the CIC Inmigrante (Centro de Integración a la Ciudadanía del Inmigrante) in São Paulo. The centre, funded through a €2 million contribution from Inditex over three-years, brings together different support services for the integration of immigrants into Brazilian society. This is a pioneering initiative in São Paulo, which seeks to guarantee the fundamental rights of the immigrant population.

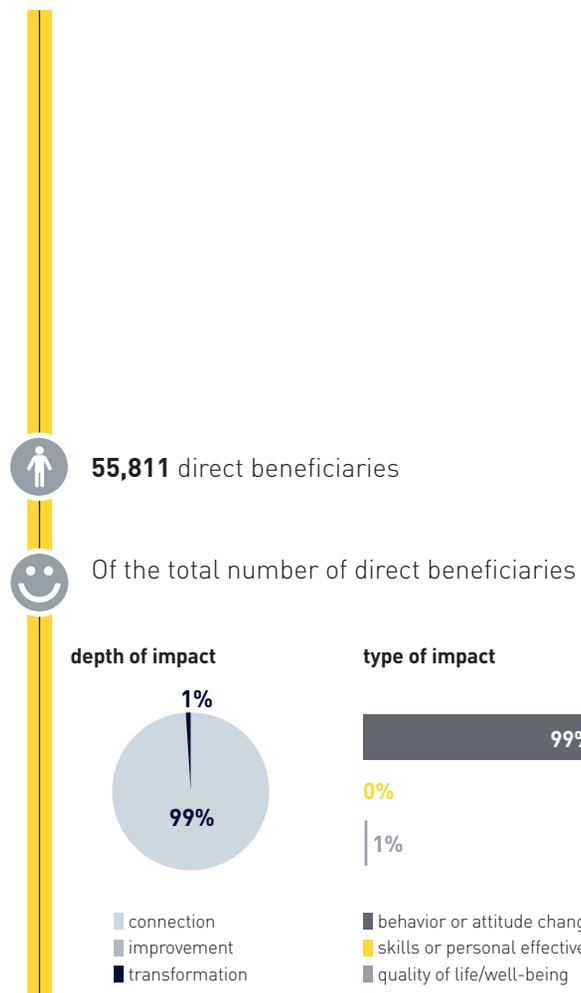
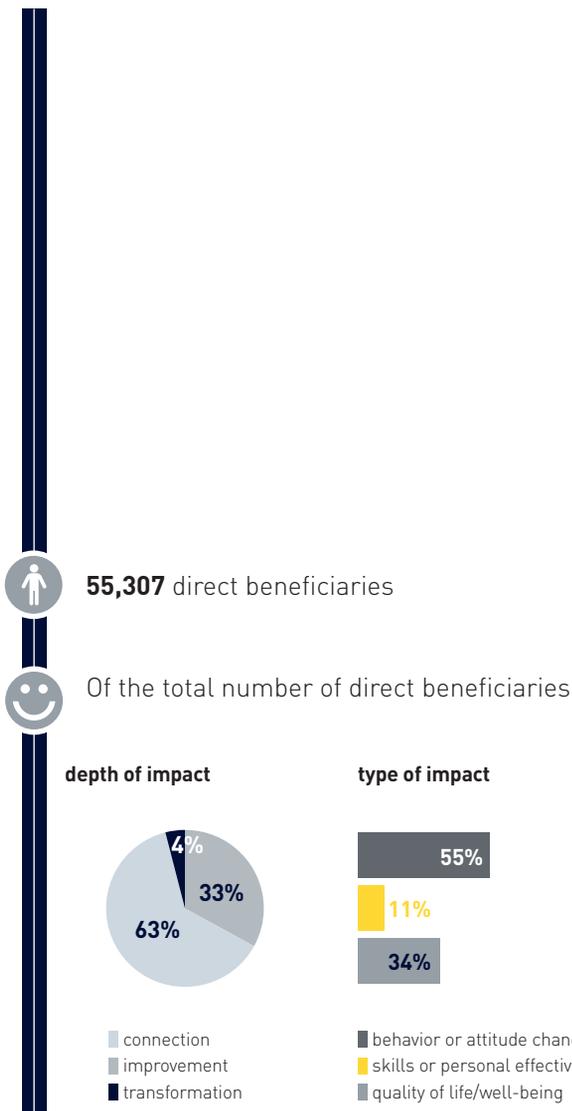
This year, Inditex also reaffirmed its commitment to promoting human rights and improving working and social conditions of immigrants by supporting social organizations such as CDHIC, CAMI and MISSÃO PAZ. This social investment initiative has directly benefited 55,307 immigrants in a vulnerable situation.

## Every Mother Counts Programme

In May 2015, Inditex and the non-profit organization Every Mother Counts (EMC) signed a collaboration agreement to provide medical care during pregnancy to vulnerable women in different parts of the world.

Through this new project, EMC has provided prenatal care to women without resources in New York and Florida (United States). A comprehensive healthcare network has also been introduced for pregnant women in rural areas of southern Bangladesh. The scope of these campaigns has been extended to raise awareness and mobilize volunteers in supporting health programmes worldwide.

These actions are being carried out in collaboration with specialized institutions, and seek to achieve better levels of health during pregnancy, birth and post-birth, decreasing surgical interventions and avoiding complications during pregnancy, among other aims. It also attempts to reduce premature births and underweight babies, as well as to reduce issues resulting from obesity by offering better nutritional options.



## Water.org Programme

In December 2015, Inditex and the non-profit organization Water.org signed a four-year partnership agreement. Under the agreement, Inditex will donate almost €3 million to Water.org's WaterCredit programme, which facilitates access to micro-finance for people on low incomes in developing countries.

The WaterCredit micro-finance is allocated in a way which encourages access to drinking water and sanitation facilities. The activities already in progress in Bangladesh will be extended and introduced in Cambodia, which aims to improve the health of more than 160,000 people in both countries.

WaterCredit is conducted with local partners selected with stringent criteria, mainly non-profit micro-financing institutions. This facilitates philanthropic investments to obtain a better and more efficient impact. Elsewhere, 25% of the total contribution to Water.org will be targeted at a research and development fund called New Venture Fund, to combat the water crisis.

## Others

In addition to the projects mentioned above, in 2015 Inditex channelled 20% of its investment in social programmes related to socio-economic development, environment, art/culture or health, among others. These initiatives encompass one off contributions at the corporate level and from the different brands and subsidiaries to non-profit institutions. In 2015 Inditex allocated more than €5 million to these contributions, both monetary and in-kind, which were channelled through more than 200 charitable organizations.

These projects are approved by the Inditex Sponsorship and Patronage Committee, which comprises the General Secretary and Secretary of the Board, Antonio Abril; the Chief Communication Officer, Jesús Echevarría; and the Corporate Social Responsibility Director, Félix Poza.

In 2015, medical research, health, culture, music, the arts, sport and academic and professional training represented the bulk of donations in this area, with a particular emphasis on Spain.

### Training and research

Training represents a fundamental pillar for peoples professional and personal development. In 2015, the Group supported different educational institutions, such as the Carlos III and Complutense Universities in Madrid, or the Massachusetts Institute of Technology (MIT). Inditex has maintained stable and ongoing links with these centres, as well as with the Fundación Carolina and the Real Instituto Elcano.

In the area of medical research and health, Inditex is a member of the Board of the National Cardiovascular Research Centre (Fundación PRO-CNIC). And in the field of innovation and scientific research, it collaborates with the Fundación CYD, the Fundación Princesa de Girona, the Family Business Institute and the Fundación Tecnomoda.

### Culture and sport

The Group supports culture and sport through its associations with organizations such as the Asociación de Amigos del Centro de Arte Reina Sofía, the Fundación Amigos del Museo del Prado, the Fundación Albéniz, and the Galician Symphony Orchestra. We should also highlight special contributions to the fashion sector such as the Association of Spanish Fashion Creators.



N/A: initiative introduced in December 2015

N/A: initiative introduced in December 2015

## our priorities

# Corporate governance

### Foreword

Corporate Governance is usually defined as the manner wherein companies are organized, managed and controlled. In this context, corporate governance is deemed to be good, where directors and officers responsible for governance proceed diligently, ethically and with transparency in the performance of their duties.

Section 5.4. of the Board of Directors' Regulations reads as follows: "The Board of Directors shall perform its duties in accordance with the corporate interest, it being understood as the viability and the maximization of the Company's value in the long term for the common interest of all the shareholders, which shall not prevent taking into account also other lawful interests, whether public or private, concurring on the development of the business activity, especially those of the other "stakeholders" of the Company: employees, clients, suppliers and the civil society in general. The Board of Directors shall determine and review the business and financial strategies of the Company in the light of said criterion, seeking a reasonable balance between the proposals passed and the risks assumed." Thus, the enhancement of the value of the company may only be understood as an ongoing process of building value for each and every stakeholder therein involved: employees, shareholders, clients, business partners, suppliers and society in general, i.e., a socially responsible business model that allows an ongoing dialogue and that serves the common interests all of groups associated with the company.

The concept of good corporate governance arises thus as a necessary instrument to meet the goal of creating net worth in the long term. It shall be necessarily embodied through a Management that must act in

an ethic and transparent manner, subject to control and verification, both internal and external. This good corporate governance is an active part of the concept of corporate social responsibility, in its broadest term, which is a strategic tool to increase the effectiveness of the company, to achieve competitive advantages, together with the social responsibility strictu sensu, and environmental sustainability.

### Annual Corporate Governance Report

In line with the foregoing, the Annual Corporate Governance Report for financial year 2015 (from 1 February 2015 through 31 January 2016) approved by the Board of Directors of Industria de Diseño Textil, S.A. (Inditex, S.A.) (hereinafter, Inditex, the Company or the Group) and available at the corporate website ([www.inditex.com](http://www.inditex.com)) and at CNMV's [Spanish SEC] website ([www.cnmv.es](http://www.cnmv.es)) furnishes full and reasoned information about the structure and governance practices of the company, so that the market and the stakeholders may obtain a true image and a full and grounded view of corporate governance of the Group, as well as of the degree of compliance with the recommendations of the Unified Good Governance Code of Listed Companies. During FY2015, such degree of compliance stands at 99% regarding the recommendations which apply to Inditex.

### Regulations on Corporate Governance

During FY2015, Inditex has carried out the review of a large number of its internal regulations to adjust them to the latest regulatory requirements,





Meeting at Oysho head office in Tordera (Barcelona).

the latest recommendations in the area of good governance and the most recent trends in the area of corporate governance.

The Inditex's corporate governance rules are listed below, together with the date of the latest amendment:

Internal Regulations	Competent Governing Body	Date of approval / last amendment
Articles of Association	General Meeting of Shareholders	14-07-2015
Regulations of the General Meeting of Shareholders	General Meeting of Shareholders	14-07-2015
Board of Directors's Regulations	Board of Directors	09-06-2015
Audit and Control Committee Regulations	Board of Directors	09-06-2015
Nomination Committee Regulations	Board of Directors	09-06-2015
Remuneration Committee Regulations	Board of Directors	09-06-2015
Internal Regulations of Conduct regarding transactions in Securities (IRC) of Inditex and its corporate group.	Board of Directors	13-06-2006
Code of Conduct and Responsible Practices	Board of Directors	17-07-2012
Code of Conduct for Manufacturers and Suppliers	Board of Directors	17-07-2012
Regulations of the Committee of Ethics	Board of Directors	17-07-2012
Whistle Blowing Channel Procedure	Board of Directors	17-07-2012
Manual on Criminal Risks Prevention	Board of Directors	17-07-2012

## Transparency and information

Good governance requires that stakeholders may have regular and timely access to any relevant, appropriate and reliable information, both as regards corporate governance regulations and exercise, and the results achieved.

Therefore, in order to achieve maximum transparency, in addition to including all relevant information and communications on its corporate website, Inditex has kept the market regularly posted during financial year 2015 by means of the submission of the relevant "Results releases" and proceedings with institutional investors.

A summary of the most relevant issues of the 2015 Annual Corporate Governance Report is included in this Annual Report:

1. Ownership structure
2. General Meeting of Shareholders
3. Board of Directors
4. Board of Directors' Committees
5. Remunerations
6. Senior Management
7. Related-party transactions and situations of conflict of interest
8. Transparency, independence and good governance
9. Code of Conduct and Responsible Practices and Committee of Ethics
10. Approval of the good corporate governance policies.

## 1. Ownership structure

### Share capital

As at 31 January 2016, Inditex's share capital amounts to EUR 93,499,560 and is divided into 3,116,652,000 shares.

All shares are of the same class and series, and are represented by the book-entry method and fully paid-up and subscribed. All of them carry the same voting and economic rights.

### Market capitalization

Inditex has been listed on the different Spanish Stock Exchanges since 23 May 2001 and has been part of the selective Ibex 35 since July 2001. In addition, it has been part of the Eurotox 600 since September 2001, of the selective Morgan Stanley Capital International index since November 2001, of the Dow Jones Sustainability Index since September 2002, of the FTSE4Good since October 2002 and of the FTSE ISS Corporate Governance index, since its launching in December 2004.

### Ownership structure of the share capital

Inditex's shares are represented by the book-entry method and no shareholders register is kept by the Company, as a result of which, the list of owners of shares in the company is not fully known.

As at 31 January 2016, members of the Board of Directors hold a 59.36% stake in Inditex's share capital, as shown below:

Name or Company name of the director	Number of direct voting rights	Indirect voting rights		% on aggregate voting rights
		Direct owner of the stake	Number of voting rights	
Mr Pablo Isla Álvarez de Tejera	1,805,320	0		0.058%
Mr Amancio Ortega Gaona	0	1,848,000,315		59.294%
Mr José Arnau Sierra	30,000	0		0.001%
PONTEGADEA INVERSIONES, S.L.	1,558,637,990	0		50.010%
Ms Irene Ruth Miller	66,200	0		0.002%
Mr José Luis Durán Schulz	0	0		0%
Mr Rodrigo Echenique Gordillo	0	0		0%
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	150,000	0		0.005%
Mr Emilio Saracho Rodríguez de Torres	0	0		0%

In addition to directors, according to the information provided at CNMV's web site ([www.cnmv.es](http://www.cnmv.es)) the following entities were owners of significant holdings in the Company:

- Partler 2006, S.L. (owner of 289,362,325 shares, representing 9.284% in the share capital) and
- Rosp Corunna Participaciones Empresariales, S.L.U. (owner of 157,474,030 shares, representing 5.053 % in the share capital).

## Rights on shares

Mr Pablo Isla Álvarez de Tejera, the Chairman and Chief Executive Officer, might acquire up to a maximum number of 252,180 shares (representing up to 0.008% in the share capital) as a result of the first performance cycle of the Long Term Performance Shares Plan addressed to members of management and other key employees of the Inditex Group, pursuant to the terms of the Long Term Performance Shares Plan which was approved by the Annual General Meeting of Shareholders held on 16 July 2013 (the full text of this resolution is available at [www.inditex.com](http://www.inditex.com)).

## Para-social agreements

Inditex has not received any notice regarding the existence of any para-social agreements in respect

of voting rights in annual general meetings, or which may limit the free transfer of shares, nor has it learned about any concerted actions between its shareholders.

## Own shares

The authorization granted by the Annual General Meeting of Shareholders of the Company on 16 July 2013 remains in force, by virtue of which the Board of Directors is authorized to acquire the Company's own share (the full text of this resolution is available at [www.inditex.com](http://www.inditex.com)). Consequently, as at 31 January 2016, Inditex's entire treasury stock stands at 3,500,000 own shares, which represents 0.112% in the share capital.

## 2. General Meeting of Shareholders

The General Meeting of Shareholders duly convened in accordance with all legal formalities and those of the Articles of Association and its own Regulations, is the supreme and sovereign body of expression of the will of the company. Its resolutions are binding on all its shareholders, including absent or dissenting shareholders, without prejudice to any remedies they may have at law.

## Authorities

The General Meeting is authorized to pass all kinds of resolutions concerning the Company and, in particular, and subject to any other powers vested by the applicable regulations, the exercise of the following powers is reserved to such body:

- (a) To resolve on the individual annual accounts and, where appropriate, the consolidated accounts of the Company and its Group, as well as on the distribution of the income or loss.
- (b) To appoint, re-elect and remove directors, and to ratify or revoke any provisional appointment of said directors made by the Board of Directors itself, and to review their management.
- (c) To approve the adoption of remuneration systems consisting of the granting either of shares or stock options, as well as any other remuneration system linked to the value of the shares, for the benefit of directors.
- (d) To approve the Directors' remuneration policy pursuant to statutory terms.
- (e) To conduct, as a separate item of the agenda, an advisory say-on-pay vote on the Annual Report on the Remuneration of Directors;
- (f) To authorize the release of the directors from the duty of preventing conflicts of interest and of the prohibitions arising from the duty of loyalty, when the authorization to release them is attributed by statute to the General Meeting of Shareholders, as well as from the obligation not to compete with the Company.
- (g) To authorize the Board of Directors to increase the Company's share capital, or to proceed to the issue of bonds convertible into Company's shares.
- (h) To resolve the issue of bonds convertible into Company's shares or which allow bondholders to participate in the company's earnings, the increase or the reduction of the share capital, the exclusion or restriction of the pre-emptive right, the transformation, merger, split-off or winding-up of the Company, the global assignment of assets and liabilities, the approval of the final balance sheet of liquidation, the transfer of the registered office abroad, as well as any other amendment whatsoever of the Articles of Association.
- (i) To authorize Company's shares buyback;

(j) To approve such transactions which entail a structural amendment in the Company, and namely:  
(i) the transformation of listed companies into holding companies, through "subsidiarisation" or the assignment to dependent entities of core activities theretofore carried out by the Company, even though the Company retains full control of such entities;  
(ii) the acquisition, disposal or contribution to another company of essential assets; and, (iii) such transactions which entail an effective amendment of the corporate objects and those having an effect equivalent to the liquidation of the Company.

(k) To appoint, re-elect and remove the financial auditors.

(l) To appoint and remove, where appropriate, the Company's liquidators

(m) To approve the Regulations of the General Meeting of Shareholders and any subsequent amendment thereof.

(n) To resolve on the matters submitted to it by a resolution of the Board of Directors.

(o) To give directions to the Board of Director or to submit to its prior authorization the passing by the Board of Directors of decisions or resolutions on certain management matters; and

(p) To grant to the Board of Directors such powers it may deem fit to deal with unforeseen issues

## Proceedings

The Board of Directors shall convene the Annual General Meeting necessarily once a year; within the first six months of the closing of each financial year in order to, at least, review the company's management, approve, where appropriate, the accounts of the previous year and decide upon the distribution of income or loss.

The Extraordinary General Meeting shall meet when the Board of Directors so resolves or when a number of shareholders representing at least 3% of the share capital so request, expressing in the request the business to be transacted. In this latter case, the General Meeting of Shareholders must be convened to be held within the deadline provided in the applicable regulations and the agenda of the meeting must necessarily include the matters that were the subject of the request.

In the resolutions to call the General Meeting, the Board of Directors shall require the presence of a Notary to take the minutes of the General Meeting.

General Meetings shall be called by the Board of Directors by notice published in the Official Gazette of the Companies Register, or in one of the newspapers with the largest circulation in Spain, at the Company's website ([www.inditex.com](http://www.inditex.com)) and at CNMV's website ([www.cnmv.es](http://www.cnmv.es)), at least one month in advance of the date set for the meeting or any longer period of time required by statute, where appropriate, depending on the resolutions submitted to its discussion. The notice shall state the name of the Company, the place, day and time on which the General Meeting of Shareholders is to be held on first call, the date on which the General Meeting is to be held on second call, where appropriate (with at least a 24-hour interval between the first and the second call). The notice shall also state clearly and accurately the agenda of the General Meeting of Shareholders, with all the business to be transacted.

No later than the date of publication, or at any rate the business day that immediately follows, the notice of the meeting shall be sent by the company to the CNMV, and to the Governing Organizations of the Stock Exchanges where the company's shares are listed for its insertion in the relevant Listing Bulletins. The text of the notice shall also be available at the Company's website ([www.inditex.com](http://www.inditex.com)).

Notwithstanding the foregoing, the General Meeting of Shareholders shall be deemed to be properly called and validly established to transact any business, provided that shareholders representing the whole share capital are present and the attendees unanimously resolve to hold such meeting.

## Quorum required to hold a valid General Meeting of Shareholders

Call	General rule (sec. 193 CA)	Special cases (sec. 194 CA)
First	Attendance of shareholders, present or represented by proxy, owning at least 50% of the subscribed share capital with the right to vote shall be required.	
Second	Generally, the General Meeting shall be validly established regardless of the share capital attending the same	Attendance of shareholders representing at least 25% of the subscribed share capital with the right to vote shall be required.

## Passing of resolutions

The system regarding passing of resolutions is that provided in the Companies Act.

## Attendance to the Annual General Meeting held during FY2015

Date of Annual General Meeting	14-07-2015
<b>Attendance data</b>	
% attendance in person	0.08%
% attendance by proxy	85.56%
% distance voting	0.82%
<b>Total</b>	<b>86.46%</b>

## Resolutions passed

The full text of the resolutions passed by the Annual General Meeting held in FY2015 and the result of the votes thereof are available at [www.inditex.com](http://www.inditex.com). All resolutions were passed by majorities of votes between 92.82% and 99.84%.

Specifically, resolutions were passed regarding the items below:

*First.- Review and approval, where appropriate, of the Annual Accounts (Balance Sheet, Profit and Loss Account, Shareholders' Equity Statement, Cash Flow Statement and Annual Report) and Management Report of Industria de Diseño Textil, Sociedad Anónima, (Inditex, S.A.) for financial year 2014, ended 31 January 2015.*

*Second.- Review and approval, where appropriate, of the Annual Accounts (Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Shareholders' Equity Statement, Cash Flow Statement and Annual Report) and Management Report of the consolidated group ("Inditex Group") for financial year 2014, ended 31 January 2015, and of the management of the company.*

*Third.- Distribution of the income or loss of the fiscal year and distribution of dividend.*

*Fourth.- Re-election and appointment of members of the Board of Directors*

- a) *Re-election of Mr Pablo Isla Álvarez de Tejera, as executive director:*
- b) *Re-election of Mr Amancio Ortega Gaona, as non-executive proprietary director*
- c) *Re-election of Mr Emilio Saracho Rodríguez de Torres, as non-executive independent director*
- d) *Appointment of Mr José Luis Durán Schulz, as non-executive independent director*

*Fifth.- Amendment of the Articles of Association to adjust its contents to the terms of Act 31/2014, of 3 December, amending the Companies Act to improve corporate governance and of Act 5/2015, of 27 April on promotion of corporate financing, and to encompass improvements in the area of good governance as well as technical ones.*

- a. *Amendment of Chapter I (“Company name, Company object, registered office and duration”).*
- b. *Amendment of Chapter II (“Share Capital”).*
- c. *Amendment of Chapter III (“Governing bodies of the Company”).*
- d. *Amendment of Chapter IV (“Financial year, annual accounts: verification, approval and release, distribution of income or loss”). Chapter V (“Winding-up and Liquidation of the Company”) and Chapter VI (“Additional Provisions”).*
- e. *Approval of the revised text of the Articles of Association.*

*Sixth.- Approval of the revised text of the Regulations of the General Meeting of Shareholders to adjust its contents to the terms of Act 31/2014, of 3 December, amending the Companies Act to improve corporate governance and of Act 5/2015, of 27 April on promotion of corporate financing, and to encompass improvements in the area of good governance as well as technical ones.*

*Seventh.- Re-election of the Financial Auditors of the Company and its Group for financial year 2015*

*Eighth.- Adjustment of directors’ remuneration for members of the Nomination Committee and the Remuneration Committee as a result of the split of the Nomination and Remuneration Committee into two separate committees*

*Ninth.- Advisory say-on-pay vote on the Annual Report on the Remuneration of Directors*

*Tenth.- Information provided to the Annual General Meeting on the amendment of the Board of Directors’ Regulations*

*Eleventh.- Granting of powers for the implementation of resolutions.”*

## **Shareholders’ rights**

There are no by-law restrictions requiring a minimum number of shares to attend the General Meeting of Shareholders.

All shares of the Company have the same voting and financial rights attached and there are no legal or by-law restrictions on the acquisition or transfer of shares.

As regards the exercise of voting rights, the only restriction is that provided in section 83.1 of the Companies Act, according to which any shareholder who is in arrears regarding any outstanding payments may not exercise their voting right.

## **Encouragement of informed participation of shareholders**

The information on the Annual General Meeting of Shareholders is included in the section “General Meeting of Shareholders” of the Company’s web page:

With regard to the Annual General Meeting held in 2015 ([www.inditex.com/es/investors/corporate\\_governance/AnnualGeneralMeeting/AGM\\_2014](http://www.inditex.com/es/investors/corporate_governance/AnnualGeneralMeeting/AGM_2014)), this section includes: (i) the link to the Electronic Forum of Shareholders; (ii) the link to the electronic voting and voting by proxy platform; (iii) the link to the live broadcast of the Annual Meeting of Shareholders; (iv) the notice calling the AGM; (v) the Agenda; (vi) the proposed resolutions in respect of the items of the agenda; (vii) the individual and consolidated annual accounts with the pertaining management reports, audit reports, both individual and consolidated; (viii) the report in support in respect of item four of the agenda, issued by the Board of Directors assessing the qualification, experience and merits of the candidates whose re-election or appointment is submitted to the Annual General Meeting, and the reports issued by the former Nomination and Remuneration Committee;

(ix) the report issued by the Board of Directors in respect of item five of the agenda, including the full text of the proposed amendments to the Articles of Association; (x) the report issued by the Board of Directors in respect of item six of the agenda, including the wording of the proposed amendments to the Regulations of the General Meeting of Shareholders; (xi) the report issued by the Board of Directors in respect of item ten of the agenda about the approval of the amendment of the Board of Directors Regulations; (xii) the revised text of the Articles of Association, the approval of which is addressed in item five of the agenda; (xiii) the revised text of the General Meeting of Shareholders' Regulations whose approval is proposed under item six of the agenda; (xiv) the revised text of the Board of Directors Regulations referred to in item ten of the agenda, (xv) resolution number nine passed by the AGM held on 19 July 2011, referred to item eight of the agenda; (xvi) the statement of responsibility of directors regarding the contents of the Annual Accounts; (xvii) the 2014 Annual Corporate Governance Report; (xviii) the 2014 Annual Report on the Remuneration of Directors; (xix) the 2014 Annual Activities Report of the Audit and Control Committee; (xx) the 2014 Annual Activities Report of the former Nomination and Remuneration Committee; (xxi) the Report of the Audit and Control Committee on the independence of the auditors; (xxii) the proxy and distance voting card; (xxiii) the implementation of the internal regulations on the exercise of the vote by proxy and distance voting right; (xxiv) the total number of shares and voting rights at the date of calling; (xxv) the valid requests of information, clarification or questions in writing and the answers provided; (xxvi) the document with the FAQ of shareholders about the Annual General meeting; (xxvii) the resolutions passed, and; (xxviii) the information on votes cast and the outcome of the voting.

## Relationship with Investors

Information on the relationship with investors and namely the "Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors" is provided in the Section headed "Investors and Stock Market indexes" of this Annual Report.

## 3. Board of Directors

Except for such issues whose transaction is reserved to the General Meeting of Shareholders, the Board of Directors is the highest decision-making, supervisory and controlling body of the Company, as it is entrusted with its administration, management and representation, delegating as a general rule the management of the day-to-day business of Inditex To the executive bodies and the management team and focusing on the general supervisory function, which includes guiding Inditex's policy, monitoring the management bodies, assessing the management by the senior management, making the most relevant decisions for the Company and liaising with the shareholders.

It is also incumbent on the Board of Directors to ensure that the Company enforces its social and ethical duties, and its duty to act in good faith with regard to its relationship with its employees and with third parties, as well as to ensure that no individuals or small groups of individuals have a decision power within the company which has not been subjected to counterweights and controls, and that no shareholder receives a more privileged treatment than the others.

The Board performs its functions in accordance with the corporate interest, it being understood as the viability and maximization of the company's value in the long term in the interest of all the shareholders, which shall not prevent taking into account the rest of lawful interests, either public or private, that concur in the development of every business activities, and especially those of the other "stakeholders" of the Company (employees, clients, suppliers and civil society in general), determining and reviewing its business and financial strategies pursuant to said criterion, trying to achieve a reasonable balance between the selected proposals and the risks taken.

## Authorities

The Board of Directors shall directly exercise the following powers:

(a) Approval of the general policies and strategies of the Company, and namely:

- (i) The strategic or business plan as well as the annual management goals and budget;
  - (ii) The investment and financing policy;
  - (iii) The dividends and treasury stock policy and namely, the limits thereof, pursuant to statute;
  - (iv) The design of the structure of the corporate group of which the Company is the controlling company;
  - (v) The risks control and management policy, including tax risks, and the periodic monitoring of the internal information and control systems;
  - (vi) The definition of the tax strategy of the Company;
  - (vii) The corporate governance policy; and
  - (viii) The corporate social responsibility policy.
- (b) Approval of the following decisions:
- (i) The drafting of the annual accounts, the management report and the proposal for the allocation of income or loss of the Company and the consolidated annual accounts and management report to be submitted to the General Meeting of Shareholders.
  - (ii) The notice calling the General Meeting of Shareholders, determining its agenda and preparing the proposed resolutions to be submitted thereto;
  - (iii) The approval of the financial information that the Company, being a listed company, must periodically release;
  - (iv) The approval of the Annual Corporate Governance Report, the Annual Report on the Remuneration of Directors and the issue of any manner of reports that the Board of Directors should recommend or which it must issue pursuant to statute, provided that the transaction covered by such report is not eligible to be delegated;
  - (v) The approval of any manner of investments or transactions, which, are considered strategic or deemed to have a special tax risk, unless the approval thereof falls on the General Meeting of Shareholders.
- (vi) The creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered as tax havens, and any other transactions or operations of a comparable nature whose complexity might impair the transparency of the group, and,
  - (vii) The approval, after report of the Audit and Control Committee, of the transactions of the Company or of any of the companies within its Group with directors, shareholders or Related Parties.
- (c) The following internal proceedings of the Board of Directors:
- (i) To decide on the organization and proceedings of the Board of Directors, including namely:
    - The approval and amendment of the Board of Directors' Regulations;
    - The appointment, on the proposal or after report of the Nomination Committee, as the case may be, of the internal offices within the Board of Directors, and the members and internal offices of its committees;
    - The election, on the proposal or after report of the Nomination Committee, as the case may be, of directors through the co-option procedure to fill any vacancies which may occur within the Board of Directors; and
    - Submitting to the General Meeting of Shareholders motions to elect, re-elect, ratify or remove directors.
  - (ii) The approval of a specific and ascertainable policy for the selection of directors that ensures that proposed election or re-election is duly supported by a prior analysis of the requirements of the Board of Directors and that favors diversity of knowledge, experience and gender;
  - (iii) The proposal of the amount of the remuneration of directors as such to the General Meeting of Shareholders, as well as the approval of the remuneration of executive directors, in both cases, on the proposal of the Remuneration Committee

and pursuant to the Articles of Association and the remuneration policy for directors approved by the General Meeting of Shareholders;

- (iv) The appointment and removal of chief executive officers as well as the approval beforehand of the contracts to be executed between the Company and the directors to whom executive duties are assigned;
- (v) Overseeing and evaluating on an annual basis:
  - The quality and efficiency of the proceedings of the Board of Directors itself and its delegated bodies.
  - The diversity in the composition and skills of the Board of Directors;
  - The performance of duties by the Chairman of the Board of Directors and by the chief executive of the company;
  - The performance of its supervisory and control committees based upon the reports furnished by the same, and
  - The performance and contribution of each director, especially that of the chairs of the different Committees of the Board of Directors.

Where the Chairman of the Board of Directors would discharge executive duties, his assessment shall be led by the Lead Independent Director.

To proceed to such evaluation, the Board of Directors may rely on the support of external advisors and on such internal resources which it may, from time to time, deem fit. Notwithstanding the foregoing, the Board of Directors shall be assisted every three years, by an external advisor, once the Nomination Committee has established his/her independence, to proceed to such evaluation. Upon evaluating the independence of the external advisor, the relations that such advisor, or any company within its Group, may have with the Company or with the Group shall be considered. Such relations shall be detailed, as the case may be, in the Annual Corporate Governance Report.

The Board of Directors shall carry out an annual evaluation of its proceedings and of that of its Committees and it will propose an action plan to correct the shortcomings revealed. The result of the evaluation shall be recorded in the minute of the meeting of the Board of Directors or attached thereto as an annex.

- (vi) The authorization or release from the obligations stemming from the duty of loyalty of directors, after report of the Nomination Committee, where such responsibility is not incumbent on the General Meeting of Shareholders;
- (d) The following issues regarding senior executives:
  - (i) The appointment and dismissal of senior executives after report of the Nomination Committee;
  - (ii) The approval of the basic terms and conditions of the contract with senior executives, including their remuneration and, where appropriate severance clauses, after report of the Remuneration Committee;
  - (iii) Overseeing the proceedings of the senior executives appointed by the Board of Directors.
- (e) The remaining responsibilities reserved by the Board of Director' Regulations and the applicable laws and regulations.

## Composition

The Board of Directors is made up of 9 members: 4 non-executive independent directors, 3 non-executive proprietary directors, 1 affiliate director and 1 executive director.

As at 31 January 2016 the Board of Directors is comprised of the following members:

Name (person or company) of the Director	Representative	Type of Director	Office on the Board	Date of first appointment	Date of last appointment	Election procedure
Mr Pablo Isla Álvarez de Tejera		Executive	Executive Chairman	9-06-2005	14-07-2015	AGM
Mr Amancio Ortega Gaona		Proprietary	Ordinary member	12-06-1985	14-07-2015	AGM
Mr José Arnau Sierra		Proprietary	Deputy Chairman	12-06-2012	17-07-2012	AGM
PONTEGADEA INVERSIONES, S.L.	Ms Flora Pérez Marcote	Proprietary	Ordinary member	9-12-2015	9-12-2015	Board of Directors
Ms Irene Ruth Miller		Independent	Ordinary member	20-04-2001	19-07-2011	AGM
Mr José Luis Durán Schulz		Independent	Ordinary member	14-07-2015	14-07-2015	AGM
Mr Rodrigo Echenique Gordillo		Independent	Ordinary member	15-07-2014	15-07-2014	AGM
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós		Affiliate	Ordinary member	30-05-1997	15-07-2014	AGM
Mr Emilio Saracho Rodríguez de Torres		Independent	Ordinary member	08-06-2010	14-07-2015	AGM

## Profile of Directors

### Mr Pablo Isla Álvarez de Tejera

Chairman of the Board of Directors since 2011. He has been Deputy Chairman of the Board of Directors and CEO since 2005. He is a law graduate of the Complutense University of Madrid and Abogado del Estado [State lawyer].

From 1992 to 1996, he was Director of Legal Services for Banco Popular. He went on to be appointed General Director of State Assets at the Ministry of Economy and Finances. From July 2000 to 2005 he was Chairman of Altadis group. Additionally, he serves on the Board of Directors of Telefónica, S.A.

Mr Isla was re-elected to the Board of Directors by the Annual General Meetings held on 13 July 2010 and 14 July 2015.

### Mr Amancio Ortega Gaona

He is the founding and controlling shareholder of Inditex. He began his textile manufacturing operations in 1963. In 1972 he founded Confecciones Goa, S.A., the first garment-making factory of Inditex, and three years later he founded Zara España, S.A., the first distribution and retailing company. Mr Ortega was re-elected to the Board of Directors by the Annual General Meetings held on 30 June 1990; 13 July 1995; 20 July 2000; 15 July 2005; 13 July 2010 and 14 July 2015.

### Mr José Arnau Sierra

Deputy Chairman of the Board of Directors since 2012. A law graduate of the University of Santiago de Compostela and State Tax Inspector, Mr Arnau has been the first executive of Grupo Pontegadea since

2001, member of the Board of Directors of GARTLER, S.L. from 1997 until the absorption of the company by Pontegadea Inversiones, S.L. in 2015, and a Director at this latter since its incorporation back in 2001; likewise, he has been a member of the Board of Trustees of Fundación Amancio Ortega Gaona since 2001. He was the director of Inditex's Tax Department and member of its Steering Committee from 1993 through 2001, and he also served on the Board of Directors of the company from 1997 through 2000. Previously, he held different positions in the Tax administration. He was a member of the Board of Directors at Banco Pastor from 2005 through 2012, and Profesor asociado [Part-time instructor] of Tax Law at the University of Corunna from 1993 through 1996.

Mr Arnau was appointed a Director in June 2012 and ratified in such office by the Annual General Meeting held on 17 July 2012.

### PONTEGADEA INVERSIONES, S.L.

Pontegade Inversiones, S.L. is represented in the Board of Directors of Inditex by Ms Flora Pérez Marcote, and directly holds 1,558,637,990 shares in the Company, which represents 50.01% in the share capital. This company was appointed to the Board of Directors in December 2015, following the merger by absorption of Gartler, S.L.

Pontegadea Inversiones was appointed a Director through the co-option procedure on 9 December 2015.

### Ms Irene R. Miller

She has been an independent director since April 2001. She is a graduate of the University of Toronto with a Bachelor of Science and of Cornell University with a Master of Science in chemistry. She began her career

at General Foods Corporation and later worked as an investment banker for Rothschild Inc. and Morgan Stanley & Co. In 1991 she joined Barnes & Noble Inc. as Senior Vice President of Corporate Finance and in 1993, before the flotation of Barnes & Noble, became Chief Financial Officer. In 1995, she was appointed Director and Vice-Chairman of the Board of Directors of Barnes & Noble. At the present time, she is CEO of Akim, Inc., an American investment and consulting firm, which she joined in 1997. She is also a member of the Board of Directors of the Toronto-Dominion Bank Financial Group and of TD Ameritrade Holding Corp. Previously, she served on the Boards of Directors of Oakley Inc., Benckiser N.V., The Body Shop International Plc, Barnes & Noble, Inc. and Coach, Inc.

Ms Irene R. Miller was appointed a Director on 20 April 2001 and re-elected by the Annual General Meetings held on 18 July 2006 and 19 July 2011.

**Mr Rodrigo Echenique Gordillo**

He has been an independent director since July 2014. He is a law graduate of the Complutense University of Madrid and Abogado del Estado [State lawyer] currently on leave. From 1973 through 1976 he held several positions in the State Administration. From 1976 through 1983 he was Head of Legal Services and subsequently Deputy General Manager at Banco Exterior de España. From 1984 through 1994, he worked at Banco Santander, where he became a member of the Board of Directors in October 1988, being appointed at the same time Chief Executive Officer and member of the Executive Committee where he served until September 1994. From October 1994 through January 1999, he was a member of the Board of Directors, the Executive Committee of Banco Santander, and of all Board Committees; he chaired the Audit and Control Committee, and was Deputy Chairman of Banco Santander de Negocios and of Santander Investment. He has been a member of the Board of Directors, the Executive Committee and the Executive Committee of Risks of Banco Santander since January 1999. He has been Deputy Chairman of Banco Banif, S.A., Chairman of Allfunds Bank and Chairman of SPREA. He has been a member of the Board of Directors of Banco Santander International and of Santander Investment. He has been Ordinary Member of the Board of Directors of different industrial and financial companies such as Ebro Azúcares y Alcoholes, S.A., Industrias Agrícolas, S.A., SABA, S.A. and Lar, S.A. He was also a member and subsequently Chairman of the Advisory Board of Accenture, S.A., Lucent Technologies, and Quercus y Agrolimen, S.A. He has been the Chairman of Vallehermoso, S.A., Vocento, S.A. and NH Hotels Group. At present, he is

the Chairman of Metrovacesa, S.A., Executive Deputy Chairman of Banco Santander and Chairman of Santander España. He is a member of the Executive Committee and of the Board of Trustees of Fundación Banco Santander and of Plan España. From July 2001 through February 2008, he chaired the Social Advisory Board of Carlos III University in Madrid.

Mr Rodrigo Echenique Gordillo was appointed a Director on 14 July 2014.

**Mr Carlos Espinosa de los Monteros Bernaldo de Quirós**

He has been a director since May 1997. He is a law and business studies graduate of ICADE, and a Commercial Expert and State Economist. He has been the Chairman of the Board of Directors of Mercedes Benz España, Deputy Chairman of the Instituto Nacional de Industria, Chairman of the Board of Directors of Iberia and Aviaco, member of the Executive Committee of the International Air Transport Association and Chairman of the Círculo de Empresarios, of the Spanish Association of Car and Truck Manufacturers and of the International Organisation of Motor-Vehicle Manufacturers. At the present time he chairs Fraternidad-Muprespa. He has been awarded the Grandes Cruces del Mérito Civil and Mérito Aeronáutico. He was appointed Alto Comisionado del Gobierno para la Marca España [High Commissioner for the Brand "Spain"] in July 2012.

Mr Espinosa was appointed a Director in May 1997 and re-elected to the Board of Directors by the Annual General Meetings held on 20 July 2000, 16 July 2004, 14 July 2009 and 15 July 2014.

**Mr Emilio Saracho Rodríguez de Torres**

He has been an independent director since June 2010. A Graduate in Economics from the Complutense University in Madrid, he has an MBA from the University of California in Los Angeles (UCLA), awarded in 1980. He was also a Fulbright scholar. Mr Saracho began his career in 1980 in Chase Manhattan Bank, where he was responsible for operations in different sectors such as Oil and Gas, Telecommunications and Capital goods. In 1985, he took part in the launching and implementation of Banco Santander de Negocios, where he led the Investment Banking division. In 1989, he was appointed head of the Division of Large Companies of Grupo Santander and Deputy General Director. He has been a director of FISEAT, Santander de Pensiones and Santander de Leasing. In 1990, he worked for Goldman Sachs in London as co-head of Spanish and Portuguese operations. In 1995, he returned to Santander Investment as General Director in charge for the Investment Banking area worldwide. From 1996 to 1998, he was responsible

for the Banking operations in Asia. Mr Saracho joined J.P. Morgan in 1998 as Chairman for Spain and Portugal and head of business for the Iberian Peninsula and member of the European Management Committee. From early 2006 to January 1st 2008, he was Chief Executive Officer of J.P. Morgan Private Bank for Europe, the Middle East and Africa, based in London. He also sat on the Operating Committee and on the European Management Committee, while chairing at the same time J.P. Morgan in Spain and Portugal. He is in charge of Investment Banking operations of J.P. Morgan in Europe, the Middle East and Africa. He sits on the Executive Committee of the Investment Bank and on the Executive Committee of JPMorgan Chase. From December 2012 through April 2015, he was Deputy CEO for EMEA. At the present time, he is Vice Chairman of JP Morgan Chase&Co.

Mr Emilio Saracho Rodríguez de Torres was appointed a Director on 13 July 2010 and re-elected on 14 July 2015.

## Chairman and Chief Executive Officer

Mr Pablo Isla Álvarez de Tejera has been the Chief Executive Officer of the Company since 9 June 2005 and the Chairman of the Board of Directors since 19 July 2011.

Balanced management is ensured through the following measures:

- Some of the powers delegated to the Executive Chairman are subject to certain restrictions. Namely, those that involve the disposal of funds in excess of a certain amount expressly require that the Executive Chairman acts jointly with another person who in virtue of any legal title is also empowered with the power in question as well as those that involve the disposal or encumbrance of real property of the Company, for which a prior resolution of the Board of Directors or its Executive Committee, shall be required.
- Mr Amancio Ortega Gaona, the founder and controlling shareholder of the Company and Chairman of the Board of Directors until 19 July 2011, remains on such Board and its Executive Committee as non-executive proprietary director.
- Mr José Arnau Sierra, non-executive proprietary director since 12 June 2012, has been Deputy Chairman of the Board of Directors since 17 July 2012. He sits on the Executive Committee, the

Audit Committee, the Nomination Committee and the Remuneration Committee.

- As at 31 January 2016, Mr Rodrigo Echenique Gordillo is the Lead Independent Director pursuant to the provisions of section 529 septies of the Companies Act, and of section 10 of the Board of Directors' Regulations. He was appointed as such further to a resolution passed by the Board of Directors on 14 July 2015, in the absence of the executive director, replacing the former Lead Independent Director, Mr Nils Smedegaard Andersen.

## General Counsel and Secretary of the Board of Directors

Mr Antonio Abril Abadín is the General Counsel and Secretary of the Board of Directors. Likewise, he is the Secretary of all Board Committees.

The appointment and removal of the Secretary of the Board must be approved by the Board of Directors in plenary session, after report of the Nomination Committee. The Secretary needs not be a director.

The Secretary shall support the Chairman in his duties and must provide for the smooth running of the Board by taking particular care to provide directors with the necessary advice and information, keep the documents of the Company, enter the proceedings in the minutes books and certify the Board's resolutions. When directors or the Secretary himself/herself should express concern about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved by the Board, they will be acknowledged in the minutes at the request of the person expressing them. Likewise, the Secretary shall devote particular attention to the formal and material legality of the Board's actions and ensure that the corporate governance principles and the Company's internal rules and regulations, are observed.

## Gender diversity

Pursuant to the internal regulations covered in the Board of Directors' Regulations and in the Nomination Committee's Regulations, the Nomination Committee must set a representation target for the least represented gender on the Board

of Directors and prepare guidelines on how to reach such goal and ensure that, when filling up any new vacancies and when appointing new directors, selection process conform to the prohibition of any manner of discrimination. Pursuant to Inditex's "Director Selection Policy", efforts will be made so that by 2020, the number of female directors sitting on the Board would represent at least 30% of the total number of members of the Board of Directors.

Additionally, pursuant to the provisions of section 529 bis 2 of the Companies Act, the Board of Directors shall ensure that gender, experiences and knowledge diversity is fostered in recruitment processes of directors, which should not suffer from any implicit bias that may entail any discrimination and particularly, that selection of female directors is fostered.

As at 31 January 2016, two female directors sat on the Board of Directors: Ms Flora Pérez Marcote (representing Pontegadea Inversiones, S.L., non-executive proprietary director) and Ms Irene R. Miller (non-executive independent director); such presence represents 22.22 % on the aggregate number of Directors, Inditex being above the average of IBEX35 companies.

Additionally, Ms Irene R. Miller chairs the Audit and Control Committee and sits on the Nomination Committee and on the Remuneration Committee, which represents a percentage of 16.7% female directors versus the aggregate number of members of such Board Committees.

Meanwhile, pursuant to the Code of Conduct and Responsible Practices of the Inditex Group, no one who is employed at Inditex shall be discriminated against because of their gender, and all employees shall be bound to interact with other employees, pursuant to criteria of respect, dignity and justice, taking into account the different cultural background of each individual, without allowing any manner of violence, harassment or abuse in the work place, or any manner of discrimination on account of race, religion, age, nationality, gender or any other personal or social condition beyond qualifications and capacity.

## Membership of Directors on Board of Directors of other listed companies

The Board of Directors may not propose or appoint any persons to fill up a vacancy on the Board who already

perform the duties of Directors at the same time, in more than four listed companies other than the Company.

As at 31 January 2016, Directors who hold offices in listed companies in Spain other than Inditex are shown below:

Name of the director (person or company)	Name of listed company	Office
Mr Pablo Isla Álvarez de Tejera	Telefónica, S.A.	Director
Mr Rodrigo Echenique Gordillo	Banco Santander	Executive Vice-Chairman of the Board of Directors
Mr José Luis Durán Schulzz	Orange	Director
Mr José Luis Durán Schulz	Unibail Rodamco	Director
Ms Irene Ruth Miller	Toronto-Dominion Bank	Director
Ms Irene Ruth Miller	TD Ameritrade Holding Corp.	Director

## Selection, appointment, re-election and removal of directors

The system for the selection, appointment and re-election of members of the Board of Directors constitutes a formal and transparent procedure, expressly regulated in the Articles of Association, the Board of Directors' Regulations and the Nomination Committee's Regulations.

The "Director Selection Policy" was approved by the Board of Directors in the meeting held on 9 December 2015. According to such Policy, selection processes of prospective directors shall be based upon a prior analysis of the needs of the Company and of the Board of Directors itself. Such analysis shall be carried out by the Board of Directors on the advice of the Nomination Committee.

The outcome of such prior analysis shall be recorded in a supporting report issued by the Nomination Committee, which may be posted on the corporate website upon calling the General Meeting to which the nomination, ratification or re-election of each director is submitted.

Prospective directors of the Company shall meet the following requirements:

- Be honest, appropriate persons of well-known ability, competence, experience and merits.
- Be trustworthy professionals, whose conduct and career is in line with the principles laid down in the

Code of Conduct and Responsible Practices and with the views and values of the Inditex Group.

Additionally, the Nomination Committee shall define the required duties and skills of candidates who have to fill each vacancy and evaluate the required time and dedication for them to effectively discharge their duties.

In the process for the selection of directors, efforts shall be made so that the Board of Directors would reach an appropriate balance of profiles, knowledge, skills, careers and experiences so that multiple viewpoints are contributed to the discussion of the business transacted and the decision-making process is enriched.

Those persons who are involved in any legal grounds of disqualification to hold the office of director or who do not meet the requirements laid down by the Company's corporate governance rules to be a director, shall not be eligible to be a director.

The Nomination Committee shall take all necessary measures and make the necessary enquiries to ensure that the candidates are not involved in any of the scenarios described in the foregoing paragraphs.

The Company may rely on external advisors with regard to the prior analysis of the needs of the Company, the search or assessment of potential candidates or the evaluation of their performance.

It is incumbent on the Nomination Committee to establish and ensure the effective independence of the experts referred to in the paragraph above.

Pursuant to the provisions of the Articles of Association, the Board of Directors' Regulations and the Nomination Committee's Regulations, directors shall be appointed by the General Meeting of Shareholders or by the Board of Directors, pursuant to statute and the corporate governance regulations of the Company.

The proposals for the election, ratification or re-election of directors that the Board of Directors submits to be considered by the Annual General Meeting, and the election resolutions passed by the Board of Directors by virtue of the powers to co-opt that are legally reserved to it, must be preceded by (i) a proposal issued by the Nomination Committee with regard to independent directors, and (ii) a report from the Nomination Committee regarding the remaining classes of directors. The above referred proposal and report shall be prepared by the Nomination Committee and include

to which class the relevant director belongs to, this classification being duly supported.

The proposals for the election of directors that the Board of Directors submits to be considered by the Annual General Meeting shall be accompanied at any rate by an explanatory report issued by the Board of Directors assessing the qualifications, experience and merits of the proposed candidate; such report shall be attached to the minute of the annual General Meeting or of the Board of Directors itself. Additionally, with regard to the ratification or re-election of directors, the explanatory report shall assess the quality of the director's work and his dedication to office during his mandate, as well as his observance of the company's corporate governance rules.

Where the Board of Directors departs from the proposals and reports of the Nomination Committee's suggestions, it must state the reasons for its actions and place them on the record.

The Board of Directors shall explain to the Annual General Meeting in charge of appointing, ratifying or re-electing directors the class of such directors, and said class shall be confirmed or, where appropriate, reviewed on an annual basis in the Annual Corporate Governance Report, after verification by the Nomination Committee.

The Nomination Committee shall ensure on an annual basis compliance with the Director Selection Policy and shall report thereof to the Board of Directors, which shall disclose such information in the Annual Corporate Governance Report.

During FY2015, Mr José Luis Durán Schulz, a non-executive independent director was appointed to the Board of Directors, and Mr Pablo Isla Álvarez de Tejera, an executive director, was re-elected to the Board, as were Mr Amancio Ortega Gaona, a proprietary Director, and Mr Emilio Saracho Rodríguez, a non-executive independent director.

## Resignation of directors

Directors must resign in such scenarios which could have a negative impact on the proceedings of the Board of Directors or the credit and reputation of Inditex.

Additionally, directors must place their office at the disposal of the Board of Directors and, should this

latter deem it appropriate, tender their resignation in the following cases:

- a) When they reach a certain age.
- b) When they cease to hold such executive positions to which their appointment as director was associated.
- c) When they are involved in any of the grounds of incompatibility or prohibition foreseen in the Law, the Articles of Association or in the Board of Directors' Regulations, including if they suddenly come to hold the office of director in more than four listed companies other than the Company.
- d) When they are seriously admonished by the Audit and Control Committee for having breached their duties as directors.
- e) When their remaining on the Board might have an impact on the reputation or name of the Company or otherwise jeopardize the interest of the company. For such purposes, they shall report to the Board of Directors any criminal cases in which they are accused as well as any subsequent procedural consequences.
- f) When the reasons for their appointment disappear.

For their part, proprietary directors must resign when the shareholders they represent dispose of their ownership interest in its entirety or reduce it up to a limit which requires the reduction of the number of proprietary directors.

## Proceedings of the Board of Directors

### Quorum

Any Board meeting will be validly held when it is attended by at least half plus one of its members, whether in person or by proxy. Should the Board of Directors be comprised of an odd number, it will be validly held when it is attended by the whole number of directors immediately above half.

Directors shall do their best to attend the meetings of the Board of Directors, and, when they cannot do so in person, they shall endeavour to grant a proxy to another member of the Board of Directors, giving

instructions as to its use and communicating the same to the Chairman of the Board of Directors. Non-executive directors may be represented exclusively by another non-executive member of the Board of Directors.

### Attendance to meetings

Directors' attendance data, both in person or by proxy, to meetings held during FY2015 are shown below:

Governing body	Number of meetings	% Directors' attendance
Board of Directors	5	100%
Audit and Control Committee	5	96.70%
Nomination and Remuneration Committee	3	100 %
Nomination Committee	1	83.30%
Remuneration Committee	1	83.30%

### Passing of resolutions

Except for a number of cases provided in Inditex's internal regulations, for resolutions to be passed, an absolute majority of votes for by the directors attending the meeting shall be required.

Notwithstanding the above, it shall be necessary that two-thirds of the members of the Board vote for in order to permanently delegate any power of the Board of Directors to the Executive Committee or to the Chief Executive Officer, should there be one, and to appoint the directors who have to fill such positions.

Likewise, in order to amend the Board of Directors' Regulations, the resolution must be passed by a majority of two-thirds of the directors present.

The Chairman of the Board of Directors has a casting vote in the event of equality of votes between the directors attending the meeting.

### Proxy granting

Any director can grant proxy to another director in writing to be represented, such proxy having to be granted specifically for each meeting, communicating this in writing to the Chairman. Non-executive

directors may only grant proxy to other non-executive directors.

## External advice

In order to be aided in the performance of their duties, non-executive directors may request that legal, accounting, technical, financial, commercial or other experts be engaged at the Company's expense. The commissioned task must of necessity deal with particular problems of a certain importance and complexity which may arise in the performance of the office.

The decision to engage external experts must be notified to the Chairman of the Board of Directors and it may be open to veto by the Board of Directors if it proves that: a) such engagement is not necessary for the proper performance of the duties entrusted to the non-executive directors; b) the cost thereof is not reasonable in view of the importance of the problem and of the assets and income of the Company; c) the technical assistance obtained may be adequately provided by in-house experts and technicians or; d) the confidentiality of the information to be provided to the expert may be jeopardized.

## Information

The notice for the ordinary meetings of the Board of Directors shall be given at least three days in advance of the meeting, and the notice shall always include the agenda of the meeting and shall be accompanied by the duly summarized and prepared relevant information.

Likewise, Directors have the widest powers to: obtain information on any issue of the Company (and its subsidiary companies); examine its books, registers, documents and other records of the company's operations and inspect all its facilities, likewise it is also provided that the exercise of the powers of information shall be channeled through the Chairman, the Deputy Chairman or the Secretary of the Board of Directors, who will attend to the requests of directors by providing them with the information directly, offering appropriate spokespersons at the appropriate level in the organization or establishing such measures so as to enable them to conduct the desired examinations and inspections in situ.

Meanwhile, Directors are bound to diligently gather information on the course of business of the Company

and prepare suitably for the Board meetings and for any committees they belong to.

## Assessment proceedings

It is incumbent on the Nomination Committee to establish and oversee an annual programme for evaluating the performance of the Board of Directors, its Chairman, its delegated bodies and its supervisory and control committees. The assessment system in respect of the Board of Directors, its members, its committees and of the Chairman, is carried out as follows:

1. The Nomination Committee is charged with preparing an annual programme for the evaluation of the performance of the duties of the Board of Directors, the Chairman, and the Committees.
2. Based upon this annual programme, each of the committee will prepare its own report assessing its performance and that of its members. Such report shall be sent to the Board of Directors. At the same time, the Nomination Committee shall prepare a report in respect of the Board of Directors.

To carry out this procedure, separate questionnaires are sent to each director, as described below:

- a) An individual self-assessment questionnaire for each director, sent by the Board of Directors (through its Chairman) to all its members.
- b) An assessment questionnaire in respect of the committees, sent by the chair of each committee to all the members sitting on it.
- c) An evaluation questionnaire in respect of the Board of Directors sent to all its members through the Chair of the Nomination Committee.

3. Meanwhile, since the Chairman is an executive director, the lead independent director shall be responsible for coordinating the evaluation of the Chairman.

4. Finally, the Board of Directors shall assess – pursuant to statute and to the Board of Directors' Regulations–, the performance of the Board itself, the Directors and the Committees, as stated in section 2 above.

It should be noted that the company has been assisted by external consultant Spencer Stuart in the adaptation

of the evaluation process and in the review of the evaluation process in respect of the proceedings of the Board of Directors and of Directors.

The result of the assessment carried out in FY2015 is very positive in respect of the assessed topics. Mention should be made, among others, of the qualifications and structure, the duties, readiness and effectiveness and the planning and organization of the meetings of the Board of Directors, the Audit and Control Committee, the Nomination Committee and Remuneration Committee, as well as the contribution and performance of Independent Directors, and of the Executive Chairman.

## 4. Board of Directors' Committees

### Audit and Control Committee

#### Composition

Name	Office	Classification
Ms Irene Ruth Miller	Chair	Non-executive independent
Mr José Luis Durán Schulz	Ordinary Member	Non-executive independent
Mr José Arnau Sierra	Ordinary Member	Non-executive proprietary
Mr Rodrigo Echenique Gordillo	Ordinary Member	Non-executive independent
Mr Carlos Espinosa de los Monteros y Bernaldo de Quirós	Ordinary Member	Affiliate
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive independent

Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Audit and Control Committee.

#### Regulations

The Audit and Control Committee shall be made up of a minimum of three and a maximum of seven directors appointed by the Board itself, the majority of whom must be independent directors.

The Chair of the Audit and Control Committee, who must be an independent director, shall be elected for a term that does not exceed four years and must be

replaced at the expiry of the aforementioned term. He may be re-elected once a period of one year has elapsed since the date of his/her removal.

The Committee shall ordinarily meet on a quarterly basis in order to review the periodic financial information that has to be given to the Stock Market authorities, as well as the information that the Board of Directors has to approve and include in its annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board of Directors or the Chairman thereof requests the issue of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions.

Members of the management team or of the staff of the Company and its group shall be bound to attend the meetings of the Committee and to collaborate with it and make available the information at their disposal when the Committee so requests. Likewise, the Committee may require the attendance of the auditors to its meetings.

For the best performance of its functions, the Audit and Control Committee may obtain the advice of external experts.

#### Duties

As at 31 January 2016, the duties incumbent on the Audit and Control Committee were:

To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of said Audit and Control Committee;

- To oversee the effectiveness of the internal control system of the company, the internal audit, and the risks management system, including tax risks, and to discuss with the auditor the significant weaknesses of the internal control system revealed in the course of the audit;
- To oversee the process for preparing and disclosing the mandatory financial information;
- To table to the Board of Directors the motions on selection, appointment, re-election and replacement of the external auditor, as well as the terms and conditions of the agreement to be executed with them, and to regularly gather from the external auditor information about the audit plan and

its performance, in addition to preserving its independence in the performance of its duties;

- To liaise with the external auditor in order to receive information on those matters that could jeopardize its independence, so that the Committee may review them, and on any other matter related to the implementation of the audit process, as well as on those other communications envisaged by audit legislation and auditing standards. At any rate, the Committee should receive every year from the external auditor, the statement of its independence regarding the Company or those entities directly or indirectly related thereto, as well as the information on any additional services of any manner rendered and the relevant fees received from such entities by the external auditor or by the persons, natural or legal related to such external auditor, pursuant to the provisions of the prevailing audit legislation;
- To issue every year prior to the issue of the audit report, a report expressing an opinion on the independence of the auditor of the Company. Such report must address at any rate, the assessment of the provision of any additional services referred to in the foregoing paragraph, considered both separately and as a whole, other than the legal audit and regarding the independence system or the audit regulations.
- To advise previously the Board of Directors on all the topics covered by statute, by the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the financial information that the Company must disclose regularly; (ii) the creation or acquisition of interests in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties.

Additionally, the Audit and Control Committee also discharges duties regarding the following fields:

- Process to prepare the regulated financial information
- Auditing
- Internal Audit
- Internal control and Risk Management Policy
- Corporate governance

- Compliance with internal regulations
- Corporate social responsibility
- Environmental sustainability
- Tax issues

In addition, two Committees report periodically to the Audit and Control Committee:

- The Code Compliance Supervisory Board: made up of the Executive Chairman of the company, who chairs it; the General Counsel who is also the Code Compliance Officer; the Capital Markets Director, and the Human Resources Director. The Code Compliance Supervisory Board is responsible for promoting knowledge and ensuring compliance with the Internal Regulations of Conduct regarding Transactions in Securities of Inditex and its Corporate Group in areas regarding Securities Markets, (the "IRC").
- The Committee of Ethics: made up of the General Counsel and Code Compliance Officer, who chairs it; the Internal Audit Director; the Human Resources Director and the Corporate Social Responsibility Director. The Committee of Ethics ensures compliance with the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group.

## **Annual activities report of the Audit and Control Committee**

A report on the activities of the Audit and Control Committee is issued on a yearly basis. Said report is available in the section headed: "Audit and Control Committee" of this Annual Report and at [www.inditex.com](http://www.inditex.com).

## **Nomination and Remuneration Committee**

### **Composition**

Until 14 July 2015, date on which the Nomination and Remuneration Committee was split into two Committees, the Nomination Committee and the Remuneration Committee, the composition of the Nomination and Remuneration Committee was:

Name	Office	Classification
Mr Rodrigo Echenique Gordillo	Chair	Non-executive Independent
Ms Irene Ruth Miller	Ordinary member	Non-executive Independent
Mr Nils Smedegaard Andersen	Ordinary member	Non-executive Independent
Mr José Arnau Sierra	Ordinary member	Non-executive Proprietary
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary member	Affiliate
Mr Emilio Saracho Rodríguez de Torres	Ordinary member	Non-executive Independent

Antonio Abril Abadín, General Counsel and Secretary of the Board, acted as the Secretary-non-member of the Nomination and Remuneration Committee.

## Nomination Committee

### Composition

Nombre	Cargo	Tipo de consejero
Mr Emilio Saracho Rodríguez de Torres	Chair	Non-executive Independent
Ms Irene Ruth Miller	Ordinary Member	Non-executive Independent
Mr José Luis Durán Schulz	Ordinary Member	Non-executive Independent
Mr José Arnau Sierra	Ordinary Member	Non-executive Proprietary
Mr Rodrigo Echenique Gordillo	Ordinary Member	Non-executive Independent
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate

Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as Secretary-non-member of the Nomination Committee.

### Regulations

The Nomination Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, a majority of whom must necessarily be independent directors.

The Nomination Committee shall meet at least once a year, and each time that the Board of Directors or the

Chairman thereof calls it; the Chairman of the Board of Directors shall call the Nomination Committee each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within its remit and, in any case, whenever this is suitable for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the call shall be authorized by the signature of the Chair or the Secretary. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions in writing, without holding a meeting, pursuant to statutory provisions.

### Duties

As at 31 January 2016, the duties incumbent on the Nomination Committee are:

- To evaluate the responsibilities, knowledge and experience required on the Board of Directors. For such purposes, to define the functions and qualifications required from candidates who must fill each vacancy, and evaluate the time and contribution required for them to effectively discharge their duties.
- To set a representation target for the least represented gender on the Board of Directors and to provide guidance on how to reach such target.
- To table to the Board of Directors the motions on the appointment of independent directors to be appointed through the co-option procedure, or to be submitted to the General Meeting of Shareholders, as well as the motion for the re-election or removal of said directors by the General Meeting of Shareholders.
- To report on the motions to appoint the remaining directors prior to their appointment through the co-option procedure or to be submitted to the General Meeting of Shareholders, as well as the motions for their re-election or removal by the General Meeting of Shareholder.
- To report on the motions to appoint and to remove senior executives.
- To review and arrange for the succession of the Chairman of the Board of Directors and of the chief executive of the Company and, where appropriate, to raise motions to the Board of Directors in order for such succession to take place in an orderly and arranged manner.

## Annual activities report of the Nomination Committee

The Nomination Committee issues a report on its activities during the year on an annual basis. Such report is available in the "Nomination Committee" section of this Annual Report or at [www.inditex.com](http://www.inditex.com)

## Remuneration Committee

### Composition

Name	Office	Classification
Mr Rodrigo Echenique Gordillo	Chair	Non-executive Independent
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive Independent
Ms Irene Ruth Miller	Ordinary Member	Non-executive Independent
Mr José Luis Durán Schulz	Ordinary Member	Non-executive Independent
Mr José Arnau Sierra	Ordinary Member	Non-executive Proprietary
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate

Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as Secretary-non-member of the Nomination Committee.

### Regulations

The Remuneration Committee shall be made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board of Directors, a majority of whom shall be independent directors.

The Remuneration Committee shall meet at least once a year, and each time that the Board of Directors or the Chairman thereof calls it; the Chairman of the Board of Directors shall call the Remuneration Committee each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within its remit and, in any case, whenever this is suitable for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the call shall be authorized by the signature of the Chair or the Secretary. A valid quorum for Committee meetings shall be established when at least half plus one of its members, present or represented, are in attendance. The Committee may also pass resolutions

in writing, without holding a meeting, pursuant to statutory provisions.

### Duties

As at 31 January 2016, the duties incumbent on the Remuneration Committee are:

- To propose to the Board of Directors the remuneration policy for directors and general managers or those who carry out senior management duties directly reporting to the Board, the executive committees or the chief executive officers.
- To propose to the Board of Directors the individual remuneration and the remaining terms and conditions of the employment agreements of executive directors, ensuring that they are observed.
- To propose the basic terms and conditions of the contracts with senior executives.
- To propose to the Board of Directors the system and amount of annual remunerations of directors and the individual remuneration of executive directors and the remaining essential terms of their agreements, including any eventual compensation or indemnity which might be determined in case of removal, pursuant to the provisions of the corporate governance system and of the remuneration policy of directors approved by the General Meeting of Shareholders.
- To prepare and submit to the Board of Directors for approval, the Annual Report on Remuneration of Directors and verify the information on remuneration of directors and senior executives included in the corporate documents.
- To verify that the remuneration policy fixed by the Company is observed.
- To ensure that no eventual conflict of interest situation would affect the independence of the external advice given to the Committee.
- Additionally, and with regard to the remuneration policy for directors and senior executives, the Remuneration Committee is charged with proposing to the Board of Directors the cancellation of payment or, if appropriate, the refund of variable items which make up the remuneration of directors based upon results, where such items have been paid on the basis of information later shown clearly to be inaccurate; likewise, to propose the termination of the relation with the relevant supervisor(s) and the filing of the relevant claims.

## Annual activities report of the Remuneration Committee

The Remuneration Committee issues a report on its activities during the year on an annual basis. Such report is available in the “Remuneration Committee” section of this Annual Report or at [www.inditex.com](http://www.inditex.com).

## Executive Committee

### Composition

Name	Office	Classification
Mr Pablo Isla Álvarez de Tejera	Chairman	Executive
Mr José Arnau Sierra	Deputy Chairman	Non-executive proprietary
Mr Amancio Ortega Gaona	Ordinary Member	Non-executive proprietary
Mr José Luis Durán Schulz	Ordinary Member	Non-executive independent
Mr Rodrigo Echenique Gordillo	Ordinary member	Non-executive independent
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate
Mr Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive independent

Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Executive Committee

All categories of directors sitting on the Board of Directors also sit on the Executive Committee.

### Regulations

The Executive Committee holds in delegation all the powers of the Board, except for those that cannot be delegated by law or by its Articles of Association and those that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board of Directors.

The Chairman of the Board of Directors acts as Chair of the Executive Committee and the Secretary of the Board, who may also be assisted by the Deputy Secretary, performs the duties of secretary. The office of Deputy Chair of the Executive Committee is held by the Deputy Chairman of the Board of Directors.

The permanent delegation of powers by the Board of Directors to the Executive Committee shall require two-thirds of the members of the Board to vote in favour and may include, at the Board’s discretion, all or a part of the powers of the Board itself.

## 5. Remunerations

### Remuneration of Directors

During FY2015, the aggregate remuneration of the Board of Directors amounted to €13,939k.

### Annual Report on Remuneration of Directors

The Board of Directors approved on 8 March 2016 the Annual Report on Remuneration of Directors for FY2015 prepared by the Remuneration Committee, pursuant to the provisions of section 541 of the Companies Act (hereinafter, LSC (Spanish acronym)); Order EEC/461/2013 of 20 March, whereby the contents and structure of the annual corporate governance report, the annual remuneration report and other information instruments of listed public companies, savings banks and other entities which issue securities admitted to trading in official securities markets, are determined; and in Annex I of Circular 7/2015 of 22 December of CNMV, whereby Circular 4/2013 of 12 June of CNMV, that provides the standard forms for the annual report on remuneration of directors of listed public companies is amended. This report is available at [www.inditex.com](http://www.inditex.com).

Pursuant to the provisions of section 529 novodecies of the Companies Act and of Transitory Provision of Act 32/2014, the 2014 Annual Report on Remuneration of Directors covered the applicable remunerations policy for the following financial years and it was put to the advisory say-on-pay vote of the Annual General Meeting of Shareholders held on 14 July 2015, as a separate item on the agenda.

## 6. Senior executives

As at 31 January 2016, Inditex’s senior executives, excluding the Executive Chairman were:

Name (person or company)	Office
Mr Antonio Abril Abadín	General Counsel and Secretary of the Board
Mr Marco Agnolin	Director of BERSHKA
Ms Lorena Alba Castro	Chief Logistics Officer
Ms Eva Cárdenas Botas	Director of ZARA HOME
Mr Carlos Crespo González	Chief Audit Officer
Mr José Pablo del Bado Rivas	Director of PULL&BEAR
Mr Jesús Echevarría Hernández	Chief Communication Officer
Mr Ignacio Fernández Fernández	Chief Financial Officer
Ms Begoña López-Cano Ibarreche	Human Resources Director
Mr Abel López Cernada	Import, Export and Transport Director
Mr Marcos López García	Capital Markets Director
Mr Juan José López Romero	Procurement Director
Mr Gabriel Moneo Marina	Chief IT Officer
Mr Javier Monteoliva Díaz	Legal Director
Mr Jorge Pérez Marcote	Director of MASSIMO DUTTI
Mr Óscar Pérez Marcote	Director of ZARA
Mr Felix Poza Peña	Corporate Social Responsibility Director
Mr Ramón Reñón Túñez	Deputy General Manager
Mr José Luis Rodríguez Moreno	Director of UTERQUÉ
Ms Carmen Sevillano Chaves	Director of OYSHO
Mr Jordi Triquell Valls	Director of STRADIVARIUS

## Remuneration of senior executives

During financial year 2015 the aggregate remuneration accrued by senior executives referred to in the section above, amounted to €36,220k.

## Severance or golden parachute clauses

This type of clause is included in the employment agreements entered into with 22 officers, including the Executive Chairman. The main description of these clauses is included in the Annual Corporate Governance Report, available at [www.inditex.com](http://www.inditex.com)

## 7. Related-party transactions and situations of conflict of interest

### Transactions with related parties

The power to approve any transaction between the Company and a director or a significant shareholder is exclusively reserved to the Board of Directors. Prior to such approval, it is incumbent on the Audit and Control Committee to report on the transactions which entail or might entail any conflict of interest situation, on related-party transactions or transactions which entail the use of corporate assets.

Under no circumstance shall the Board of Directors approve the transaction if previously a report has not been issued by the Audit and Control Committee evaluating the transaction from the standpoint of market conditions.

In the event of transactions with significant shareholders, the Audit and Control Committee shall examine it also from the standpoint of an equal treatment for all shareholders.

In the case of transactions within the ordinary course of Company business and being of a customary or recurrent nature, a general authorization of the line of transactions and their conditions of execution will be sufficient.

The Company shall inform of the transactions conducted with directors, significant shareholders and Related Persons in the half-yearly public periodic information and in the Annual Corporate Governance Report, within the scope of the Law. Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by the Company or any companies within the Inditex Group with directors and with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out in normal market conditions.

No Board authorization is required for those related-party transactions that meet at the same time the following terms:

- i. they are conducted under contracts with standard terms and conditions which apply en masse to many clients;

- ii. they are conducted at prices or rates generally established by the suppliers of the good or service in question; and.
- iii. their amount is not in excess of 1% of the Company's annual revenues.

The detail of the transactions carried out by the Inditex Group with related individuals or entities, and of significant transactions carried out by Inditex with other entities belonging to the same Group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the Company as regards its object and conditions, is included in the relevant section of the Annual Corporate Governance Report.

## Mechanisms to prevent conflicts of interest

The definition of "conflicts of interest" is provided in the Board of Directors' Regulations, which also lay down the rules governing such situations. The rendering of professional services in competing companies, the use of corporate assets, the use of non-public company information for private ends, and the taking advantage of business opportunities of the Company are addressed therein. On the other hand, the heading "Duties of information of the director" of the Board of Directors' Regulations provides the specific questions regarding which Directors must provide information to the Company.

Additionally, the Board of Directors' Regulations provides that the rules of conduct established thereon for the Directors shall apply, to the extent that they are compatible with their specific nature, to the senior management of the company who are not directors. More particularly and with the due nuances, the following shall apply to senior executives: duty of confidentiality, 32 conflicts of interest, in connection with the duty of informing the Company, use of corporate assets, 34 non-public information, 35 business opportunities and prohibition to make undue influence of the office.

Likewise, with regard to significant shareholders, the Board of Directors' Regulations provide the rules which apply to "Transactions with directors and significant shareholders".

Among the duties it is entrusted with, it is incumbent on the Audit and Control Committee to report on the transactions which entail or might entail any conflict of interests, related-party transactions or which

entail the use of corporate assets, and generally, on those topics covered under Chapter IX of the Board of Directors' Regulations. In light of the report of the Audit and Control Committee, approval of the transaction, where appropriate, falls on the Board of Directors.

Meanwhile, section 5 of the Internal Regulations of Conduct regarding Transactions in Securities sets forth the principles that affected persons must abide by with regard to conflicts of interest (Independence, abstention and confidentiality) and provides that they shall undertake in writing to act independently in their activities and to make known to the Code Compliance Office those conflicts of interest to which they are subject due to their activities outside the Inditex group, their family relationships, their personal property, or for any other cause with suppliers, agents and franchisees or external advisors.

Additionally, section 4.8 of the Code of Conduct and Responsible Practices addresses the situations in which the employees must disclose to the Committee of Ethics the existence of a conflict between their personal interests and those of the Company.

## 8. Transparency, independence and good governance

### Financial information

The individual and consolidated annual accounts of the Company that are presented in order to be stated by the Board of Directors are previously certified by the Executive Chairman and by the Chief Financial Officer.

The Audit and Control Committee, mostly made up of independent, non-executive directors, meets with the auditors of the individual and consolidated annual accounts in order to review the Company's annual accounts and certain periodic financial information that the Board of Directors must provide to the markets and their supervisory boards, overseeing compliance with the legal requirements and correct application of generally accepted accounting principles in the drawing up thereof. In such meetings, any disagreement or difference of opinion existing between the management of the Company and the external auditors is put forward, so that the Board of Directors can take the necessary steps in order for the auditors' reports to be issued without qualifications. In line with best practices in the corporate governance area,

members of the Board of Directors meet with the financial auditors without any officer of the Company being present.

Furthermore, previously to the drafting of the annual, half-yearly or quarterly financial statements, the management of the Company also holds a meeting with the Audit and Control Committee and is subjected by the latter to suitable questions as to, inter alia, the application of accounting principles or the estimates made in the preparations of the financial statements. Such topics are subject to discussion with the external auditors.

The auditors' report on Financial Statements for financial year 2015 has been issued without qualifications

## Auditors' independence

Mechanisms set to preserve the independence of the external auditor are:

- The relations of the Board of Directors with the financial auditors of the Company shall be channeled through the Audit and Control Committee.
  - The Audit and Control Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the Company of an auditing firm incurring in any incompatibility in accordance with the legislation on auditing as well as an auditors firm where the fees that it expects to pay them, for all services in all areas, in excess of the limits provided in the laws on auditing.
  - The Audit and Control Committee, mostly made up of independent directors proposes to the Board of Directors the appointment of the financial auditors, so that it would be submitted to the Annual General Meeting of Shareholders, as well as the terms of their contracts, the scope of their professional mandate and, where appropriate, the termination or non-renewal of their appointment;
  - The Audit and Control Committee shall regularly receive from the financial auditor information on the audit plan and the results of its implementation; it shall follow on the recommendations proposed by the auditor and it may request its collaboration should it deem it appropriate
  - Among the functions of the aforementioned Committee is that of liaising with financial auditors in order to receive information on those matters that could jeopardise their independence and on any other matter related to the carrying out of the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards.
  - The Committee shall ask the auditor for a statement on the independence of the audit firm as a whole and of the members of the team charged with auditing the financial statements of the Group, as well as for information on any additional services of any type provided by auditors or any related-party thereto, pursuant to the provisions of the law on auditing. Likewise, the Audit and Control Committee shall oversee the application of the internal procedures to ensure quality and protect the independence, implemented by the auditor. The Committee shall oversee the hiring of the auditor for services other than financial auditing, where the amount of the fees to be invoiced is significant.
  - The Audit and Control Committee shall issue a report every year, prior to the issue of the auditors' report, expressing an opinion on the independence of external auditors of the Company, and addressing at any rate the rendering by the external auditors of any manner of additional services other than those covered in the audit agreement.
  - The Audit and Control Committee oversees the terms and the enforcement of the contracts entered into with the external auditors of the Company to carry out assignments or tasks other than those covered in the audit agreement.
  - The external auditors consult periodically with the Audit and Control Committee, in order to review the annual accounts of the Company that the Board of Directors must provide to the markets and their supervisory boards.
  - The Company reports in its consolidated annual report on the fees paid to its external auditors for each item other than the auditing of the financial statements.
- As regards the mechanisms established to guarantee the independence of the financial analysts, the Company releases information to the market following the principles included in the Internal

Regulations of Conduct regarding Transactions in Securities, especially relating to the obligation that the information must be accurate, clear, quantified and complete, avoiding subjective assessments that lead or could lead to confusion or deceit.

## External audit fees

	Company	Group	Total
Amount of assignments other than auditing (€k)	657	812	1,469
Amount of assignments other than auditing/aggregate amount billed by the audit firm (in %)	69.3%	13.1%	20.6%

## 9. Code of Conduct and Responsible Practices and the Committee of Ethics

For the purposes of reaffirming the core values and principles which drive Inditex's activity and adapting the risk management and control system to the social and regulatory environment, the Code of Conduct and Responsible Practices of the Inditex Group's (which replaces both the Internal Guidelines for Responsible Practices of the Inditex Group's Personnel and the Code of Conduct) was approved by the Board of Directors in 2012, which also adapted the "Code of Conduct for Manufacturers and Suppliers" (previously named "Code of Conduct for Manufacturers and External Workshops"). Additionally, the Board of Directors approved the Manual of Criminal Risks Prevention and the Procedure of the Whistle Blowing Channel.

All employees of Inditex, manufacturers, suppliers or third parties with any direct relationship and a lawful business or professional interest, regardless of their tier or geographic or functional location may report to the Committee of Ethics through this Whistle Blowing Channel any breach of Inditex's conduct and regulatory compliance policies which affect the Group, and which arise from any employees, manufacturers, suppliers or third parties with whom the Inditex Group has any direct employment, business or professional relationship, by means of a report made in good faith.

Throughout financial year 2015, the Committee of Ethics processed 119 dossiers, 112 of them after receipt of a notice or report and the other 7 ex-officio.

The main reasons at the basis of the notices received were the report of conducts by employees or third parties which might be in breach of the commitments or ethical values addressed in the Code of Conduct and Responsible Practices or the Code of Conduct for Manufacturers and Suppliers, and clearing up doubts on certain issues regarding the enforcement of the Code of Conduct for Manufacturers and Suppliers. All reports received have been duly processed by the Committee of Ethics.

## The Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Inditex Group in the performance of its professional duties. Its goal consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees is based. For such purposes, the principles and values which shall govern the relationship between the Group and its stakeholders (employees, clients, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices of the Inditex Group is based upon a number of general principles, inter alia, that according to which the operations of the Inditex Group shall be developed under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of the Group shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

Additionally, the Code includes a number of conduct commitments and commitments towards responsible practices, including: compliance with applicable laws and regulations, internal regulations, conventions to which Inditex has acceded; enforcement of human and labour

rights, and of the regulations and best practices in the area of employment, health and safety at work; the obligation to act in accordance with the following principles: respect, dignity and justice, taking into account the different cultural sensitivity of employees and/or customers, their diversity, multiculturalism, not allowing any form of violence, harassment or abuse, or discrimination; compliance with the health and safety of the product standards which ensure that Inditex's goods do not entail any health and/or security hazard; the creation of fair, ethical and respectful relations with suppliers and public authorities, in line with the international provisions on corruption and bribery prevention; the obligation to prevent and monitor any conflict of interest situations; the duty to use Inditex's assets and services in an effective manner, to protect the information of the Company, and to enforce the regulations on personal data protection; the obligation to protect industrial and intellectual property, both of the Group and of third parties; the duty to clearly and accurately record any transaction of significant financial weight in the appropriate accounting records, and the conduct of Inditex's business promoting social and environmental sustainability, as a way to build value for all the stakeholders.

## The Committee of Ethics

For the purposes of ensuring compliance with the Code of Conduct and Responsible Practices and with the Code of Conduct for Manufacturers and Suppliers, Inditex relies on a Committee of Ethics, which composition has been provided above.

The Committee of Ethics reports to the Board of Directors through the Audit and Control Committee and has the following duties:

- To oversee compliance with the Code and the internal circulation thereof to the Group's personnel.
  - To receive any manner of written instruments with regard to the enforcement of the Code and to send them, where appropriate, to the relevant body or Department which may be responsible for dealing with and settling such instrument.
  - To monitor and supervise the management and settlement of any file.
  - To solve any doubts which may arise, regarding the enforcement of the Code.
  - To propose to the Board of Directors, after report from the Audit and Control Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.
  - To oversee the Whistle Blowing Channel and compliance with the Procedure.
- In the performance of its duties, the Committee of Ethics shall ensure:
- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or judicial order.
  - The thorough review of any information or document that originated its action.
  - The commencement of such proceedings that adjust to the circumstances, where it shall always act with independence and full respect of the right of the affected person to be heard as well as of the presumption of innocence.
  - The indemnity of any employee as a result of bringing complaints in good faith to the Committee.

The Committee of Ethics submits a report twice a year to the Audit and Control Committee, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices and of the Code of Conduct for Manufacturers and Suppliers.

Additionally, the Audit and Control Committee reports to the Board of Directors, on an annual basis (twice during FY2015) as well as whenever this latter so requires, on the enforcement of the Code of Conduct and Responsible Practices and of the additional documents which comprise the Corporate Compliance policy of the group from time to time in force.

The Committee of Ethics may act of its own motion or at the behest of any of Inditex employees, manufacturer, supplier or any third party involved in a direct relationship and with a lawful business or professional interest, further to a report made in good faith.

Decisions of the Committee of Ethics are binding for the company and for the employees.

## Social Advisory Board

Inditex's Social Advisory Board, the advisory body in the area of Sustainability, met twice during FY2015. Members of the Social Council do not receive any type of remuneration for their participation in this advisory body.

### Members of Inditex's Social Advisory Board:

Mr Alfred Vernis Domenech	Mr Ezequiel Reficco
Ms Cecilia Plañol Lacalle	Ms Paula Farias Huanqui
Mr Francisco Javier Sardina López	Mr Victor Viñuales Edo

Meetings held by the Social Advisory Board in 2015:

Date of meeting	Place of meeting	% attendance by members
2 June 2015	Madrid (Spain)	83.3%
9 December 2015	Arteixo (Spain)	66.6%

### Regulations of the Social Advisory Board

The Social Board is the advisory body of Inditex in the field of sustainability. In December 2002, the Board of Directors authorised its creation and approved its Regulations, which determine the principles of action, the basic rules governing its organisation and proceedings and the rules of conduct of its members.

The Regulations of the Social Advisory Board were amended by the Board of Directors in the meeting held 14 July 2015 for the purposes of driving the Group's strategy in the following areas: (i) the Social Responsibility Policy; (ii) the Code of Conduct for Manufacturers and Suppliers of the Group; (iii) the Environmental Sustainability Policy; and, (iv) the Code of Conduct and Responsible Practices of the Group.

## 10. Approval of the Good Corporate Governance policies

On 9 December 2015, Inditex's Board of Directors unanimously approved, following a favourable report of the Audit and Control Committee or, where appropriate, of the Nomination Committee, a number of policies, in order to adjust to the

recommendations of the Good Governance Code of Listed Companies approved by CNMV, other regulatory changes and recommendations in the regulatory scopes of reference, as well as Inditex's internal regulations.

Such policies, which will be addressed in detail in the respective headings of this Annual Report, are listed below:

- a) External Financing Policy.
- b) Financial Risk Management Policy.
- c) Enterprise Risk Management Policy.
- d) Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors.
- e) Corporate Social Responsibility Policy.
- f) Environmental Sustainability Policy.
- g) Tax Strategy and Policy.
- h) Director Selection Policy.





sustainability  
balance

# Sustainability balance sheet 2015

SUSTAINABILITY INDICATORS	2015	2014
<b>TRACEABILITY</b>		
Number of suppliers with purchase	1,725	1,625
Number of A suppliers	724	678
Number of B suppliers	794	699
Number of C suppliers	116	133
Number of CAP suppliers	35	54
Number of PR suppliers	56	61
Number of rejected suppliers	65	56
Number of active suppliers	1,660	1,569
Number of factories	6,298	5,382
<b>SUPPLY CHAIN INTEGRITY</b>		
Number of audits	10,977	10,274
Number of pre-assessment audits	2,703	2,367
Number of social audits	3,824	3,893
Number of special audits	1,584	1,551
Number of traceability audits	2,866	2,463
Number of external audits	8,178	8,062
Number of internal audits	2,799	2,212
<b>MANUFACTURING OF RESPONSIBLE PRODUCTS</b>		
Number of chemical products on The List, by Inditex	15.036 <sup>(1)</sup>	8,258
Best Adaptation Good Manufacturing Practices - Ready To Manufacture, Guidelines, TAVs and/or others -	89%	90%
Number of manufacture units (wet process plants) involved - <i>Ready to Manufacture</i> -	1,506	885
Investment in innovation (euros)	1,550,000	1,500,000
<b>EFFICIENT USE OF RESOURCES</b>		
Relative energy consumption (MJ/garment)	5.56	6.24
Renewable energy generation, trigeneration and purchasing of renewable energy (kWh)	223,899,746	63,654,362
CO <sub>2</sub> emissions per garment released on the market <sup>(2)</sup>	548.38	674.72
Products recovered to be sent for recycling (t) <sup>(3)</sup>	16,479	14,287
<b>IMPROVING COMMUNITY WELFARE</b>		
Investment in social programmes (euros)	35,126,133	25,835,851
Number of non-profit organizations supported	361	351
Number of social projects undertaken	456	460
Number of garments donated to social causes	1,098,708	612,743
Total number of hours dedicated to social programmes by employees during working hours	49,967	37,760
No. of Social Council meetings	2	2
<b>PROMOTING TEAM MOTIVATION</b>		
Total number of employees	152,854	137,054
% women	76%	78%
% men	24%	22%
<b>TRANSPARENCY AND GOOD GOVERNANCE</b>		
Dow Jones Sustainability Indices score	81/100	81/100
FTSE4Good score	4.3/5	4.3/5
<b>SUSTAINABILITY TEAM</b>		
Total sustainability team	3,510	3,620
Internal team	113	105
External team	3,397	3,515

(1) Estimated figure assuming that 100% of the samples requested to suppliers during the reported period are received.

(2) Includes emissions scopes 1 and 2.

(3) Includes waste generated in headquarters, brand headquarters, all Inditex factories and logistics centres.

# 1. Social indicators

## Identification

### Supplier clusters

	2015	2014
<b>SPAIN</b>		
Number of suppliers with purchase during the year	216	229
Number of sewing factories linked to suppliers with purchase	172	208
Other processes associated with factories with purchase	212	118
Workers who form the staff of manufacturers working for Inditex in Spain	8,362	6,473
<b>PORTUGAL</b>		
Number of suppliers with purchase during the year	171	156
Number of sewing factories linked to suppliers with purchase	887	856
Other processes associated with factories with purchase	449	394
Workers who form the staff of manufacturers working for Inditex in Portugal	46,494	42,437
<b>MOROCCO</b>		
Number of suppliers with purchase during the year	106	116
Number of sewing factories linked to suppliers with purchase	211	219
Other processes associated with factories with purchase	42	30
Workers who form the staff of manufacturers working for Inditex in Morocco	62,333	64,501
<b>TURKEY</b>		
Number of suppliers with purchase during the year	183	158
Number of sewing factories linked to suppliers with purchase	748	610
Other processes associated with factories with purchase	640	416
Workers who form the staff of manufacturers working for Inditex in Turkey	155,256	100,029
<b>INDIA</b>		
Number of suppliers with purchase during the year	134	129
Number of sewing factories linked to suppliers with purchase	219	151
Other processes associated with factories with purchase	110	100
Workers who form the staff of manufacturers working for Inditex in India	131,435	79,102
<b>BANGLADESH</b>		
Number of suppliers with purchase during the year	81	83
Number of sewing factories linked to suppliers with purchase	139	92
Other processes associated with factories with purchase	87	108
Workers who form the staff of manufacturers working for Inditex in Bangladesh	386,916	346,311

	2015	2014
<b>VIETNAM*</b>		
Number of suppliers with purchase during the year	5	NA
Number of sewing factories linked to suppliers with purchase	130	NA
Other processes associated with factories with purchase	7	NA
Workers who form the staff of manufacturers working for Inditex in Vietnam	143,206	NA
<b>CAMBODIA*</b>		
Number of suppliers with purchase during the year	1	NA
Number of sewing factories linked to suppliers with purchase	68	NA
Other processes associated with factories with purchase	33	NA
Workers who form the staff of manufacturers working for Inditex in Cambodia	104,695	NA
<b>CHINA</b>		
Number of suppliers with purchase during the year	340	300
Number of sewing factories linked to suppliers with purchase	1,106	849
Other processes associated with factories with purchase	255	257
Workers who form the staff of manufacturers working for Inditex in China	302,816	258,126
<b>ARGENTINA**</b>		
Number of suppliers with purchase during the year	64	60
Number of sewing factories linked to suppliers with purchase	53	65
Other processes associated with factories with purchase	66	68
Workers who form the staff of manufacturers working for Inditex in Argentina	5,505	4,383
<b>BRAZIL**</b>		
Number of suppliers with purchase during the year	37	49
Number of sewing factories linked to suppliers with purchase	103	117
Other processes associated with factories with purchase	75	85
Workers who form the staff of manufacturers working for Inditex in Brazil	18,930	12,418

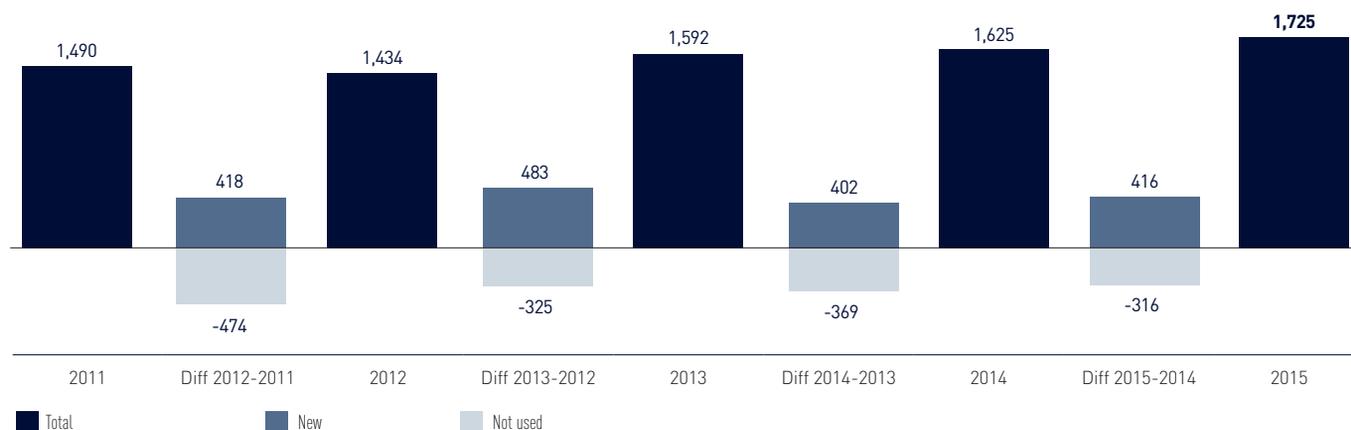
\* Due to the creation of the new Cambodia cluster, the data shown for the Southeast Asia cluster in 2014 is not comparable with the current distribution. N. A.: No applicable.

\*\* In order to make the data representative, all the active suppliers in the region have been taken into consideration.



Uterqüe pattern designers at the brand's head office in Tordera (Barcelona).

### Evolution of suppliers in the last five years



## Assessment

### Rating and production volume of suppliers with purchase in 2015 (\*)

	2015		2014		2015		2014	
	Suppliers	% Suppliers	Suppliers	% Suppliers	% production	% production	% production	% production
A	724	42%	678	41.72%	41%		31.41%	
B	794	46%	699	43.02%	54%		61.32%	
C	116	7%	133	8.18%	3%		3.50%	
CAP	35	2%	54	3.32%	1%		2.22%	
PR	56	3%	61	3.75%	1%		1.55%	
<b>Total</b>	<b>1,725</b>	<b>100%</b>	<b>1,625</b>	<b>100%</b>	<b>100%</b>		<b>100%</b>	

Rating and production volume of suppliers with purchase in 2015 by region (\*)

	2015		2014		2015	2014
	Suppliers	% Suppliers	Suppliers	% Suppliers	% production	% production
<b>Africa</b>						
A	67	52%	69	51.11%	54%	58.95%
B	52	40%	46	34.07%	38%	33.21%
C	7	5%	8	5.93%	5%	4.77%
CAP	3	2%	10	7.41%	2%	2.70%
PR	1	1%	2	1.48%	1%	0.37%
<b>Total</b>	<b>130</b>	<b>100%</b>	<b>135</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>America</b>						
A	52	70%	66	82.50%	44%	60.52%
B	17	23%	10	12.50%	44%	37.67%
C	4	5%	1	1.25%	11%	0.26%
CAP	1	1%	1	1.25%	1%	0.23%
PR	-	0%	2	2.50%	0%	1.32%
<b>Total</b>	<b>74</b>	<b>100%</b>	<b>80</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Asia</b>						
A	225	27%	192	25.30%	24%	18.29%
B	507	61%	441	58.10%	71%	73.67%
C	82	10%	89	11.73%	4%	4.76%
CAP	18	2%	27	3.56%	1%	3.08%
PR	4	0%	10	1.32%	0%	0.20%
<b>Total</b>	<b>836</b>	<b>100%</b>	<b>759</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Europe (non-EU)</b>						
A	93	50%	67	41.88%	60%	38.19%
B	71	38%	68	42.50%	38%	51.04%
C	6	3%	14	8.75%	1%	5.39%
CAP	7	4%	6	3.75%	0%	3.70%
PR	8	4%	5	3.13%	1%	1.68%
<b>Total</b>	<b>185</b>	<b>100%</b>	<b>160</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>European Union</b>						
A	287	57%	284	57,84%	59%	41,76%
B	147	29%	134	27,29%	37%	53,31%
C	17	3%	21	4,28%	1%	0,85%
CAP	6	1%	10	2,04%	0%	0,41%
PR	43	9%	42	8,55%	3%	3,67%
<b>Total</b>	<b>500</b>	<b>100%</b>	<b>491</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

(\*) Supplier A: complies with the Code of Conduct

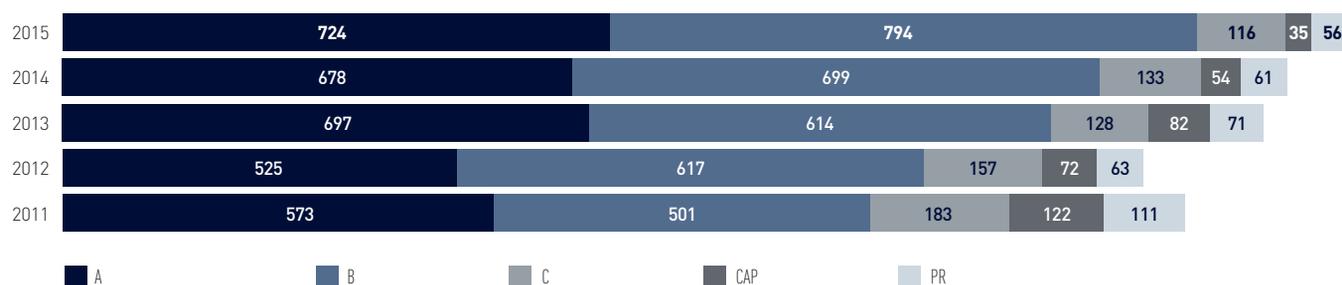
Supplier B: breaches a non-material aspect of the Code of Conduct

Supplier C: breaches a sensitive aspect of the Code of Conduct

Supplier subject to Corrective Action Plan (CAP): supplier that breaches critical aspects of the Code of Conduct, requiring the immediate implementation of a Corrective Action Plan

PR supplier: undergoing an auditing process.

## Evolution of supplier ratings over the last five years



## Total audits per region in 2015

Geographic area	Social					Total
	Pre-assessment	Initial	Follow-up	Special*	Traceability	
Africa	79	105	73	375	542	1,174
America	113	64	396	57	1,642	2,272
Asia	1,420	918	958	1,069	609	4,974
Europe	497	237	271	20	40	1,065
European Union	594	471	331	63	33	1,492
<b>Total</b>	<b>2,703</b>	<b>1,795</b>	<b>2,029</b>	<b>1,584</b>	<b>2,866</b>	<b>10,977</b>

(\*): Special audits include, among other aspects: health and safety verification and competence visits to evaluate the degree of compliance with the Corrective Action Plans.

## Internal and external audits in 2015

	Pre-assessment	Social	Special	Traceability	Total
Internal	81	459	1,075	1,184	2,799
External	2,622	3,365	509	1,682	8,178
<b>Total</b>	<b>2,703</b>	<b>3,824</b>	<b>1,584</b>	<b>2,866</b>	<b>10,977</b>

## Optimization

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

	Rating A	Rating B	Rating C	Subject to CAP	PR	Total
One year	35%	44%	10%	4%	7%	100%
One to three years	39%	51%	8%	1%	1%	100%
Three years or more	46%	46%	5%	1%	2%	100%
<b>Total</b>	<b>42%</b>	<b>46%</b>	<b>7%</b>	<b>2%</b>	<b>3%</b>	<b>100%</b>

## Distribution of investment in social programmes 2015

	2015	2014	Y/Y growth
Investment in social programmes (in euros)	35,126,133	25,835,851	36%
Investment in social programmes / Net profit	1.22%	1.03%	18%

Type of contribution (in euros)	2015	of Total 2015	2014	of Total 2014	Y/Y growth	
Cash	24,150,184	69%	19,545,730	76%	24%	
Time	1,499,008	4%	1,132,486	4%	32%	% management costs included
In kind	8,949,348	25%	4,620,670	18%	94%	
Management costs	528,083	2%	536,965	2%	-2%	
<b>Total</b>	<b>35,126,623</b>	<b>100%</b>	<b>25,835,851</b>	<b>100%</b>	<b>36%</b>	

By category (in euros)	2015	of Total 2015	2014	of Total 2014	Y/Y growth	
Charity gifts	5,166,313	15%	7,090,942	28%	-27%	% management costs excluded
Community investment	25,889,487	75%	15,364,799	61%	68%	
Commercial initiatives in the community	3,542,739	10%	2,843,145	11%	25%	
<b>Total</b>	<b>34,598,539</b>	<b>100%</b>	<b>25,298,886</b>	<b>100%</b>	<b>37%</b>	

Area of activity (in euros)	2015	of Total 2015	2014	of Total 2014	Y/Y growth	
Education and youth	6,352,871	18%	5,858,185	23%	8%	% management costs excluded
Health	2,831,178	8%	2,159,776	9%	31%	
Economic development	1,880,525	5%	1,156,591	5%	63%	
Environment	1,254,919	4%	787,881	3%	59%	
Art and culture	806,356	2%	819,446	3%	-2%	
Social welfare	12,082,333	35%	8,208,916	32%	47%	
Humanitarian aid	9,390,357	27%	6,262,171	25%	50%	
Other	0	0%	45,920	0%	-100%	
<b>Total</b>	<b>34,598,539</b>	<b>100%</b>	<b>25,298,886</b>	<b>100%</b>	<b>37%</b>	

Geographical area (in euros)	2015	of Total 2015	2014	of Total 2014	Y/Y growth	
Spain	9,587,037	28%	8,681,879	34%	10%	% management costs excluded
Europe (excluding Spain)	9,358,195	27%	2,797,135	11%	235%	
America	6,739,970	19%	5,966,813	24%	13%	
Africa	1,166,747	3%	2,177,124	9%	-46%	
Asia	7,746,590	22%	5,675,935	22%	36%	
<b>TOTAL</b>	<b>34,598,539</b>	<b>100%</b>	<b>25,298,886</b>	<b>100%</b>	<b>37%</b>	



Pull&Bear employees in Narón (A Coruña).

	2015	2014	Y/Y growth
Number of hours dedicated to social initiatives by employees during working hours	49,967	37,760	32%
Number of social initiatives	456	460	-1%
Number of garments donated to social causes	1,098,708	612,743	79%
Number of direct beneficiaries	1,008,545 (*)	2,768,885	-64%
Number of non-profit organizations benefiting	361	351	3%
Number of children in education	89,129	44,532	100%
Number of people receiving occupational training	25,790	4,441	481%
Number of migrants, refugees and displaced persons assisted	208,844	110,556	89%
Number of people receiving healthcare	206,695	2,093,453	-90%
Number of jobs generated as beneficiaries of social initiatives	4,417	3,080	43%

(\*) This decrease in the number of direct beneficiaries can be explained by the implementation of a one-off programme in 2014 to tackle the consequences of the Ebola outbreak in Sierra Leone. This programme had a scope of 1.4 million people.

## Social cash flow

(millions of euros)	2015	2014
Net cash received for sale of products and services	20,900	18,117
Cash flow received from financial investments	23	26
Cash received for sales of assets	0	0
<b>Total value-added cash flow</b>	<b>20,924</b>	<b>18,143</b>

### Distribution of value-added cash flow

Employee wages	3,335	2,932
Tax payments	977	707
Financial debt return	-5	-6
Dividends paid out to shareholders	1,626	1,510
Investment in social programmes	35	26
Cash withheld for future growth	460	-129
Payments made outside the Group for the purchase of goods, raw materials and services	12,943	11,254
Payments for investments in new productive assets	1,552	1,849
<b>Total distribution of value-added cash flow</b>	<b>20,924</b>	<b>18,143</b>

## 2. Environmental indicators

This chapter introduces the Inditex system of environmental indicators and the results obtained during 2015. These indicators are a quantitative reflection of the efforts made by the Group to meet our environmental commitments in terms of natural resources, energy resources, waste generation and emissions. The indicators express absolute and relative data based on the number garments released onto the market in the year, in order to demonstrate the innovative environmental management in all areas of business and the efficiency of our activities.

The scope of the indicators includes Inditex's premises:

- Headquarters and all brand head offices: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe and Tempe, all located in Spain.
- All of the Group's factories, all located in Spain.
- All of the Group's logistics centres.
- All of the Group's own stores and franchises throughout the world.

International offices are not included within this scope. Those indicators for which the scope differs will be described along with the data in question.

To calculate GHG emissions, we follow the recommendations of the *Intergovernmental Panel on Climate Change*, the IPCC (*Guidelines for National Greenhouse Gas Inventories*, 2006) and the *World Resources Institute GHG Protocol* (2015). The emissions factors used are as follows:

- Natural gas: 0.2021 Kg CO<sub>2</sub>eq/kWh
- Diesel: 2.6853 Kg CO<sub>2</sub>eq/litre

The emission factors applied to natural gas and diesel are taken from the GHG Protocol tool for calculating emissions derived from stationary combustion v.4.1 by the World Resources Institute (WRI), 2015. Emissions from electricity consumption have been calculated using the emissions factor corresponding to the energy mix of each of the 90 countries in which Inditex operates. The database used corresponds to the GHG Protocol tool for calculating emissions derived from purchased electricity. V. 4.8 (World Resources Institute (WRI), 2015).

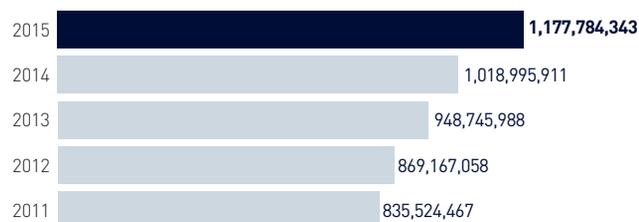
Therefore, the conversion factors used to calculate energy consumption are:

- 1 tonne of oil equivalent (toe) = 41.868 GJ
- 103 m<sup>3</sup> of natural gas = 0.9315 toe
- 1 tonne diesel = 1.035 toe
- Oil density = 0.832 kg/litre at 15°C (Joint Research Centre, 2007).

Relative indicators are calculated according to the following formula:

$$\text{Ratio} = (\text{absolute value of the year/number of garments released on the market during the year}) \times 1,000$$

### Garments released on the market\*



\* Includes all product units released on the market through all the stores, both owned and franchised.

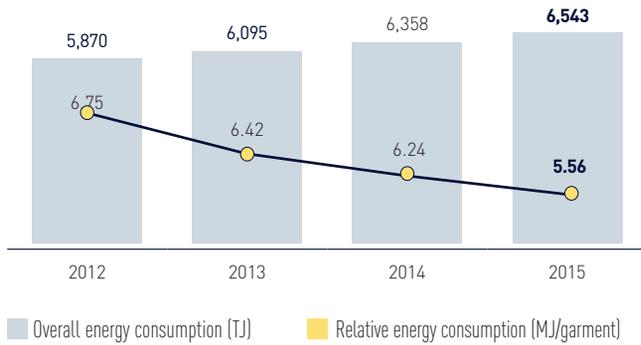
The environmental indicator system includes data collected from 1 February 2015 to 31 January 2016.

### Energy consumption

Overall energy consumption of Inditex Group facilities, expressed in terajoules (TJ), comes from the use of fossil fuels (natural gas and diesel) and electricity from the grid. This includes energy consumption in all factories, the head office, branch offices, logistics centres and all of Inditex's stores worldwide.

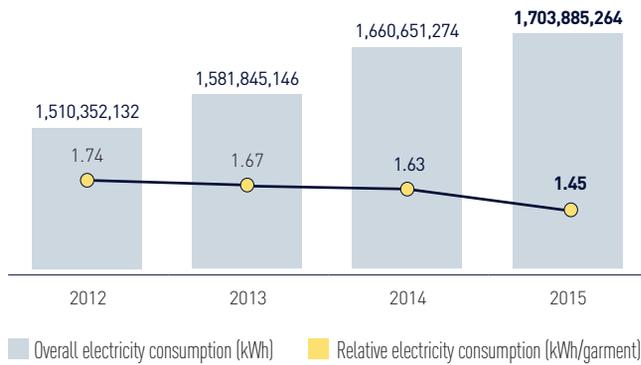
The increase in the retail and logistical space over the year have determined the growth of Inditex's energy consumption, corresponding to 3% in absolute terms with respect to the previous year. Nevertheless, a remarkable reduction in relative consumption per garment released on the market of 11% is observed, demonstrating the efficiency carried out in the activities of the company.

### Overall Energy Consumption (TJ)

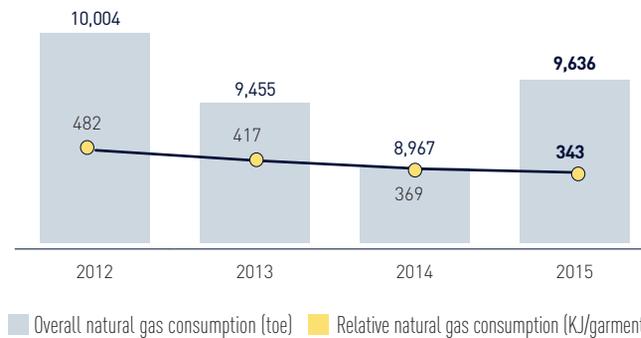


A moderate increase in total electricity consumption is observed. However, it is important to note the decrease in relative power consumption, which fell by 11% with respect to the previous year thanks to energy efficiency improvements carried out in our centres. All our facilities are built to meet sustainable architecture criteria and integrate the latest energy management and energy saving technology in their equipment.

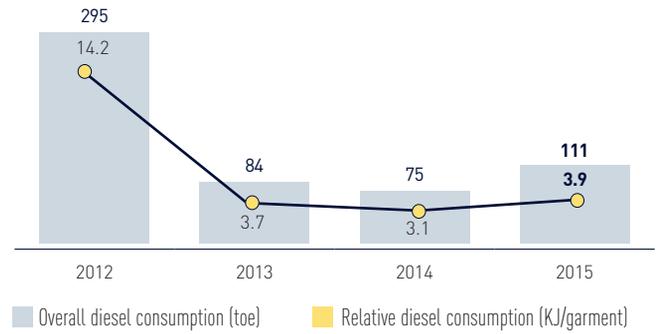
### Overall electricity consumption (kWh)



### Overall consumption of natural gas (toe)

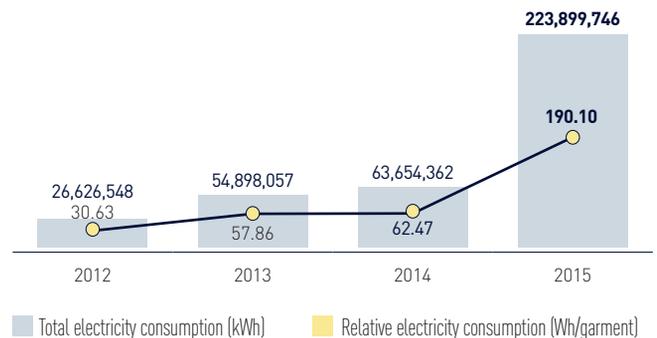


### Overall consumption of diesel (toe)



Inditex is firmly committed to renewable energies and their inclusion in the Group's energy scheme. At Inditex's various centres, renewable energy facilities such as photovoltaic panels and solar thermal, geothermal and wind generation are combined with trigeneration and cogeneration plants, and air conditioning plants to supply the energy needs of the Group in a more sustainable way. In addition, we integrated the purchase of certified renewable energy at our centres in Spain, in addition to purchases made at stores located in Germany. Thanks to this activity we consumed 224 million kWh of energy from renewable sources, trigeneration and cogeneration, preventing the emission of some 74,799 tonnes of carbon dioxide into the atmosphere.

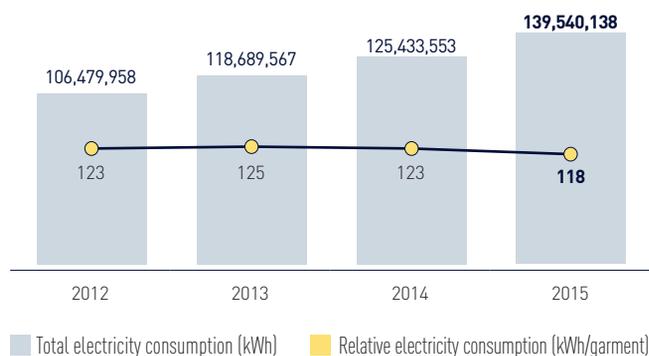
### Consumption of electrical energy originating from renewable sources and co-generation (kWh)



## Own logistic centres, own head offices and own factories

Our facilities are built and operated under the criteria of eco-efficiency in order to ensure the efficient and sustainable use of natural resources.

### Electricity consumption in own logistic centres, own head offices and own factories

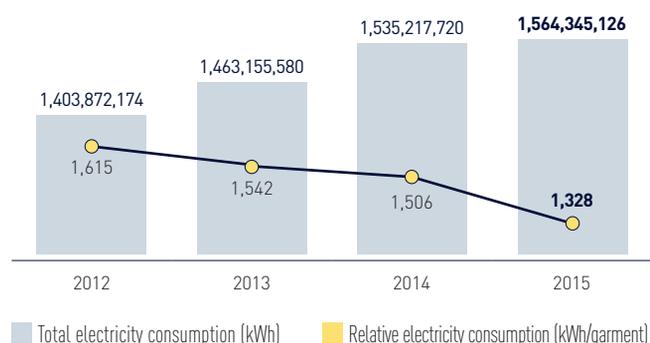


The increase in energy consumption this year is due to the commissioning of our logistics centre located in Cabanillas (Guadalajara, Spain). Thanks to the eco-efficiency measures of the Group, the consumption of electricity per garment released on the market in our logistics centres, own factories and head offices fell by 4% despite the growth in sales and the increase in surface of our facilities. In addition, we initiated a energy efficiency improvement project in our logistics centres that has begun to replace fluorescent lamps with high efficiency LED bulbs, thereby reducing the energy consumption derived from lighting.

### Own stores

Since the launch of the Eco-Efficient Store Manual in 2007, more than 2,749 eco-efficient stores worldwide have been built, which, when added to the eco-reforms, means that 54% of Inditex stores are now eco-efficient. Our goal is to reach 100% by 2020. The sustainability and energy efficiency measures of our stores allow relative power consumption to follow a downward trend. In addition, we have increased the number of stores connected to the central platform that controls air-conditioning and electrical plants to monitor generated consumption to 1,444. Thanks to these efforts we reduced relative electricity consumption by 12% compared to 2014.

### Estimated electricity consumption in own stores\*



\* Electricity consumption has been calculated using actual data from the central monitoring platform. To estimate the average consumption data has been considered from 653 stores, with 100% of the same being eco-efficient.

## Inditex Greenhouse Gas (GHG) Emissions

The Group's greenhouse gas (GHG) emissions are calculated and reported in line with the international directives of the *Intergovernmental Panel on Climate Change*, the IPCC (*Guidelines for National Greenhouse Gas Inventories*, 2006) and the *World Resources Institute* (GHG Protocol, 2015). Emissions from electricity consumption have been calculated using the emissions factor corresponding to the energy mix of each of the 90 countries in which Inditex operates. The database used corresponds to the *GHG Protocol tool for stationary combustion v. 4.1* (World Resources Institute (WRI), 2015) and *GHG Protocol tool from purchased electricity v. 4.8* (World Resources Institute (WRI), 2015). The Inditex Group's GHG emissions inventory includes direct and indirect emissions for the period February 1, 2015 to January 31, 2016.

A data history based on each of the scopes considered by the GHG Protocol is presented below.

### Emissions scopes 1 and 2

- Scope 1: Direct emissions. These are GHG emissions associated with sources under the Inditex Group's control. It includes:
  - Emissions associated with electricity and heat generation in owned premises, detailed at the beginning of the section. Emissions associated with occasional leaks (or isolated leaks) of HFC and PFC gases from air-conditioning equipment are not included.

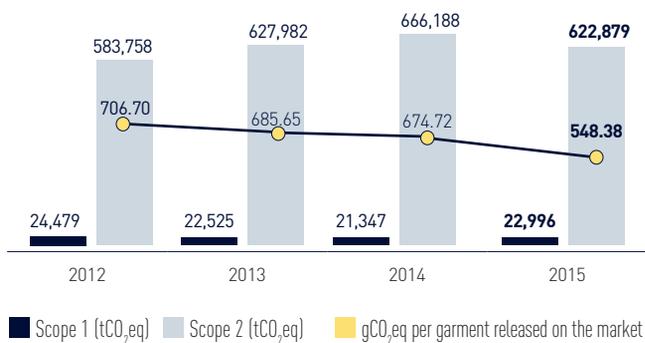
- Emissions from the use of own vehicles.
- Scope 2: Indirect emissions. Emissions associated with the generation of electricity or thermal energy that Inditex Group buys. The calculation was based on the GHG emissions from all the Group's facilities, as defined at the beginning of the section. Electricity used in international offices is not included.

	2012	2013	2014	2015
Scope 1 (t CO <sub>2</sub> eq)	24,479	22,525	21,347	22,996
Scope 2 (t CO <sub>2</sub> eq)	589,758	627,982	666,188	622,879
Number of garments released on the market	869,167,058	948,745,988	1,018,995,911	1,177,784,343
g CO <sub>2</sub> eq per garment released on the market*	706.70	685.65	674.72	548.38
Emissions avoided by using generated thermal energy (t CO <sub>2</sub> eq)	ND	ND	ND	5,339.59

\* The efficiency ratio includes emissions associated with the Group's operations (scope 1 and 2)

NA: No data available

### GHG emissions Scopes 1 and 2



The construction of logistics centres with LEED certification, adequate energy management and process optimization enables us to reduce the GHG emissions per garment by 19%.

### Emissions scopes 3

- Scope 3: Optional scope that includes indirect emissions associated with the goods and services supply chain produced outside the organization. Included are emissions from the transport of products from our logistics centres (*upstream*) and from these to our stores (*downstream*), both being performed by external logistics operators (air,

land and sea transport) as well as the emissions associated with electricity consumption in franchise stores

We calculate the GHG resulting from distribution and logistics operations carried out by external logistics operators based on the vehicles used to transport the product (Scope 3), this year including emissions generated by upstream logistics transport. We must emphasise the reduction in emissions derived from franchised stores, which recorded a decrease of 17% with respect to the previous year.

	2012	2013	2014	2015
Scope 3 - Downstream transport (t CO <sub>2</sub> eq)	398,158	462,120	596,316	672,307
Scope 3 - Upstream transport (t CO <sub>2</sub> eq)	NA	NA	NA	428,258
Scope 3 - Franchised stores (t CO <sub>2</sub> eq)*	100,143	108,035	113,094	94,262

NA: No data available

The transport calculation has been carried out based on the weight of the product dispatched and the number of kilometres travelled by each means. The following emission factors, as proposed by the GHG Protocol for mobile combustion V.2.6, are used: (World Resources Institute (WRI), 2015).

- Kg of CO<sub>2</sub> /tonne and km truck (load over 33 t)= 0.08678
- Kg of CH<sub>4</sub> /tonne and km truck (load over 33 t)= 2.3973\*10<sup>-6</sup>
- Kg of N<sub>2</sub>O /tonne and km truck (load over 33 t)= 1.8494\*10<sup>-6</sup>
- Kg of CO<sub>2</sub> /tonne and km short haul flight (< 463 Km)= 1.96073
- Kg of CH<sub>4</sub> /tonne and km short haul flight (< 463 Km)= 2.8562\*10<sup>-5</sup>
- Kg of N<sub>2</sub>O /tonne and km short haul flight (< 463 Km)= 3.2809\*10<sup>-5</sup>
- Kg of CO<sub>2</sub> /tonne and km medium haul flight (between 463 and 1108 Km)= 1.47389
- Kg of CH<sub>4</sub> /tonne and km medium haul flight (between 463 and 1108 Km)= 2.8562\*10<sup>-5</sup>
- Kg of N<sub>2</sub>O /tonne and km medium haul flight (between 463 and 1108 Km)= 3.2809\*10<sup>-5</sup>

- Kg of CO<sub>2</sub> /tonne and km long haul flight (> 1108 Km)= 0.61324
- Kg of CH<sub>4</sub>/tonne and km long haul flight (> 1108 Km)= 2.8562\*10<sup>-5</sup>
- Kg of N<sub>2</sub>O /tonne and km long haul flight (> 1108 Km)= 3.2809\*10<sup>-5</sup>
- Kg of CO<sub>2</sub> /tonne and km ship= 0.0079
- Kg of CH<sub>4</sub>/tonne and km ship= 2.8083\*10<sup>-6</sup>
- Kg of N<sub>2</sub>O /tonne and km ship= 9.5892\*10<sup>-7</sup>

## Inditex, zero waste to landfill

At Inditex we have the goal that before 2020 none of the waste from our activities will end up in landfill. To achieve this, we continue, with the effort and commitment of all our employees, to improve the source separation processes. In addition, we have the Waste Minimization Plan which, as with other projects such as Green to Pack or Closing the Loop, allows action to be taken the length of our value chain to continue progressing towards our objective. The waste generation data below refers to the waste generated in head offices, brand head offices, all Inditex factories and logistics centres. It does not include the waste generated in stores.

## Evolution of recovered products to send to recycling (kg)

All waste generated by Inditex is collected and managed by a legally authorized body that sends the waste for recycling (in the case of paper and cardboard, plastic, metal, textile remains, among others), and other appropriate treatments which allow it to be recovered. In 2015, more than 85% of our waste was managed in a way that does not harm the environment.

## Green to Pack and reusable systems

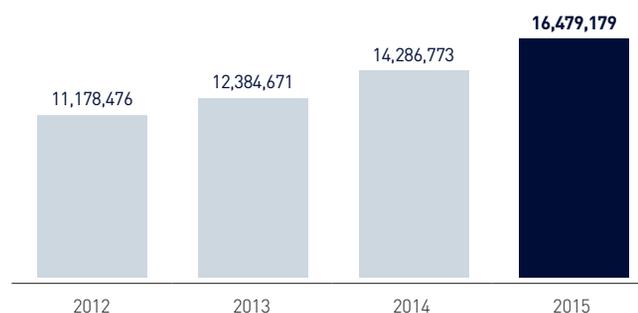
Thanks to the launch of the Green Pack programme, we work with our suppliers to optimize the packaging used throughout the supply chain. Using homogenization measures and standardized packaging we favour reuse and improve separation and recycling of this waste. In 2015, we started reuse systems for boxes, tubes, pallets and bags which are added to the alarm and reusable hanger systems already implemented. This year alone,

these systems have allowed 815 million alarms and 87 million plastic hangers to be recycled. These measures, in addition to the cost saving, represent an important environmental benefit because reusing avoids the consumption of natural resources and the atmospheric emissions associated with their manufacture and recycling.

## Closing the Loop

Thanks to the Closing the Loop project, we collaborate with social organizations, universities and leading companies in the sector to obtain efficient solutions for recycling textile waste from manufactured and used garments that are not reusable, creating new raw materials whenever possible of equal or higher quality than those collected, allowing the closure of the production cycle.

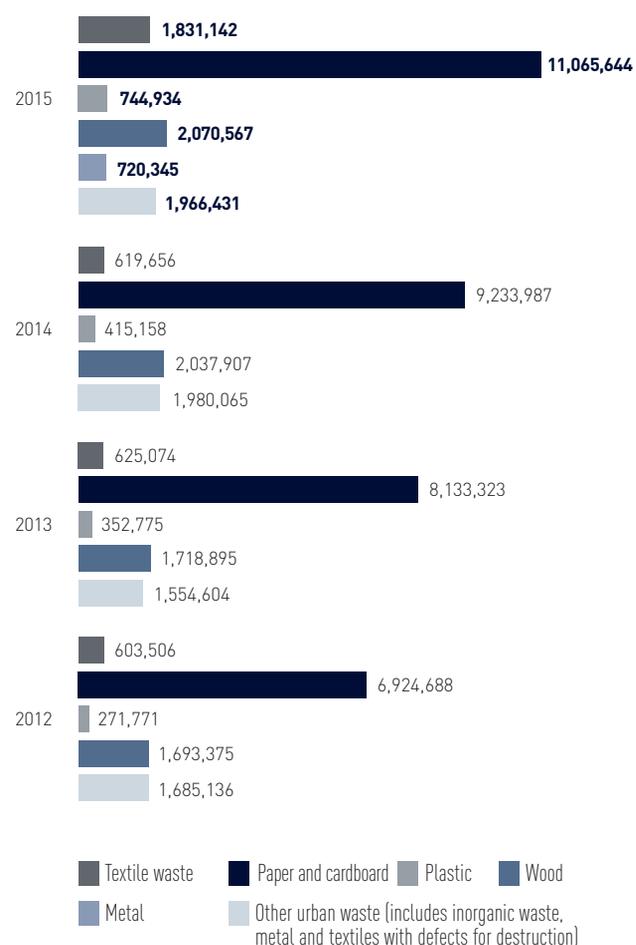
## Products recovered to be sent for recycling (kg)



## Annual generation of urban waste or similar

This waste is classified in accordance with the European Waste Catalogue (EWC) and its transposition into national and regional legislation. Waste cardboard and paper, textile, plastic, wood and metal are managed by a legally authorized body that sends the waste for recycling. The increase in the generation of these wastes is due to the expansion of the logistics capacity of the Group, as well as the maintenance of the current capacity and improvement in source separation processes.

## Absolute data (kg)



Improvements in source separation processes during 2015 have allowed the Group to establish the amount of recycled metals, as well as part of the textile waste. Thanks to the Closing the Loop project, textile waste is also properly managed for recycling, while previously this was included in the urban waste category.

## Evolution of principal hazardous waste

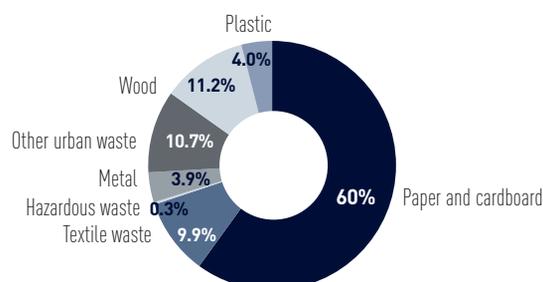
This year we continue to improve the tasks of source separation and the subsequent shipment to authorized agents, promoting the recycling of hazardous wastes or other appropriate treatment which allows proper recovery and environmental management. In this way, in 2015 we managed to recycle 89% of this type of waste. Peaks are observed in waste generation such as with fluorescents or batteries due to replacement by more efficient equipment such as lamps with LED technology and lithium-ion batteries, actions which are undertaken under the logistics centres efficiency improvement project.

Type of waste (kg)	Final treatment	2012	2013	2014	2015
Batteries	Recycling	3,191	2,929	5,597	9,532
Electronic waste	Recycling	4,251	6,673	6,901	10,094
Fluorescents	Gas extraction and recycling	767	2,827	3,183	5,387
Oil filters	Recycling	435	671	500	761
Contaminated metal containers	Recycling	413	530	865	2,284
Used mineral oil	Recycling	6,629	4,432	8,302	15,080
Contaminated absorbents	Energy recovery	2,501	3,259	4,262	2,786
Paint	Recycling	106	554	1,020	465
Contaminated plastic containers	Recycling	1,080	1,648	1,578	1,366

## Destination of waste according to type and treatment

As part of the final stage of Inditex's Waste Minimization Plan, all waste generated by the company is collected and managed by a legally authorized body that sends the waste (principally paper and cardboard, wood, plastic, metal, textile remains) for recycling or other appropriate treatment which allows proper recovery and environmental management.

## Proportion of waste generated by weight





Pull&Bear employee in Narón (A Coruña).

The packaging materials released on the market (paper and plastic bags, labels, protective elements) along with the products sold by Inditex are adequately managed by authorized bodies. Inditex subscribes to the Integrated Management Systems for Packaging and Wrapping available in countries that employ them. The company's commitment to these systems means that each Inditex brand pays a non-profit management agency to collect and manage the waste generated by the stores. This management agency is established with the recognition of the authorities of each country (Ecoembes in Spain) to ensure that the waste generated by stores is collected, managed and recycled correctly.

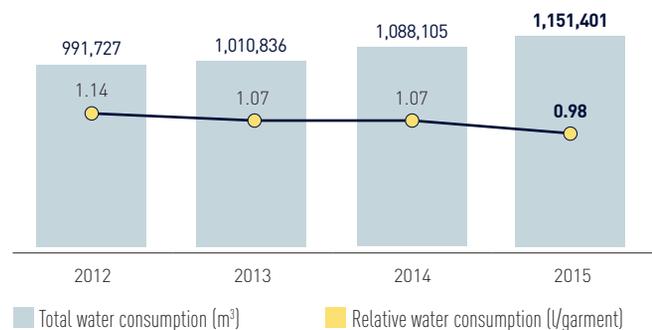
In terms of the recovery of products released on the market, it is not viable to assess the volume generated nor its management on a worldwide level, given that there is no specific collection or management system for textile materials on a global level.

### Water consumption in own offices, Inditex own factories, own logistics centres and own stores

Data on water consumption comes from direct measurements and supplier bills (public supply networks) from offices, all Inditex's factories, logistics centres and own stores.

Despite the increase in water consumption compared to previous years due to the growth in logistics capacity and store openings, we continue to reduce the relative consumption, highlighting the efficiency of our facilities in reducing this resource.

### Water consumption in head offices, Inditex factories, logistics centres and own stores (m<sup>3</sup>)



Water supplied to all the centres for use both in processes and for consumption comes from public, authorised supply networks. Inditex has no impact on protected habitats.

The greatest water consumption is by domestic use, fundamentally cleaning and sanitation, guaranteeing its discharge to municipal sewage systems.

In the area of industrial activities, water is mainly required for steam generation and industrial refrigeration in a closed cycle, where recirculation systems are used. Discharge of waste water from all installations is carried out via sanitation networks, in all cases with the corresponding administrative authorization. This requires periodic analyses to guarantee compliance with the law in force. The amount of waste water can be calculated as equal to water consumed, as there are no productive processes that consume water and the cooling systems use a closed cycle.

# Tax contribution 2015

Inditex Group's tax contribution for 2015 financial year amounted to 2,501 million euros regarding direct taxes. This category includes taxes on profits, contributions to social security systems, taxes on products and services and environmental taxes; which were paid in the countries where the Group carries out its business activities. The average corporate tax rate was 23%.

By geographic area, Inditex paid 40% of its direct tax contribution in Spain (1,011 million euros), 20% in the European Union and 13% in non-EU European countries. America received 16% of the direct taxes paid by the Group in 2015 and Asia and the rest of the world received 11%.

Additionally Inditex contributes with major returns derived from its activities through the collection of taxes paid by third parties, such as Value Added Tax or Personal Income Tax. In 2015, this indirect tax contribution amounted to 2,498 million euros. In terms of the geographic distribution of this indirect tax contribution, 365 million euros were collected in Spain (15% of the total amount), and 1,543 million euros were collected in the remaining EU countries. 211 million euros were collected by the Group for non-EU European countries and 210 million euros in America, representing each figure 8% of the total amount. In Asia and the rest of the world, this contribution amounted to 169 million euros (7% of the total amount).

The abovementioned contributions are the materialization of Group Tax Strategy's guiding principles which were approved by the Board of Directors in 2015, within which we can highlight the following ones:

- The unwavering commitment of the Group to comply with all of its tax obligations, according to the legislation in force in the different countries where it makes business, through a transparent fiscal model which is based on ethical tax practices and that promotes the economic and social development of these countries with fair tax contribution.
- The establishment of relations with the different tax authorities of the countries where the Group makes business which are based on principles of good faith, collaboration and mutual trust. In this regard the Group tries to avoid tax litigation by giving preference to the interpretative criteria of the tax legislation which are set by such tax authorities.
- The Group does not use opaque business structures putting shell companies located in territories considered as tax havens (according to the list of territories deemed tax havens by Spanish tax legislation). Therefore, the Group operates through companies based in these territories only to the extent that it is strictly necessary to make business activities with stores located in such territories.
- The setting of pricing in all the transactions carried out between Group companies following arm's length conditions, in accordance with the tax legislation of the countries involved in each operation and the existing international transfer pricing rules accepted by the OECD.

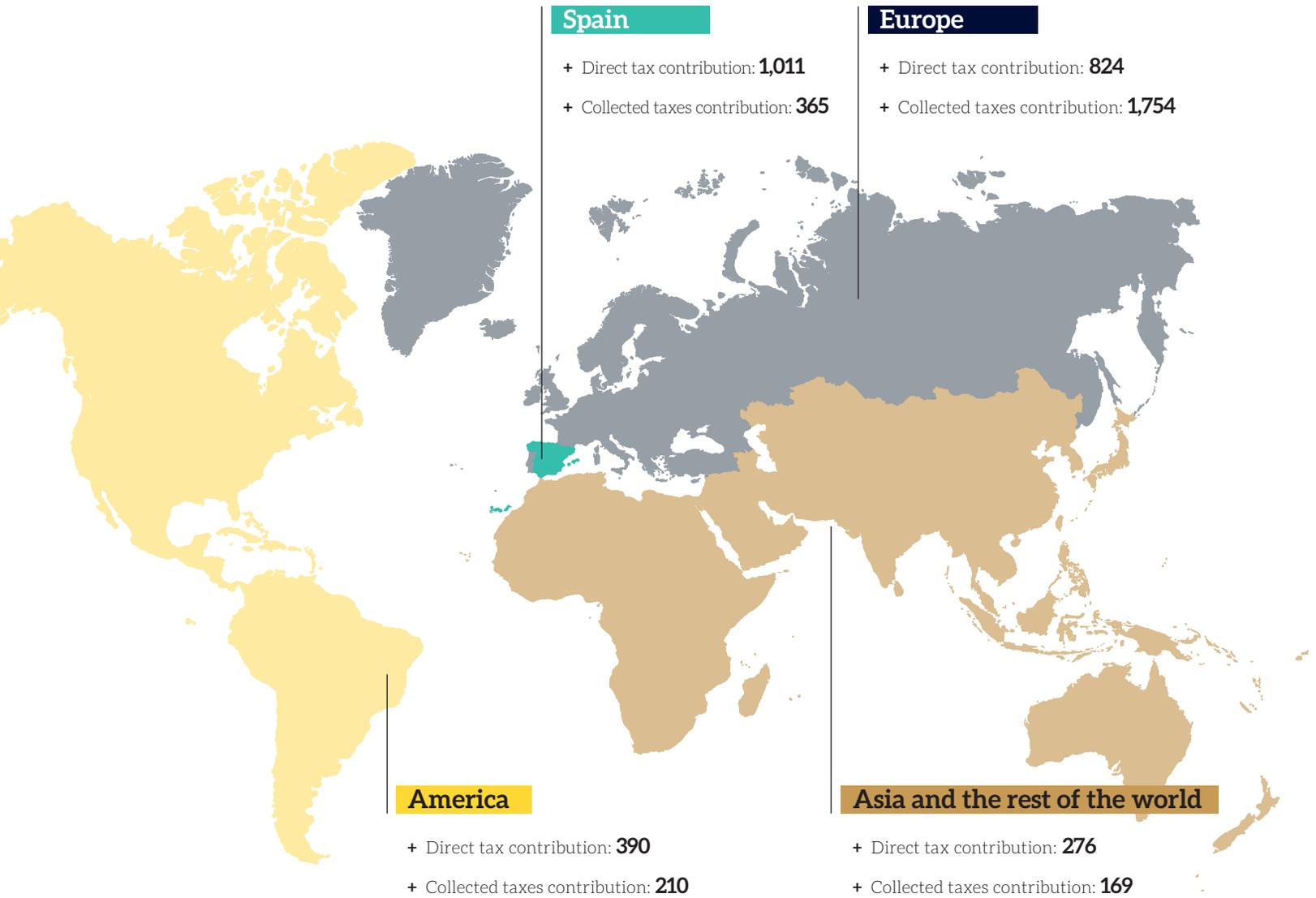
## Tax contribution

<b>TOTAL</b> (in millions of euros)	<b>4,999</b>
Direct taxes	2,501
Taxes collected for the State	2,498

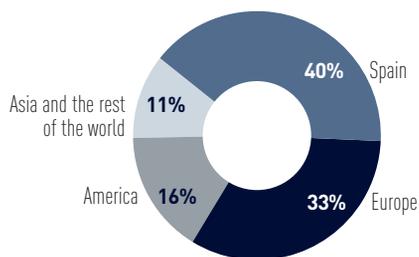
## Direct taxes (in millions of euros)

Spain	1,011
European Union (not Spain)	495
Europe (non-EU)	329
America	390
Asia and the rest of the world	276
<b>Total</b>	<b>2,501</b>

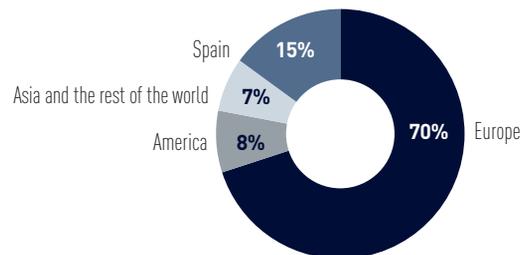
**Direct tax contribution and collected taxes by geographical area** (in millions of euros)



Direct tax contribution 2015

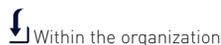


Tax contribution collected 2015

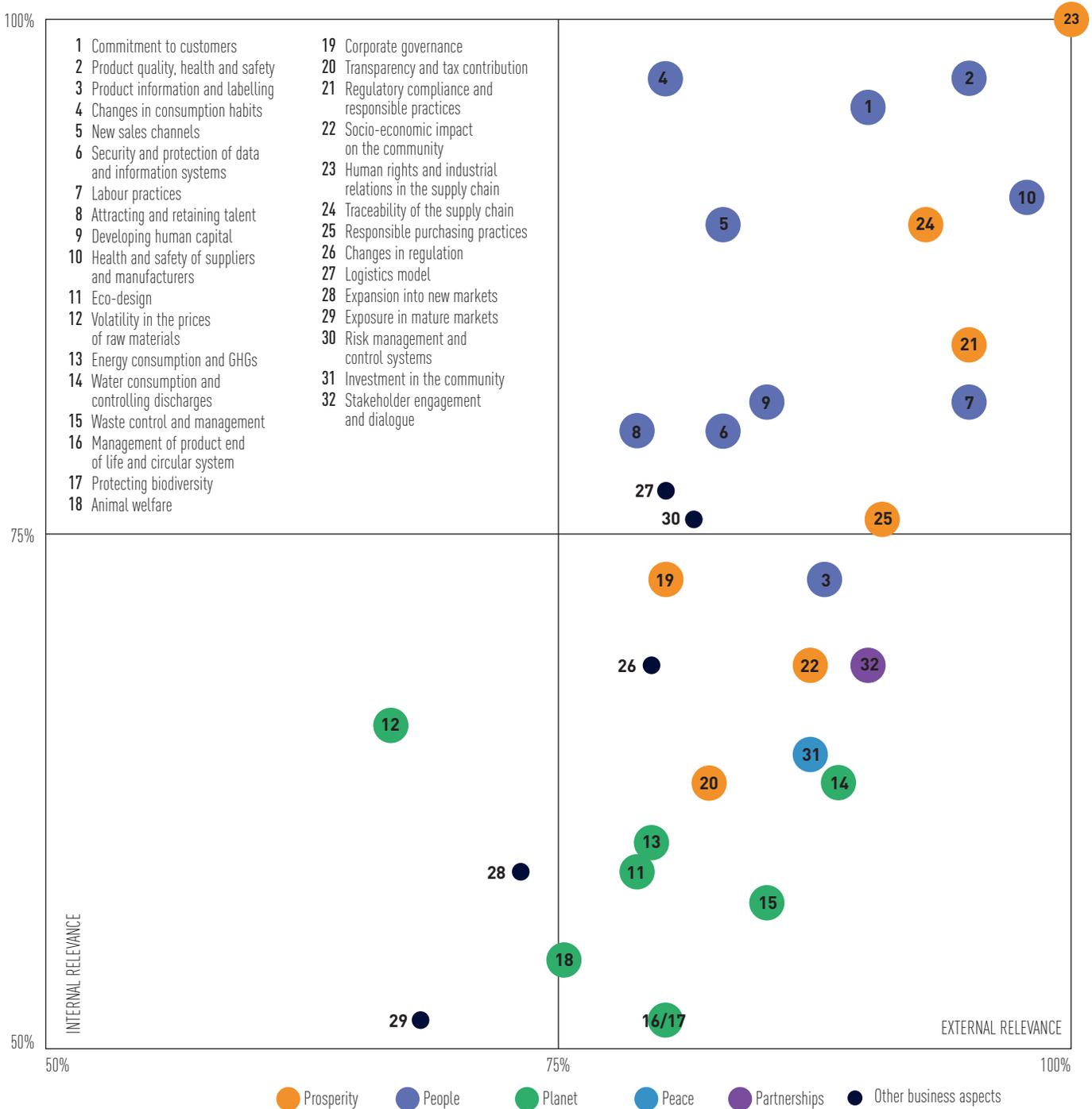


# Balance of material issues

Material issues	Related GRI indicator	Category	Coverage	Section of Annual Report 2015	Pages
1 Commitment to customers	G4-PR5			Innovation in customer services	94
2 Product quality, health and safety	G4-PR1 to G4-PR4			Integrity of the supply chain, The quality of our products	36, 58
3 Product information and labelling	G4-PR5			The quality of our products, Innovation in customer services	58, 94
4 Changes in consumption habits	Strategic business issue			Retail formats, Innovation in customer services	14, 94
5 New sales channels	Strategic business issue			Commercial presence, Retail formats	12, 14
6 Security and protection of data and information systems	G4-PR8			Innovation in customer services	94
7 Labour practices	G4-LA3, G4-LA4, G4-LA12, G4-LA13			Developing everybody's talent	80
8 Attracting and retaining talent	G4-LA1, G4-LA2, G4-EC3			Developing everybody's talent	80
9 Developing human capital	G4-LA9 to G4-LA11			Developing everybody's talent	80
10 Health and safety at suppliers and manufacturers	G4-LA5 to G4-LA8, G4-LA14, G4-LA15			The quality of our products, Sustainability balance sheet	36, 144
11 Eco-Design	G4-EN1 to G4-EN14, G4-EN27 to G4-EN29			The quality of our products, Sustainability balance sheet	58, 144
12 Volatility of raw material prices	Strategic business issue			The quality of our products, Efficient use of resources	58, 70
13 Energy consumption and GHGs	G4-EN3 to G4-EN7, G4-EN15 to G4-EN21, G4-EN30			Efficient use of resources, Sustainability balance sheet	70, 144
14 Water consumption and controlling discharges	G4-EN8 to G4-EN10, G4-EN22, G4-EN24, G4-EN26, G4-EN32 to G4-EN34			Integrity of the supply chain, Efficient use of resources, Sustainability balance sheet	36, 70, 144
15 Waste control and management	G4-EN22 to G4-EN26			Integrity of the supply chain, Efficient use of resources, Sustainability balance sheet	36, 70, 144
16 Management of product end of life and circular system	G4-EN23, G4-EN25, G4-EN27 to G4-EN29			Integrity of the supply chain, Efficient use of resources, Sustainability balance sheet	36, 70, 144
17 Protecting biodiversity	G4-EN11 to G4-EN14			Integrity of the supply chain, Efficient use of resources	36, 70
18 Animal welfare	G4-EN11 to G4-EN14			The quality of our products	58
19 Corporate governance	G4-34 to G4-55, G4-S06			Corporate governance	114
20 Transparency and tax contribution	G4-EC1, G4-S08, G4-PR9			Corporate governance, Tax contribution	114, 158
21 Compliance with regulations and responsible practices	G4-56 to G4-58, G4-S03 to G4-S05, G4-S08, G4-S011, G4-EN29, G4-PR9			Corporate governance	114
22 Socio-economic impact on the community	G4-EC1 to EC4, G4-EC7, G4-EC8, G4-S011			Contribution to community welfare, Sustainability balance sheet	98, 144
23 Human rights and industrial relations in the supply chain	G4-LA14 to G4-LA16, G4-HR1 to G4-HR6, G4-HR10 to G4-HR12, G4-S09 to G4-S011			Integrity of the supply chain, Sustainability balance sheet	36, 144
24 Traceability of the supply chain	G4-12, G4-EN32, G4-EN33, G4-LA14, G4-LA15, G4-HR10, G4-HR11, G4-S09, G4-S010, G4-PR1, G4-PR2			Traceability of the supply chain	32
25 Responsible purchasing practices	G4-12, G4-EN32, EN33, G4-LA14, LA15, G4-HR10, HR11, G4-S09, S010, G4-PR1, PR2			Integrity of the supply chain	36
26 Changes in regulation	Strategic business issue			Corporate governance	114
27 Logistics model	Strategic business issue			Efficient use of resources, Sustainability balance sheet	70, 144
28 Expansion in new markets	Strategic business issue			Commercial presence, Retail formats	12, 14
29 Exposure in mature markets	Strategic business issue			Commercial presence, Retail formats	12, 14
30 Risk management and control systems	Strategic business issue			Innovation in customer services, Systems for control of risks	94, 236
31 Investment in the community	G4-EC1 to G4-EC4, G4-EC7, G4-EC8, G4-S01, S02			Contribution to community welfare, Sustainability balance sheet	98, 144
32 Stakeholder engagement and dialogue	G4-24 to G4-27			Traceability of the supply chain, Integrity of the supply chain, The quality of our products, Efficient use of resources, Developing everybody's talent, Innovation in customer services, Contribution to community welfare, Corporate governance	32, 36, 58, 70, 80, 94, 98, 114



Materiality matrix



The following organizations, among others, have been consulted in the definition of material issues for 2015

Cáritas Española	Medicus Mundi
Spanish Committee for UNHCR	International Labour Organization
Cruz Roja	Textile Exchange
Entreculturas	The Humane Society of the US
Fundación SERES. Sociedad y Empresa Responsable	UN High Commission for Refugees
IndustriALL Global Union	University of Santiago de Compostela
Médecins Sans Frontières	Water.org





annual  
accounts

# Investors and stock market indexes

## Shareholder base

Inditex shares are represented by means of account annotations. Keeping the register of these annotations is the responsibility of the Management Company for Share Registration, Compensation and Liquidation Systems (Iberclear).

Inditex had 66,469 shareholders according to data from form X-25 which the company requested from Iberclear for the 2015 Ordinary General Shareholders Meeting. Of these 56,937 were individual shareholders and the remainder institutional investors. With the incorporation of significant holdings registered in the Spanish National Securities Market Commission (CNMV), the approximate overview of shareholder structure is as follows:

Shareholder body	Shares	%
Institutional investors	1,222,886,758	39.24%
Individuals	45,764,927	1.41%
Partler 2006 SL	289,362,325	9.28%
Gartler SL	1,558,637,990	50.01%
<b>Total</b>	<b>3,116,652,000</b>	<b>100%</b>

Among its operating principles, Inditex includes compliance with a policy of transparency with communication channels and maintenance of those channels. It guarantees that all of its current and potential shareholders have clear, complete, homogeneous and simultaneous information, adequate for evaluating company management and its economic and financial results. The Rules of the Board set down, in Article 41, a series of measures which regulate the relations with the shareholders.

## Shareholders' Office

Any individual shareholder can visit the Shareholders' Office to request detailed information on the performance of the business and future strategy. Through this channel individual shareholders can formulate any request for information that they deem relevant on the performance of Inditex. The Shareholders' Office dealt with more than 800 petitions from individual investors during 2015.

The Shareholders' Office takes on special relevance during the period that the General Meeting of Shareholders is called and celebrated. It is traditionally held halfway through July at Inditex's corporate headquarters in Arteixo (A Coruña). Information and documentation is sent specifically to provide shareholders with appropriate knowledge on the convening and content of the General Meeting as well as to facilitate their participation in the decision making process of the Group's highest governing body.

## Department of Investor Relations

- 42 financial and stock-market bodies publish analytical reports relating to Inditex shares.
- 9,529 institutional investors, holding 39.2% of corporate capital, play a key role in the formation of the share price and liquidity.

Relevant information on the performance of the business is communicated through the corporate website of Inditex ([www.inditex.com](http://www.inditex.com)) and is distributed to a database of more than 1,100 investors and analysts.

Inditex complements this information each quarter with freely accessible multiconferences. Additionally, Inditex carries out presentations and holds meetings with investors and analysts throughout the year in the principal financial capitals of the world.

## Activities with institutional investors

### a) Roadshows

Inditex holds two annual roadshows where it presents the results of the first semester (spring-summer season) and the full year (after the autumn-winter season) in the world's principal financial capitals. Over two and a half weeks, the principal investors have access - mainly by means of individual meetings - to the strategic viewpoint of the management team. During these visits direct contact is established with more than 250 investors.

### b) Sector Conferences

Other forums for communication with investors are the sector conferences organised by financial institutions. Inditex participates in the principal events held in Europe, each having an average attendance of 50 leading institutional investors.

### c) Individual meetings

Apart from the programmed events, large numbers of meetings are held with investors during the year. In the case of specific requests, visits to investors from a certain country or geographical area are also organized. In the past year presentations have been made in the principal financial capitals of Europe, America and Asia to more than 150 institutional investors.

### d) Investor visits to corporate facilities

There are also many visits to Inditex facilities from institutional investors. The purpose of these visits is to gain a deeper knowledge of our organization, its business model, and corporate strategy. Throughout 2015, meetings have been held with approximately 80 institutional investors from all over the world. 200 videoconferences and multiconferences were also held.

## Inditex on the stock market indices

### Euro STOXX 50/ IBEX 35

Inditex has been a member of Europe's leading blue-chip index for the Eurozone the Euro STOXX 50 since 2011 and the IBEX 35 since 2001.

### Dow Jones Sustainability Indexes (DJSI)

Inditex was included in the latest update of this family of indices as a member of DJSI World and DJSI Europe for the fifteenth consecutive year. Inditex scored higher than 98% of the 88 companies included in the Retailing sector.

2015	Inditex score (%)	Percentile ranking*	Sector average score (%)
Economic	78	98	42
Environmental	98	100	33
Social	72	97	32
<b>Total</b>	<b>81</b>	<b>98</b>	<b>37</b>

\* Percentage of companies in the same sector which scored lower than Inditex.



### FTSE4Good

Inditex has been a member of the FTSE4Good for fourteen years. This stock exchange index of sustainability is designed to measure the performance of companies demonstrating strong Environmental, Social and Governance (ESG) practices.

# Economic and financial report

## Inditex Group consolidated annual accounts at 31 January 2016

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### II. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

### III. CONSOLIDATED BALANCE SHEET

### IV. CONSOLIDATED STATEMENT OF CASH FLOWS

### V. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

### VI. NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

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### Appendix I- Composition of the Inditex Group



Pull&Bear pattern designer at the brand's head office in Narón (A Coruña).



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*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of financial statements originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the company. In the event of a discrepancy, the Spanish-language version prevails.*

## **INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS**

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

### **Report on the consolidated financial statements**

We have audited the accompanying consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and subsidiaries ("the Group"), which comprise the consolidated balance sheet at 31 January 2016 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended ("2015").

#### *Director's responsibility for the consolidated financial statements*

The Parent's directors are responsible for the preparation of the accompanying consolidated financial statements so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Industria de Diseño Textil, S.A. and subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, identified in the accompanying notes to the consolidated financial statements, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion of these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's Director of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

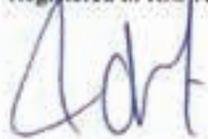
*Opinion*

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Industria de Diseño Textil, S.A. and subsidiaries at 31 January 2016, and their consolidated results and their consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union, and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

**Report on other legal and regulatory requirements**

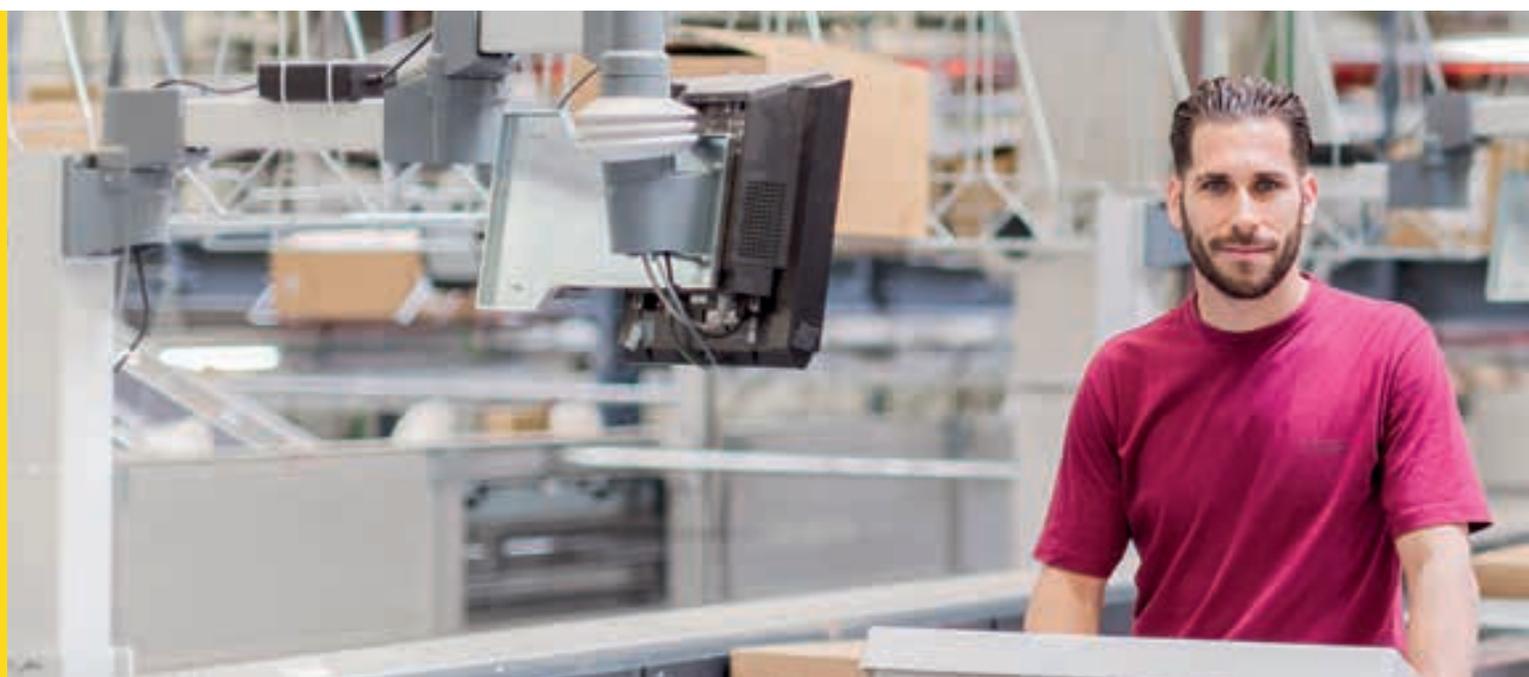
The accompanying consolidated Directors' report for 2015 contains the explanations which the Parent's directors consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2015. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Industria de Diseño Textil, S.A. and subsidiaries.

DELOITTE, S.L.  
Registered in R.O.A.C. under N° S0692



Germán de la Fuente

9 March 2016



Workers of the Pull&Bear logistic platform in Cabanillas (Guadalajara).

## 1. Consolidated income statement

(Amounts in thousands of euros)	(notes)	2015	2014
Net sales	(2)	20,900,439	18,116,534
Cost of merchandise	(3)	(8,811,139)	(7,547,637)
<b>GROSS PROFIT</b>		<b>12,089,300</b>	<b>10,568,897</b>
		57.8%	58.3%
Operating expenses	(4)	(7,391,832)	(6,457,569)
Other losses and income, net	(5)	1,691	(8,256)
<b>GROSS OPERATING PROFIT (EBITDA)</b>		<b>4,699,159</b>	<b>4,103,073</b>
Amortization and depreciation	(6, 12, 13, 14)	(1,021,717)	(904,887)
<b>NET OPERATING PROFIT (EBIT)</b>		<b>3,677,442</b>	<b>3,198,186</b>
Financial results	(7)	10,069	14,483
Results of companies accounted for using the equity method	(16)	55,607	32,125
<b>PROFIT BEFORE TAXES</b>		<b>3,743,118</b>	<b>3,244,794</b>
Income tax	(23)	(860,917)	(734,643)
<b>NET PROFIT</b>		<b>2,882,201</b>	<b>2,510,151</b>
<b>NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS</b>		<b>7,617</b>	<b>9,603</b>
<b>NET PROFIT ATTRIBUTABLE TO THE PARENT</b>		<b>2,874,584</b>	<b>2,500,548</b>
<b>EARNINGS PER SHARE, euro cents</b>	<b>(8)</b>	<b>0.923</b>	<b>0.803</b>



## 2. Consolidated statement of comprehensive income

(Amounts in thousands of euros)	(notes)	2015	2014
<b>Net profit</b>		<b>2,882,201</b>	<b>2,510,151</b>
<b>Entries to be transferred to the income statement in future years</b>			
<b>Other comprehensive income recognised directly in equity</b>			
Translation differences related to foreign operations		(244,395)	141,311
Cash flow hedges			
Profit	(25)	45,429	97,569
Loss	(25)	(7,746)	(211)
Tax effect		(9,688)	(27,708)
<b>Total</b>		<b>(216,400)</b>	<b>210,961</b>
<b>Transfers to profit or loss</b>			
Cash flow hedges			
Profit	(25)	(97,569)	(2,265)
Loss	(25)	211	3,356
Tax effect		27,708	49
<b>Total</b>		<b>(69,650)</b>	<b>1,140</b>
<b>Total comprehensive income for the year</b>		<b>2,596,151</b>	<b>2,722,252</b>
<b>Total comprehensive income attributable to</b>			
<b>Equity holders of the Parent</b>		2,588,534	2,712,650
<b>Non-controlling interests</b>		7,617	9,603
<b>Total comprehensive income for the year</b>		<b>2,596,151</b>	<b>2,722,252</b>

### 3. Consolidated balance sheet

(Amounts in thousands of euros)	(notes)	31-01-16	31-01-15
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>		<b>8,907,913</b>	<b>8,271,047</b>
Rights over leased assets	(14)	504,447	531,115
Other intangible assets	(14)	190,324	152,995
Goodwill	(15)	193,488	197,901
Property, plant and equipment	(12)	6,597,467	6,040,573
Investment property	(13)	21,152	81,490
Financial investments	(16)	183,804	151,253
Other non-current assets	(17)	523,802	472,146
Deferred tax assets	(23)	693,429	643,574
<b>CURRENT ASSETS</b>		<b>8,449,235</b>	<b>7,105,953</b>
Inventories	(11)	2,195,015	1,859,516
Trade and other receivables	(10)	668,807	861,811
Income tax receivable	(23)	89,086	68,284
Other current assets		139,401	127,207
Other financial assets	(25)	45,751	168,947
Current financial investments	(19)	1,085,648	222,259
Cash and cash equivalents	(19)	4,225,527	3,797,930
<b>TOTAL ASSETS</b>		<b>17,357,148</b>	<b>15,377,000</b>
<b>LIABILITIES AND EQUITY</b>			
<b>EQUITY</b>		<b>11,450,793</b>	<b>10,468,701</b>
Equity attributable to the Parent		11,410,197	10,430,655
Equity attributable to non-controlling interests		40,596	38,046
<b>NON-CURRENT LIABILITIES</b>		<b>1,236,204</b>	<b>1,159,471</b>
Provisions	(20)	145,294	200,611
Other non-current liabilities	(21)	804,966	715,771
Financial debt	(19)	749	2,265
Deferred tax liabilities	(23)	285,195	240,825
<b>CURRENT LIABILITIES</b>		<b>4,670,151</b>	<b>3,748,828</b>
Financial debt	(19)	10,254	7,823
Other financial liabilities	(25)	68,536	83,222
Income tax payable	(23)	77,095	149,905
Trade and other payables	(18)	4,514,266	3,507,878
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>17,357,148</b>	<b>15,377,000</b>

## 4. Consolidated statement of cash flows

(Amounts in thousands of euros)	(notes)	2015	2014
<b>Profit before taxes and non-controlling interest</b>		<b>3,743,118</b>	<b>3,244,794</b>
<b>Adjustments to profit</b>			
Amortisation and depreciation	(6)	1,021,717	904,887
Foreign exchange translation differences		(15,717)	(117,039)
Provisions for impairment		15,269	6,119
Results from companies consolidated by equity method	(16)	(55,607)	(32,125)
Other		165,935	49,824
<b>Income tax</b>		<b>(977,349)</b>	<b>(707,232)</b>
<b>Funds from operations</b>		<b>3,897,366</b>	<b>3,349,228</b>
<b>Variation in assets and liabilities</b>			
Inventories		(425,134)	(243,904)
Receivables and other current assets		187,222	(67,349)
Current payables		840,074	209,531
<b>Changes in working capital</b>		<b>602,162</b>	<b>(101,722)</b>
<b>Cash flows from operating activities</b>		<b>4,499,528</b>	<b>3,247,506</b>
Investments in intangible assets		(164,301)	(166,740)
Investments in property, plant and equipment		(1,353,610)	(1,629,523)
Acquisition of other financial investments		22,308	29,224
Payments relating investment in other assets	(17)	(72,891)	(81,553)
Collections relating investment in other assets	(17)	16,422	-
Changes in current financial investments		(863,606)	1,455
<b>Cash flows from investing activities</b>		<b>(2,415,678)</b>	<b>(1,847,136)</b>
Collections relating to non-current financial debt		-	1,653
Payments relating to non-current financial debt		(2,929)	-
Collections/(Payments) relating to acquisitions of treasury shares		-	(26,861)
Collections/(Payments) relating to current financial debt		4,907	6,418
Dividends		(1,625,949)	(1,510,371)
<b>Cash flows used in financing activities</b>		<b>(1,623,971)</b>	<b>(1,529,161)</b>
Net increase in cash and cash equivalents		459,879	(128,791)
Cash and cash equivalents at the beginning of the year	(19)	3,797,930	3,846,726
Effect of exchange rate fluctuations on cash and cash equivalents		(32,282)	79,995
<b>Cash and cash equivalents at the end of the year</b>	<b>(19)</b>	<b>4,225,527</b>	<b>3,797,930</b>

## 5. Consolidated statement of changes in equity

### Equity attributable to the Parent

(Amounts in thousands of euros)	Capital	Share premium	Retained earnings	Other reserves	Reserves of companies accounted for using the equity method	Treasury shares	Translation differences	Cash flows	Subtotal	Non-controlling interests	Total equity
<b>Balance at 1 February 2014</b>	<b>93,500</b>	<b>20,379</b>	<b>9,414,825</b>	<b>55,181</b>	<b>-</b>	<b>(46,494)</b>	<b>(290,006)</b>	<b>(1,141)</b>	<b>9,246,244</b>	<b>32,119</b>	<b>9,278,363</b>
Profit for the year	-	-	2,500,548	-	-	-	-	-	2,500,548	9,603	2,510,151
Transfers	-	-	(139,556)	-	139,556	-	-	-	-	-	-
Distributed dividends	-	-	30,035	-	(30,035)	-	-	-	-	-	-
Other movements	-	-	(2,132)	-	-	-	-	-	(2,132)	(372)	(2,504)
Other comprehensive income for the year	-	-	-	-	-	-	141,311	70,791	212,102	-	212,102
Translation differences related to foreign operations	-	-	-	-	-	-	141,311	-	141,311	-	141,311
Cash flow hedges	-	-	-	-	-	-	-	70,791	70,791	-	70,791
Operations with equity holders or owners	-	-	(1,507,371)	8,123	-	(26,860)	-	-	(1,526,108)	(3,303)	(1,529,411)
Treasury shares	-	-	-	-	-	(26,860)	-	-	(26,860)	-	(26,860)
Share-based payments	-	-	-	8,123	-	-	-	-	8,123	-	8,123
Dividends	-	-	(1,507,371)	-	-	-	-	-	(1,507,371)	(3,303)	(1,510,674)
<b>Balance at 31 January 2015</b>	<b>93,500</b>	<b>20,379</b>	<b>10,296,350</b>	<b>63,304</b>	<b>109,521</b>	<b>(73,354)</b>	<b>(148,695)</b>	<b>69,650</b>	<b>10,430,655</b>	<b>38,046</b>	<b>10,468,701</b>
<b>Balance at 1 February 2015</b>	<b>93,500</b>	<b>20,379</b>	<b>10,296,350</b>	<b>63,304</b>	<b>109,521</b>	<b>(73,354)</b>	<b>(148,695)</b>	<b>69,650</b>	<b>10,430,655</b>	<b>38,046</b>	<b>10,468,701</b>
Profit for the year	-	-	2,874,584	-	-	-	-	-	2,874,584	7,617	2,882,201
Transfers	-	-	(32,125)	-	32,125	-	-	-	-	-	-
Distributed dividends	-	-	10,415	-	(10,415)	-	-	-	-	-	-
Other movements	-	-	(4,411)	-	-	-	-	-	(4,411)	2,043	(2,368)
Other comprehensive income for the year	-	-	-	-	-	-	(244,395)	(41,655)	(286,050)	-	(286,050)
Translation differences related to foreign operations	-	-	-	-	-	-	(244,395)	-	(244,395)	-	(244,395)
Cash flow hedges	-	-	-	-	-	-	-	(41,655)	(41,655)	-	(41,655)
Operations with equity holders or owners	-	-	(1,618,839)	14,259	-	-	-	-	(1,604,580)	(7,110)	(1,611,690)
Share-based payments	-	-	-	14,259	-	-	-	-	14,259	-	14,259
Dividends	-	-	(1,618,839)	-	-	-	-	-	(1,618,839)	(7,110)	(1,625,949)
<b>Balance at 31 January 2016</b>	<b>93,500</b>	<b>20,379</b>	<b>11,525,973</b>	<b>77,563</b>	<b>131,231</b>	<b>(73,354)</b>	<b>(393,090)</b>	<b>27,995</b>	<b>11,410,197</b>	<b>40,596</b>	<b>11,450,793</b>

*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 34]. In the event of a discrepancy, the Spanish-language version prevails.*

## 6. Notes to the consolidated annual accounts of the Inditex group at 31 January 2016

The consolidated annual accounts of the Inditex Group for 2015 were prepared by the Board of Directors on 8 March 2016 and will be submitted for approval at the corresponding annual general shareholders' meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2014 were approved by the annual General Shareholders' Meeting held on 14 July 2015.

These annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and their interpretations (IFRICs and SICs) adopted by the European Union (EU-IFRSs) and other applicable financial reporting regulations.

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 2015 will hereinafter be referred to as "2014", the period ended 31 January 2016 as "2015", and so on.

Unless otherwise stated, the amounts shown in these consolidated annual accounts are expressed in thousands of euros.

The consolidated annual accounts are presented in euros, since the euro is the Group's functional currency.

The separate annual accounts of the Parent (Inditex) for 2015 have been prepared by the Board of Directors in a separate document to these consolidated annual accounts.

These consolidated annual accounts present fairly the consolidated equity, financial position and changes in equity of the Inditex Group at 31 January 2016, as well as the results of its operations and cash flows for the year then ended.

The consolidated annual accounts of the Inditex Group for 2015 have been prepared on the basis of the accounting records of Inditex and the other Group companies.

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

- Gross Profit: the difference between net sales and the cost of merchandise. Detailed information on the items included in these income statement line items is provided in notes 2 and 3. The percentage gross profit is calculated as the gross profit in absolute terms as a percentage of net sales.
- EBITDA: earnings before interest, the result of companies accounted for using the equity method, taxes, depreciation and amortization, calculated as the gross margin less operating expenses and other losses and income, net.
- EBIT: earnings before interest, the result of companies accounted for using the equity method and taxes, calculated as EBITDA less amortization and depreciation.

Other alternative measures of performance are as follows:

- Return on capital employed (ROCE), defined as EBIT over average capital employed in the year (average of equity attributable to the Parent plus net financial debt in the year).
- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent over average shareholders' equity.

In preparing the consolidated annual accounts at 31 January 2016 estimates were made in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.
- The useful life of the property, plant and equipment, intangible assets and investment property.
- The fair value of certain assets, mainly financial instruments.
- The assumptions used in the actuarial calculation of the pension liabilities and other obligations to employees.
- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.
- The term of leases.

- The amount of the future minimum non-cancellable operating lease payments.
- The recovery of deferred tax assets.

Although these estimates were made on the basis of the best information available at 31 January 2016 and 2015, events that take place in the future might make it necessary to change these estimates in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8.

The basis of consolidation and accounting policies applied are disclosed in note 31.

## 6.1. Activity and description of the Group

Industria de Diseño Textil, S.A. ("Inditex"), domiciled in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the Parent of a group of companies, the principal activity of which consists of the distribution of fashion items, mainly clothing, footwear, accessories and household textile products. Inditex carries out its activity through various commercial formats such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Inditex is listed on all four Spanish stock exchanges and, together with its subsidiary companies, comprises the Inditex Group ("the Group").

Each format's commercial activity is carried out through an integrated store and on-line sales model managed directly by companies in which INDITEX exercises control through the ownership of all or the majority of the share capital and of the voting rights, with the exception of certain countries where, for various reasons, the retail selling activity is performed through franchises. Certain franchise agreements entered into by the Group include purchase options which, if exercised, would entitle the Group to lease the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed since the signing of the franchise agreement.

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

The Group holds joint ownership over the entities making up the Tempe Group. Based on an analysis of the contractual arrangements giving it joint control, the Group classified its ownership interest in the

Tempe Group as a joint venture. The interest in the Tempe Group was accounted for using the equity method.

Inditex's business model is characterized by the search for flexibility in adapting production to market demand by controlling the supply chain throughout the various stages of design, manufacture and retailing. This enables it to focus both its own and suppliers' production on changes in market trends during each sales campaign.

The Group's logistics system is based on constant deliveries from the distribution centers of the various commercial formats to stores throughout each season. This system essentially operates through centralized logistics centers for each concept in which inventory is stored and distributed to stores worldwide.

At 31 January 2016, the various Group formats had stores in 88 countries with the following geographical distribution:

Number of stores	Company managed	Franchises	Total
Spain	1,790	36	1,826
Rest of Europe	2,941	146	3,087
Americas	539	143	682
Rest of the World	835	583	1,418
<b>Total</b>	<b>6,105</b>	<b>908</b>	<b>7,013</b>

At 31 January 2015, the geographical distribution of stores was as follows:

Number of stores	Company managed	Franchises	Total
Spain	1,786	36	1,822
Rest of Europe	2,803	139	2,942
Americas	479	135	614
Rest of the World	742	563	1,305
<b>Total</b>	<b>5,810</b>	<b>873</b>	<b>6,683</b>

The majority of store premises are held under operating leases. Information on the main terms of the leases is provided in note 24.

## 6.2. 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.

Details for 2015 and 2014 are as follows:

	2015	2014
Net sales in company-managed stores	19,046,997	16,557,273
Net sales to franchisees	1,645,401	1,357,797
Other sales and services rendered	208,041	201,464
<b>Total</b>	<b>20,900,439</b>	<b>18,116,534</b>

### 6.3. Cost of sales

Details for 2015 and 2014 are as follows:

	2015	2014
Raw materials and consumables	9,146,638	7,730,274
Change in inventories	(335,499)	(182,637)
<b>Total</b>	<b>8,811,139</b>	<b>7,547,637</b>

Raw materials and consumables mainly include amounts relating to the acquisition from or production by third parties of products held for sale or conversion, and other direct expenses related to the acquisition of goods (see note 31.2.i).

### 6.4. Operating expenses

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

	2015	2014
Personnel expenses	3,335,246	2,932,204
Operating leases (note 24)	2,087,434	1,849,564
Other operating expenses	1,969,152	1,675,801
<b>Total</b>	<b>7,391,832</b>	<b>6,457,569</b>

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2016 is as follows:

Category	Gender		
	W	M	Total
Manufacturing and logistics	4,012	5,128	9,140
Central services	6,448	3,823	10,271
Stores	106,049	27,394	133,443
<b>Total</b>	<b>116,509</b>	<b>36,345</b>	<b>152,854</b>

The detail, by category, of the headcount of the Group and its jointly controlled entities at 31 January 2015 is as follows:

Category	Gender		
	W	M	Total
Manufacturing and logistics	3,813	4,734	8,547
Central services	5,906	3,467	9,372
Stores	96,013	23,121	119,134
<b>Total</b>	<b>105,732</b>	<b>31,322</b>	<b>137,054</b>

Lease expenses relate mainly to the rental, through operating leases, of the Group's commercial premises. This line item also includes lease incentives, which are recognized in profit or loss. Note 24 provides more detailed information on the main terms of these leases, together with the related minimum future payment obligations.

"Other operating expenses" includes mainly expenses relating to store operations, logistics and general expenses, such as electricity, commissions on credit and debit card payments, travel, decoration expenses, communications and all kinds of professional services.

### 6.5. Other losses and income, net

This line item includes mainly changes in the prices of the debts recognized as a result of the existence of cross call and put options between the Group and the owners of some of the shares of certain of the subsidiaries, since these cross options are considered to be a deferred acquisition of the shares constituting the underlying. The estimated option strike price is recognized as a liability and changes are recognized in profit or loss.

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

#### a) Subsidiaries domiciled in Mexico

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

#### b) Subsidiaries domiciled in Korea

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

#### c) Subsidiaries domiciled in South Africa

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

#### d) Subsidiaries domiciled in Australia

The Group holds a call option on 10% of the share capital of Group Zara Australia, PTY. Ltd. At 31 January 2015, the Group held an option on 20% of the share capital of Group Zara Australia, PTY. Ltd. and on 21 December 2015, the Group exercised 10% of the option, thereby increasing the Group's ownership interest in this company to 90%. The remaining 10% ownership interest is held by International Brand Management, PTY. LTD., which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A.

The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

## 6.6. Amortization and depreciation

The detail of "Amortization and depreciation" is as follows:

	2015	2014
Amortization and depreciation charge (notes 12, 13 and 14)	976,497	861,955
Variation in impairment losses (notes 12 and 14)	27,924	1,470
Profit/(loss) on assets (notes 12 and 14)	38,015	65,000
Others	(20,719)	(23,538)
	<b>1,021,717</b>	<b>904,887</b>

"Other" relates mainly to gains on non-current asset sales and other transactions are recognized directly against equity.

## 6.7. Financial results

Details of "Financial results" in the consolidated income statements for 2015 and 2014 are as follows:

	2015	2014
Interest income	23,255	25,959
Foreign exchange gains	21,531	54,331
<b>Total income</b>	<b>44,786</b>	<b>80,290</b>
Finance costs	(12,069)	(9,912)
Foreign exchange losses	(22,648)	(55,895)
<b>Total expenses</b>	<b>(34,717)</b>	<b>(65,807)</b>
<b>Total</b>	<b>10,069</b>	<b>14,483</b>

Financial income and expenses mainly comprise interest accrued on the Group's financial assets and liabilities during the year (see note 19). Net foreign exchange differences are principally due to fluctuations in the currencies with which the Group operates (see note 25) between the time when income, expenses, acquisitions or disposals of assets are recognized and when the corresponding assets or liabilities are realized or settled under applicable accounting principles.

## 6.8. Earnings per share

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group (see

note 22), which totalled 3,113,152,000 in 2015 and 3,113,773,370 in 2014.

Diluted earnings per share is calculated based on profit attributable to the holders of equity instruments of the Company and a weighted average number of ordinary shares outstanding after adjustment for the dilution effect of all potential ordinary shares.

## 6.9. Segment reporting

The principal activity of the Inditex Group comprises the retail and on-line distribution of clothing, footwear, accessories and household textile products through various commercial format stores aimed at different targeted sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units correspond to operating segments, as these risks and rewards are mainly influenced by the fact that each cash-generating unit belongs to a particular commercial format. The internal organization of the Inditex Group, the decision-making process and the system for communicating information to the Board of Directors and Group management are organized by commercial format and geographical areas.

The key business indicators, understood to be those which form part of the segment information reported periodically to the Board of Directors and management of the Group and which are used in the decision-making process, are net sales and operating profit by segment.

The segment liabilities, financial results and taxes are not broken down 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.

Details of Inditex Group segment reporting are as follows:

<b>FY 2015</b>	<b>ZARA</b>	<b>Bershka</b>	<b>Other</b>	<b>Total</b>
Sales to third parties	13,628,310	1,875,476	5,396,652	20,900,439
Segment EBITDA	2,452,452	298,619	926,371	3,677,442
Amortization and depreciation	625,521	107,689	288,507	1,021,717
Segment total assets	13,251,245	886,164	3,219,739	17,357,148
ROCE	30%	53%	45%	34%
Number of stores	2,162	1,044	3,807	7,013

<b>FY 2014</b>	<b>ZARA</b>	<b>Bershka</b>	<b>Other</b>	<b>Total</b>
Sales to third parties	11,594,358	1,664,007	4,858,169	18,116,534
Segment EBITDA	2,122,634	244,589	830,964	3,198,186
Amortization and depreciation	570,310	85,716	248,860	904,887
Segment total assets	11,453,301	880,539	3,043,160	15,377,000
ROCE	29%	43%	44%	33%
Number of stores	2,085	1,006	3,592	6,683

For presentation purposes, the commercial chains other than Zara and Bershka were grouped into a single reporting segment due to the similarities in the nature of the products sold and their management and monitoring model.

For the purposes of the reconciliation with the consolidated annual accounts, sales to third parties relate to "Net sales" in the consolidated income statement and the amortization and depreciation corresponds to "Amortization and depreciation" in the consolidated income statement.

The segment result refers to the operating result (EBIT) of the segment. Income and expenses which might be considered to be corporate in nature or as belonging to the group of segments as a whole have been assigned to each segment in accordance with criteria considered reasonable by Group management. Inter-segment transactions are not material and, therefore, are not broken down.

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

ROCE is calculated as defined in the first note to these consolidated annual accounts.

Zara was the first chain created by the Inditex Group and its leading position is based on its fashion offering, with a wide range of products.

Bershka is aimed at 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 assets are based on the geographical location of assets. Non-current segment assets do not include deferred tax assets.

	Net sales		Non-current assets	
	2015	2014	31/01/16	31/01/15
Spain	4,002,801	3,706,663	2,920,572	2,541,139
Rest of Europe	9,695,065	8,723,851	2,916,414	2,864,143
Americas	3,002,480	2,445,948	1,361,809	1,204,289
Asia and rest of the world	4,200,093	3,240,073	1,015,689	1,017,901
<b>Total</b>	<b>20,900,439</b>	<b>18,116,534</b>	<b>8,214,484</b>	<b>7,627,472</b>

## 6.10. Trade and other receivables

Details at 31 January 2016 and 2015 are as follows:

	31/01/16	31/01/15
Trade receivables	163,765	182,496
Receivables due to sales to franchises	229,873	176,766
Public entities	152,881	406,479
Other current receivables	122,288	96,070
<b>Total</b>	<b>668,807</b>	<b>861,811</b>

Trade receivables are mainly customer debit/credit card payments pending collection.

Part of the Group's activity is carried out through franchised stores (see note 1). Sales to franchisees are made under agreed collection terms, which are partially secured as described in note 25.

Balances receivable from public entities comprise VAT and other taxes and duties incurred by Group companies in the countries in which they operate.

Other current receivables include items such as rental incentives due from shopping center developers (see note 24) and outstanding balances on sundry operations, largely advances from creditors to sales representatives.

## 6.11. Inventories

Details at 31 January 2016 and 2015 are as follows:

	31/01/16	31/01/15
Raw materials and consumables	87,940	64,925
Goods in process	32,955	22,237
Finished goods for sale	2,074,120	1,772,354
<b>Total</b>	<b>2,195,015</b>	<b>1,859,516</b>

The Group contracts insurance policies to cover the potential risk of damage to its inventories.

## 6.12. Property, plant and equipment

Details of property, plant and equipment in the accompanying consolidated balance sheet and related changes are as follows:

	Land and buildings	Fixtures, furniture and machinery	Other plant and equipment	Work in progress	Total
<b>Cost</b>					
Balance at 01/02/2014	1,485,184	7,341,830	349,825	290,671	9,467,511
Acquisitions	62,393	1,099,435	126,466	338,549	1,626,843
Changes in consolidation scope	(17,948)	(74,494)	(4,644)	(5,344)	(102,430)
Disposals (Note 6)	(10,201)	(352,489)	(34,218)	(5,870)	(402,778)
Transfers	74,359	104,410	183	(179,603)	(652)
Foreign exchange translation differences	49,224	133,215	(3,225)	32,710	211,924
<b>Balance at 31/01/2015</b>	<b>1,643,011</b>	<b>8,251,907</b>	<b>434,387</b>	<b>471,113</b>	<b>10,800,418</b>
Balance at 01/02/2015	1,643,011	8,251,907	434,387	471,113	10,800,418
Acquisitions	136,563	1,160,402	82,399	153,500	1,532,865
Disposals (Note 6)	(1,837)	(399,394)	(35,193)	(760)	(437,184)
Transfers	86,507	82,746	9,212	(123,244)	55,222
Foreign exchange translation differences	9,004	(231,452)	(11,649)	9,225	(224,872)
<b>Balance at 31/01/2016</b>	<b>1,873,248</b>	<b>8,864,209</b>	<b>479,157</b>	<b>509,835</b>	<b>11,726,449</b>
<b>Depreciation</b>					
Balance at 01/02/2014	249,617	3,816,914	187,310	-	4,253,841
Depreciation charge for the year (Note 6)	22,641	662,790	51,938	-	737,369
Changes in consolidation scope	(2,018)	(21,652)	(3,671)	-	(27,341)
Disposals (Note 6)	(2,045)	(295,935)	(30,541)	-	(328,520)
Transfers	(13,350)	14,139	(1,833)	-	(1,044)
Foreign exchange translation differences	3,424	60,348	(77)	-	63,695
<b>Balance at 31/01/2015</b>	<b>258,269</b>	<b>4,236,605</b>	<b>203,126</b>	<b>-</b>	<b>4,698,000</b>
Balance at 01/02/2015	258,269	4,236,605	203,126	-	4,698,000
Depreciation charge for the year (Note 6)	36,370	751,565	64,084	-	852,018
Disposals (Note 6)	(585)	(363,526)	(33,245)	-	(397,356)
Transfers	10,319	(9,694)	766	-	1,390
Foreign exchange translation differences	338	(93,232)	(5,998)	-	(98,892)
<b>Balance at 31/01/2016</b>	<b>304,711</b>	<b>4,521,717</b>	<b>228,733</b>	<b>-</b>	<b>5,055,160</b>
<b>Impairment losses (note 31.2.g)</b>					
Balance at 01/02/2014	1,506	73,287	1,296	-	76,089
Charge for the year (Note 6)	-	30,407	974	-	31,381
Amounts charged to profit or loss (Note 6)	(93)	(27,591)	(469)	-	(28,153)
Disposals (Note 6)	-	(16,582)	(374)	-	(16,956)
Transfers	-	(142)	3	-	(139)
Foreign exchange translation differences	-	(261)	(117)	-	(378)
<b>Balance at 31/01/2015</b>	<b>1,413</b>	<b>59,118</b>	<b>1,313</b>	<b>-</b>	<b>61,844</b>
Balance at 01/02/2015	1,413	59,118	1,313	-	61,844
Charge for the year (Note 6)	258	34,089	549	-	34,896
Amounts charged to profit or loss (Note 6)	-	(10,212)	(347)	-	(10,559)
Disposals (Note 6)	-	(11,380)	(426)	-	(11,807)
Transfers	-	291	1	-	291
Foreign exchange translation differences	-	(861)	16	-	(845)
<b>Balance at 31/01/2016</b>	<b>1,671</b>	<b>71,044</b>	<b>1,106</b>	<b>-</b>	<b>73,821</b>
<b>Carrying amount</b>					
<b>Balance at 31/01/2015</b>	<b>1,383,329</b>	<b>3,956,184</b>	<b>229,948</b>	<b>471,113</b>	<b>6,040,573</b>
<b>Balance at 31/01/2016</b>	<b>1,566,865</b>	<b>4,271,448</b>	<b>249,319</b>	<b>509,835</b>	<b>6,597,467</b>

In 2015 the main material addition to “Land and buildings” related to the acquisition of premises in Milan.

“Other 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 on its commercial activities.

Fully depreciated items of property, plant and equipment include certain items, mainly machinery,

fixtures and furniture, with a gross cost value of Euros 1,887,334 thousand and Euros 1,708,698 thousand at 31 January 2016 and 31 January 2015, respectively.

An impairment test and a sensitivity analysis were performed in relation to reasonably possible changes in the main fair value estimates and the results did not vary significantly (see note 31.2.g).

Through its corporate risk management policy, the Group identifies, assesses and controls damage and liability-related risks to which the Group companies are exposed. It does this by compiling and measuring the main risks of damage, loss of profits and liability affecting the Group and implements prevention and protection policies aimed at reducing the frequency and intensity of these risks.

Likewise, standard measurement criteria are established at corporate level which enable the different risks to which the Group is exposed to be quantified, measured and insured.

Lastly, the Group takes out insurance policies through corporate insurance programs to protect its assets from risk and establishes limits, excesses and conditions according to the nature of such risk and the financial relevance of the Group.

## 6.13. Investment property

Investment property mainly relates to premises and other properties leased to third parties. The changes in this caption during 2015 and 2014 were as follows:

<b>Cost</b>	<b>31/01/16</b>	<b>31/01/15</b>
Opening balance	87,682	88,296
Transfers	(61,822)	(614)
<b>Closing balance</b>	<b>25,860</b>	<b>87,682</b>
<b>Depreciation</b>		
Opening balance	6,192	5,487
Depreciation charge for the year (Note 6)	250	786
Transfers	(1,734)	(81)
<b>Closing balance</b>	<b>4,708</b>	<b>6,192</b>
<b>Net carrying value</b>	<b>21,152</b>	<b>81,490</b>

The total market value of the investment property at 31 January 2016 was approximately Euros 21,200 thousand (31 January 2015: Euros 83,000 thousand). This market value is supported, in the case of the most significant properties (81% of the total

cost), by appraisals conducted in recent years, by independent valuers of acknowledged professional capacity and recent experience in relation to the location and category of the investment property being valued. The appraisals were conducted using a future cash flow discounting method based on the market prices of similar premises.

The transfers during the year relate to properties previously leased to third parties that are now being used by the Group.

In 2015 Euros 2,675 thousand (Euros 4,347 thousand in 2014) of rental income on these properties were included under "Net sales – Other sales and services rendered" (see note 2) in the consolidated income statement.

## 6.14. Rights over leased assets and other intangible assets

"Rights over leased assets" include amounts paid in respect of leasehold assignment, access premiums or tenancy right waivers and indemnities in order to lease commercial premises.

The payments for these rights are attributable to the leased assets and the related cost is allocated to profit or loss in accordance with the terms and conditions of the leases over the lease term.

At 31 January 2016, "Rights over leased assets" included items with an indefinite useful life amounting to Euros 133,130 thousand (Euros 128,697 thousand at 31 January 2015). The useful life of these assets is reviewed at year-end and no events or circumstances altering this indefinite useful life assessment were identified. The Group did not have any other intangible assets with an indefinite useful life.

"Other intangible assets" include 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.

An impairment test and a sensitivity analysis were performed in relation to reasonably possible changes in the main fair value estimates and the results did not vary significantly (see note 31.2.g).

The detail of other intangible assets in the consolidated balance sheet and of the changes therein during 2015 and 2014 is as follows:

	Rights over leased assets	Patents and similar intangibles	Software	Other intangible assets	Total
<b>Cost</b>					
Balance at 01/02/2014	955,581	23,428	90,762	141,321	1,211,093
Acquisitions	74,493	1,816	29,691	62,001	168,001
Changes in consolidation scope	-	(120)	(979)	(15,262)	(16,362)
Disposals (Note 6)	(30,310)	(89)	(23,442)	(50,448)	(104,289)
Transfers	(3,632)	-	28	(27)	(3,631)
Foreign exchange translation differences	14,113	-	429	12	14,554
<b>Balance at 31/01/2015</b>	<b>1,010,246</b>	<b>25,035</b>	<b>96,489</b>	<b>137,597</b>	<b>1,269,367</b>
Balance at 01/02/2015	1,010,246	25,035	96,489	137,597	1,269,367
Acquisitions	53,631	1,714	31,564	87,226	174,135
Disposals (Note 6)	(18,328)	(8)	(7,527)	(50,586)	(76,449)
Transfers	(19,825)	1,184	805	(4)	(17,840)
Foreign exchange translation differences	(17,538)	(72)	(421)	(62)	(18,093)
<b>Balance at 31/01/2016</b>	<b>1,008,186</b>	<b>27,854</b>	<b>120,908</b>	<b>174,171</b>	<b>1,331,120</b>
<b>Amortization</b>					
Balance at 01/02/2014	435,098	12,106	45,958	63,675	556,837
Amortization charge for the year (Note 6)	53,203	2,040	14,900	50,089	120,232
Changes in consolidation scope	-	(103)	(821)	(10,579)	(11,504)
Disposals (Note 6)	(21,396)	(89)	(23,510)	(48,060)	(93,056)
Transfers	(134)	-	149	-	15
Foreign exchange translation differences	5,505	-	352	14	5,873
<b>Balance at 31/01/2015</b>	<b>472,276</b>	<b>13,954</b>	<b>37,028</b>	<b>55,138</b>	<b>578,396</b>
Balance at 01/02/2015	472,276	13,954	37,028	55,138	578,396
Amortization charge for the year (Note 6)	40,870	2,102	19,157	62,099	124,229
Disposals (Note 6)	(8,735)	(8)	(7,710)	(48,772)	(65,225)
Transfers	-	1,184	(1,184)	-	-
Foreign exchange translation differences	(9,899)	(72)	(276)	(42)	(10,287)
<b>Balance at 31/01/2016</b>	<b>494,512</b>	<b>17,161</b>	<b>47,015</b>	<b>68,423</b>	<b>627,112</b>
<b>Impairment losses (note 31.2.g)</b>					
Balance at 01/02/2014	11,564	-	-	410	11,974
Impairment charge for the year (Note 6)	2,262	-	4	(24)	2,242
Amounts charge to profit or loss (Note 6)	(3,617)	-	-	(383)	(4,000)
Disposals (Note 6)	(3,535)	-	-	-	(3,535)
Transfers	139	-	-	-	139
Foreign exchange translation differences	41	-	-	-	41
<b>Balance at 31/01/2015</b>	<b>6,855</b>	<b>-</b>	<b>4</b>	<b>2</b>	<b>6,861</b>
Balance at 01/02/2015	6,855	-	4	2	6,861
Impairment charge for the year (Note 6)	4,830	-	-	8	4,838
Amounts charge to profit or loss (Note 6)	(1,251)	-	-	-	(1,251)
Disposals (Note 6)	(1,226)	-	(3)	(1)	(1,230)
Transfers	15	-	-	-	15
Foreign exchange translation differences	5	-	(1)	-	4
<b>Balance at 31/01/2016</b>	<b>9,227</b>	<b>-</b>	<b>1</b>	<b>9</b>	<b>9,238</b>
<b>Carrying amount</b>					
<b>Balance at 31/01/2015</b>	<b>531,115</b>	<b>11,081</b>	<b>59,457</b>	<b>82,457</b>	<b>684,110</b>
<b>Balance at 31/01/2016</b>	<b>504,447</b>	<b>10,693</b>	<b>73,892</b>	<b>105,739</b>	<b>694,771</b>

The Group capitalized Euros 24,824 thousand in 2015 (Euros 19,642 thousand in 2014) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized Euros 86,538 thousand (Euros 61,729 in 2014) in respect of the development of industrial designs and other intangibles associated with the Group's activity that meet the requirements for capitalization under IAS 38.

## 6.15. Goodwill

The detail of this caption in the consolidated balance sheet and of the changes therein in 2015 and 2014 is as follows:

	2015	2014
Opening balance	197,901	203,458
Foreign exchange translation differences	(4,413)	(5,557)
<b>Closing balance</b>	<b>193,488</b>	<b>197,901</b>

Investee	2015	2014
Stradivarius España, S.A.	53,253	53,253
BCN Diseños, S.A. de C.V.	11,447	13,600
Zara Polska, S.p. Zo.o.	32,819	34,632
Zao Zara CIS	8,254	8,655
Pull & Bear CIS	182	191
Stradivarius CIS	5,173	5,229
Zara Serbia, D.O.O. Belgrade	4,174	4,164
Pull & Bear Serbia, D.O.O. Belgrade	695	692
Massimo Dutti Serbia, D.O.O. Belgrade	835	833
Bershka Serbia, D.O.O. Belgrade	807	805
Stradivarius Serbia, D.O.O. Belgrade	728	726
Oysho Serbia, D.O.O. Belgrade	485	484
Inditex Montenegro, D.O.O. Podgorica	2,577	2,577
Massimo Dutti Benelux, N.V.	19,921	19,921
Italco Moda Italiana, LDA.	51,357	51,357
Z-Fashion Finland OY	781	781
<b>Closing balance</b>	<b>193,488</b>	<b>197,901</b>

Goodwill arising from the acquisition or termination of franchise contracts is equal to the value of intangible assets that did not meet with the requirements established in IFRS 3 for separate recognition. These requirements were essentially related to the capacity of the assets to generate future cash flows.

The recovery of the goodwill is adequately guaranteed through the profitability of the acquired companies, whose future cash flows support their carrying amount at year end (see note 31.2.g).

Also, sensitivity analyses were performed in relation to reasonably possible changes in the main fair value estimates and the recoverable amount is higher than the related carrying amount (see note 31.2.g).

## 6.16. Financial investments

The detail of this caption in the consolidated balance sheet and of the changes therein in 2015 and 2014 is as follows:

	Loans and other credit facilities	Investments accounted for using the equity method	Others	Total
Balance at 01/02/2014	18,130	-	2,504	20,634
Acquisitions	13,178	-	-	13,178
Changes in consolidation scope	17,423	141,676	-	159,099
Disposals	(31,007)	-	(36)	(31,043)
Transfer to short term	(10,616)	-	-	(10,616)
<b>Balance at 31/01/2015</b>	<b>7,109</b>	<b>141,676</b>	<b>2,468</b>	<b>151,253</b>
Balance at 01/02/2015	7,109	141,676	2,468	151,253
Acquisitions	300	55,607	73	55,980
Disposals	(267)	(22,414)	(748)	(23,429)
<b>Balance at 31/01/2016</b>	<b>7,142</b>	<b>174,869</b>	<b>1,793</b>	<b>183,804</b>

The carrying amount of the ownership interest in the Tempe Group in the accompanying consolidated balance sheet does not differ significantly from the value of the Group's share of the net assets of the Tempe Group (see note 27).

There are no significant restrictions of any kind on the Tempe Group's ability to transfer funds to the Group in the form of cash dividends or the repayment of loans or advances granted by the Group.

## 6.17. Other non-current assets

The detail of this caption in the consolidated balance sheet and of the changes therein in 2015 and 2014 is as follows:

	Guarantees	Other	Total
Balance at 01/02/2014	344,302	30,569	374,871
Acquisitions	104,992	18,795	123,787
Changes in consolidation scope	(108)	(2)	(110)
Disposals	(34,230)	(197)	(34,427)
Profit/(Loss) for the year	2	(3,570)	(3,568)
Transfers	(787)	(3,543)	(4,330)
Foreign exchange translation differences	15,154	769	15,925
<b>Balance at 31/01/2015</b>	<b>429,324</b>	<b>42,822</b>	<b>472,146</b>
Balance at 01/02/2015	429,324	42,822	472,146
Acquisitions	62,177	10,714	72,891
Disposals	(16,255)	(167)	(16,422)
Profit/(Loss) for the year	(4,097)	(6,852)	(10,949)
Transfers	(5,004)	18,048	13,044
Foreign exchange translation differences	(4,654)	(2,253)	(6,907)
<b>Balance at 31/01/2016</b>	<b>461,490</b>	<b>62,312</b>	<b>523,802</b>

The guarantees and deposits relate mainly to amounts deposited with owners of leased commercial premises to ensure compliance with the conditions stipulated in lease contracts (see note 24) and to amounts paid to secure compliance with contracts in force.

These amounts are recognized at their repayment value as this value does not differ significantly from amortized cost.

## 6.18. Accounts payable

The detail of this caption in the consolidated balance sheet at 31 January 2016 and 2015 is as follows:

	31/01/16	31/01/15
Trade payables	2,994,901	2,483,423
Personnel	406,187	281,792
Public entities	705,974	453,756
Other current payables	407,204	288,907
<b>Total</b>	<b>4,514,266</b>	<b>3,507,878</b>

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

Current period (2015)	Days
Average period of payment to suppliers	34.02
Ratio of transactions settled	34.10
Ratio of transactions not yet settled	33.10

Current period (2015)	Amount (euros)
<b>Total payments made (in thousands of euros)</b>	<b>2,502,360</b>
<b>Total payments outstanding (in thousands of euros)</b>	<b>202,379</b>

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

## 6.19. Net financial position

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

	31/01/16	31/01/15
Cash in hand and at banks	2,431,029	2,135,021
Short-term deposits	853,526	1,073,310
Fixed-income securities	940,972	589,599
<b>Total cash and cash equivalents</b>	<b>4,225,527</b>	<b>3,797,930</b>
<b>Current financial investments</b>	<b>1,085,648</b>	<b>222,259</b>
<b>Current financial debt</b>	<b>(10,254)</b>	<b>(7,823)</b>
<b>Non-current financial debt</b>	<b>(749)</b>	<b>(2,265)</b>
<b>Net financial position</b>	<b>5,300,172</b>	<b>4,010,101</b>

Cash in hand and at banks includes cash in hand and in demand deposits at banks. Short-term deposits and fixed-income securities comprise term deposits and money market investment funds that are used to acquire highly liquid, fixed-income securities with average weighted maturity of less than 90 days, a high credit rating and which 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 caption are unrestricted as to their use and there are no guarantees or pledges attached to them.

"Current assets - Financial investments" on the asset side of the consolidated balance sheet relates mainly to investments in money market investment funds and fixed-income securities, with weighted average maturities ranging from 90 days to 12

months, all of which have high credit ratings and are highly liquid.

Details of Group bank loans and borrowings and obligations under finance leases are as follows:

31/01/2016	Current	Non-current	Total
Loans	8,511	-	8,511
Finance leases	1,743	749	2,492
Other financial debt	-	-	-
	<b>10,254</b>	<b>749</b>	<b>11,003</b>

31/01/2015	Current	Non-current	Total
Loans	4,607	-	4,607
Finance leases	3,216	2,232	5,448
Other financial debt	-	33	33
	<b>7,823</b>	<b>2,265</b>	<b>10,088</b>

At 31 January 2016, the Group had a limit of Euros 3,406,509 thousand on its credit facilities (Euros 3,204,535 thousand at 31 January 2015).

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:

	31/01/16	31/01/15
Euro	1,849	4,878
Turkish lira	3,562	-
Chinese yen	989	971
Russian ruble	4,597	2,453
Brazilian real	-	1,772
Romanian leu	6	14
	<b>11,003</b>	<b>10,088</b>

The maturity of the Group's bank loans and borrowings at 31 January 2016 and 2015 is as follows:

	31/01/16	31/01/15
Less than one year	10,254	7,823
Between one and five years	749	2,265
	<b>11,003</b>	<b>10,088</b>

## 6.20. Provisions

The detail of this caption in the consolidated balance sheet and of the changes therein in 2015 and 2014 is as follows:

	Pensions and similar obligations with personnel	Liability	Other provisions	Total
Balance at 01/02/2014	32,195	92,730	22,844	147,768
Provisions recorded during the year	29,484	13,974	20,146	63,603
Changes in consolidation scope	(128)	(401)	-	(529)
Disposals	-	(8,704)	(192)	(8,896)
Transfers	(1,896)	(3,784)	-	(5,681)
Foreign exchange translation differences	1,244	(338)	3,439	4,345
<b>Balance at 31/01/2015</b>	<b>60,898</b>	<b>93,477</b>	<b>46,236</b>	<b>200,611</b>
Balance at 01/02/2015	60,898	93,477	46,236	200,611
Provisions recorded during the year	6,359	23,652	10,686	40,696
Disposals	(652)	(56,211)	(2,360)	(59,224)
Transfers	(33,057)	(2,035)	-	(35,092)
Foreign exchange translation differences	(780)	(1,442)	524	(1,698)
<b>Balance at 31/01/2016</b>	<b>32,768</b>	<b>57,440</b>	<b>55,086</b>	<b>145,294</b>

*Provision for pensions and similar obligations with personnel*

Certain group companies have undertaken to settle specific obligations with personnel. The Group has a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2016. The estimated average payment period for the amounts provisioned is between three and five years.

*Provision for liability*

The amounts shown here correspond to current obligations from legal claims or constructive obligations deriving from past actions which include a probable outflow of resources that has been reliably estimated. At the date of preparation of these consolidated annual accounts, there were no legal proceedings whose final outcome could significantly affect the Group's equity position.

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

- Maximum amount of the contingency

- Foreseeable evolution and factors on which the contingency depends

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

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

## 6.21. Other non-current liabilities

The detail of this caption in the consolidated balance sheet and of the changes therein in 2015 and 2014 is as follows:

	Options with shareholders (Note 5)	Lease incentives	Other	Total
Balance at 01/02/2014	6,395	590,941	51,077	648,414
Acquisitions	-	89,619	501	90,120
Changes in consolidation scope	-	(3)	(2,780)	(2,783)
Changes through profit or loss	-	22,450	5,581	28,032
Disposals	-	(1,664)	(253)	(1,917)
Transfers	(6,395)	(41,598)	(5,376)	(53,369)
Foreign exchange translation differences	-	7,267	8	7,275
<b>Balance at 31/01/2015</b>	<b>-</b>	<b>667,013</b>	<b>48,758</b>	<b>715,771</b>
Balance at 01/02/2015	-	667,013	48,758	715,771
Acquisitions	-	140,510	12,986	153,496
Changes through profit or loss	-	9,445	21,104	30,549
Transfers	-	(54,492)	(9,117)	(63,609)
Foreign exchange translation differences	-	(31,243)	1	(31,242)
<b>Balance at 31/01/2016</b>	<b>-</b>	<b>731,234</b>	<b>73,732</b>	<b>804,966</b>

## 6.22. Capital and reserves

### Share capital

At 31 January 2016 and 2015, the Parent's share capital amounted to Euros 93,499,560, represented by 3,116,652,000 fully subscribed and paid shares of Euros 0.03 par value each. All shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2016 and 2015 amounted to Euros 20,379 thousand, while retained earnings amounted to Euros 3,334,142 thousand and Euros 3,018,476 thousand, respectively. The Parent's legal reserve, amounting to Euros 18,700 thousand, has been appropriated in compliance with article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits. At 31 January 2016 and 2015, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

Of the total consolidated reserves at 31 January 2016, the restricted reserves amount to Euros 383,151 thousand (Euros 299,015 thousand at 31 January 2015), due mainly to domestic legal requirements which limit their distribution (basically bylaw reserves).

INDITEX shares are listed on the four Spanish stock exchanges. As shares are represented by book entries and the Company therefore does not maintain a record of shareholders, it is not possible to accurately know the share structure of the Company. According to public information registered with the Spanish Stock Exchange Commission, at 31 January 2016 the members of the Board of Directors owned, directly or indirectly, 59.36% of the Parent's share capital, compared to 59.361% at 31 January 2015 (see note 29). At 31 January 2016, Pontegadea Inversiones, S.L. held 50.010% of the shares of INDITEX (Gartler, S.L. held 50.010% at 31 January 2015). In 2015, Gartler, S.L. was merged by absorption with Pontegadea Inversiones, S.L. through the transfer en bloc of its equity by universal succession.

### Dividends

Dividends distributed by the Parent during 2015 and 2014 amounted to Euros 1,618,839 thousand and Euros 1,507,068 thousand, respectively. These amounts correspond to earnings of 0.52 euro cents per share in 2015 and 0.484 euro cents in 2014.

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

### Treasury shares

The annual general shareholders' meeting held on 16 July 2013 approved a long-term share-based incentive plan (see note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for that plan.

By virtue of the foregoing, the following treasury share acquisitions were made:

- In 2013 450,000 treasury shares of Euros 0.15 par value each were acquired for an average acquisition cost of Euros 103.32 per share (which, following the stock split approved by the annual general shareholders' meeting on 15 July 2014, in the ratio of five new shares for every existing share, are equal to 2,250,000 treasury shares of Euros 0.03 par value each at an average acquisition cost of Euros 20.66 per share), representing 0.072% of the share capital.
- In 2014 1,250,000 treasury shares were acquired with an average acquisition cost of Euros 20.94 per share, representing 0.040% of the share capital.

In total, the Company holds 3,500,000 treasury shares representing 0.112% of the share capital.

## 6.23. Income taxes

With the exception of Industria de Diseño Textil, S.A. and Indipunt, S.L., the companies whose information is included in these consolidated annual accounts file individual tax returns.

Industria de Diseño Textil, S.A. is the parent of a group of companies that files consolidated tax returns in Spain. The consolidated tax group is composed of Industria de Diseño Textil, S.A., the Parent, and Spanish subsidiaries which comply with prevailing tax legislation for filing consolidated tax returns. The subsidiaries that comprise this tax group are the following:

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

Indipunt, S.L. is the parent of another tax group formed by it and the subsidiary Indipunt Diseño, S.L.

"Income tax payable" in the consolidated balance sheet corresponds to the 2015 income tax provision, net of withholdings and payments on account made during the period. "Trade and other payables" includes the liability deriving from the other applicable taxes.

"Income tax receivable" in the consolidated balance sheet essentially corresponds to amounts recoverable from the tax authorities. "Trade and other receivables" in the consolidated balance sheet includes mainly the amount by which the input VAT exceeded output VAT.

The income tax expense comprises both current and deferred tax. Current tax is the amount of income taxes payable in respect of the taxable profit for the year. Deferred tax is the amount of income taxes payable or recoverable in future years and arises from the recognition of deferred tax assets and liabilities.

The income tax expense comprises the following:

	2015	2014
Current taxes	838,854	803,873
Deferred taxes	22,063	(69,230)

A reconciliation of the income tax expense under the prevailing Spanish general income tax rate to

"Profit before tax" and the expense recorded in the consolidated income statements for 2015 and 2014 is as follows:

	2015	2014
Consolidated accounting profit for the year before taxes	3,743,118	3,244,794
Tax expense at tax rate in force in the country of the Parent (30%)	1,048,073	973,438
Net permanent differences	(166,149)	(185,401)
Effect of application of different tax rates	(129,728)	(113,288)
Recognition of prior years' tax losses and tax credits	-	(1,561)
Adjustments to prior years' taxes	26,308	(4,651)
Tax withholdings and other adjustments	96,407	82,550
Adjustments to deferred tax assets and liabilities	1,574	649
Tax withholdings and tax benefits	(15,568)	(17,093)
<b>Income tax expense</b>	<b>860,917</b>	<b>734,643</b>

Permanent differences correspond mainly to non-deductible expenses, taxable income related to a contribution of rights to use certain assets to a subsidiary and the exemption of income from permanent establishments abroad.

As permitted by the prevailing tax legislation in each country, consolidated Group companies took tax credits amounting to Euros 15,568 thousand in 2016 (Euros 17,093 thousand at 31 January 2015). These tax credits and tax relief relate mainly to investments and, to a lesser extent, to other tax benefits.

Temporary differences are the difference between the carrying amount of an asset or liability and its tax base. The consolidated balance sheet at 31 January 2016 reflects the deferred tax assets and liabilities at that date.

Details of "Deferred tax assets" and "Deferred tax liabilities" in the accompanying consolidated balance sheet are as follows:

<b>Deferred tax assets arising from:</b>	<b>2015</b>	<b>2014</b>
Provisions	87,456	79,735
Non-current assets	153,496	179,929
Lease incentives	35,786	32,887
Valuation adjustments	43,207	29,808
Tax losses	101,537	75,898
Intra-Group transactions	158,938	147,337
Other	113,009	97,980
<b>Total</b>	<b>693,429</b>	<b>643,574</b>

<b>Deferred tax liabilities arising from:</b>	<b>2015</b>	<b>2014</b>
Leases	1,497	95
Intra-Group transactions	100,331	77,001
Non-current assets	99,201	62,680
Valuation adjustments	42,026	44,333
Other	42,140	56,716
<b>Total</b>	<b>285,195</b>	<b>240,825</b>

These balances were determined on the basis of the tax rates that, pursuant to the enacted tax legislation will be in force when they are expected to reverse and the tax rates may differ in some cases from the tax rates in force in the present year.

The expense for deferred income tax was adjusted for the difference between the balances calculated at the tax rate in force at the end of the present year and those calculated at the new tax rates at which they will reverse.

The movement in deferred tax assets and liabilities in 2015 and 2014 is as follows:

<b>Deferred tax assets</b>	<b>2015</b>	<b>2014</b>
Opening balance	643,574	529,664
Charge/Credit to profit or loss	64,881	81,491
Charge/Credit to equity	(14,919)	39,583
Changes in consolidation scope	-	(7,164)
Transfers	(107)	-
<b>Closing balance</b>	<b>693,429</b>	<b>643,574</b>

<b>Deferred tax liabilities</b>	<b>2015</b>	<b>2014</b>
Opening balance	240,825	217,291
Charge/Credit to profit or loss	62,132	12,261
Charge/Credit to equity	(17,655)	12,920
Changes in consolidation scope	-	(7,382)
Transfers	(107)	5,735
<b>Closing balance</b>	<b>285,195</b>	<b>240,825</b>

At 31 January 2016, the Group had tax losses of Euros 399,889 thousand (Euros 310,875 thousand at 31 January 2015) which may be offset against future profits. The foregoing detail of deferred tax assets includes those relating to tax loss carryforwards, with a balance of Euros 101,537 thousand at 31

January 2016. The Group, based on the methodology established for verifying the existence of indications of impairment on its non-current assets (see note 31.2.g)), constructs the assumptions for analyzing the existence of sufficient taxable profits in the future to make it possible to offset the tax losses before they become statute-barred. Also, the Group takes into account the reversal at the same entity of the deferred tax liabilities relating to the same tax jurisdiction that might give rise to sufficient taxable amounts to be able to offset the unused tax losses. Therefore, the balance of the deferred tax assets recognized in the consolidated balance sheet is the result of that analysis of the total tax losses that the Group reported at year-end that, for the most part, will not be subject to any effective statute-of-limitations period.

Also, certain companies forming part of the consolidated Group have reserves which could be taxable if distributed. These consolidated annual accounts include the tax effect associated with the distribution if it is probable that the aforementioned distribution will arise in the foreseeable future. The deferred tax liabilities, associated with investments in subsidiaries, associates and permanent establishments, which were not recognized as they opted to apply the exemption provided for in IAS 12, amounted to Euros 8.6 million.

In addition, under the tax legislation applicable to the Parent of the Group, the dividends proposed or declared for the Parent's shareholders before the annual accounts have been authorized for issue which have not been recognized as liabilities do not have any income tax consequences for the Parent.

In 2015 the tax audits at the Spanish companies were completed. The outcome of these tax audits is included in these consolidated annual accounts and their effect on thereon is not material. The years open to inspection by the tax authorities for the main applicable taxes vary depending on the tax legislation in each country in which the Group operates. Certain Group companies are being audited for tax purposes, including most notably those domiciled in Italy, France, Mexico and Turkey.

In any case, the Group does not expect that significant additional liabilities that might significantly affect the Group's equity position or results will arise as a result of the tax audits in progress or those that could be carried out in the future in relation to periods that have not yet expired.

## 6.24. Operating leases

Most of the commercial premises from which the Group carries out its retail distribution activities are leased from third parties. These leases are classified as operating leases since there is no transfer of risks and rewards incidental to ownership because:

- ownership of the asset is not transferred to the lessee at the end of the lease term;
- the lessee does not have any option to purchase the leased asset;
- the leases have an initial term of between 15 and 25 years, which is shorter than the estimated useful life of assets of this nature (see note 31.2.c);
- at the inception of the lease the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

Due to the presence of the Group in various different countries, the variety of legislation governing lease contracts, the diverse nature and economic status of the owners and other factors, there is a broad range of clauses regulating leases contracts.

In many cases the lease contracts simply establish a fixed rental payment, normally monthly, adjusted for inflation based on a price index. In other cases the amounts payable to the lessor are a percentage of the sales obtained by the Group in the leased premises. These variable lease payments or contingent rent may have minimum guaranteed amounts or certain rules of calculation attached. In some countries lease contracts are periodically indexed to market rates, which on occasion entails an increase in rent, but rent is not reduced when market rates fall. Occasionally, staggered rental payments are agreed, which means cash outflows can be reduced during the initial years of the use of commercial premises, although the expense is recognized on a straight-line basis (see note 31.2.q). Free rental periods are also frequently established in order to avoid having to pay rent when premises are being refurbished and prepared for opening.

Lease contracts also sometimes require lessees to pay certain amounts to the lessor, which, from an accounting perspective, could be considered advance rental payments, or to the previous tenants so that they waive certain rights or transfer them to the

Group (leasehold assignment rights or different types of indemnities). These amounts are recognized as non-current assets (see note 14) and are generally amortized over the term of the lease contract.

On certain occasions, shopping center developers or the proprietors of leased premises make contributions towards the establishment of the Group's business in their premises. These contributions are treated as lease incentives (see note 21) and are taken to income over the lease term.

A wide variety of situations also apply to the duration of lease contracts, which generally have an initial term of between 15 and 25 years. However, legislation in certain countries or the situations in which lease contracts are typically used means the duration of contacts is sometimes shorter.

In some countries, legislation or the lease contracts themselves protect the right of the lessee to terminate the contract provided that sufficient advance notice (e.g. three months) is given. In other cases, however, the Group is obliged to see out the full term of the contract, or at least a significant part thereof. Some contracts combine these obligations with get-out clauses that may only be exercised at certain times over the term of the contract (e.g. every five years or at the end of the tenth year).

Details of operating lease expenses are as follows:

	2015	2014
Minimum payments	1,728,979	1,527,972
Contingent rents	358,455	321,592
	<b>2,087,434</b>	<b>1,849,564</b>
Sublease income	4,340	3,676

Future minimum payments under non-cancelable operating leases are as follows:

### Lease payments 2015

Less than one year	One to five years	Over five years
<b>1,332,298</b>	<b>2,335,834</b>	<b>1,401,540</b>

### Lease payments 2014

Less than one year	One to five years	Over five years
<b>1,232,193</b>	<b>2,049,044</b>	<b>1,253,640</b>

## 6.25. Risk management 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 policy centers on the uncertainty of financial markets and aims to minimize the potential adverse effects on the Group's profitability.

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, particularly relating to the US dollar (the Euro is the Group's reporting currency and the functional currency of the Parent) and, to a lesser extent, the Mexican peso, the Russian ruble, the Chinese renminbi, 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 fluctuations in exchange rates and other measures designed to mitigate this risk mainly through the Group's operational optimization with a view to minimizing the impact using natural hedges, the benefits of diversification as well as the arrangement of financial hedges.

Merchandise and goods for resale are partly acquired from foreign suppliers in US dollars. In accordance with prevailing foreign currency risk management policies, Group management arranges derivatives, mainly forward foreign currency purchase and sale (forwards) contracts, to hedge cash flow fluctuations on EUR/USD exchange rates. Occasionally the Group also uses non-derivative financial instruments as hedges (e.g. deposits held in currencies other than

the euro), which are recognized under "Current financial investments".

The Group's head companies supply their subsidiaries with merchandise for sale to the end customers. With a view to reducing fluctuations in the value of expected cash flows in foreign currency arising from these intercompany transactions (denominated in currencies other than the euro), the Group uses financial derivatives, specifically, zero-premium option combinations.

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 forward contracts and cross currency swaps, to hedge changes in fair value related to exchange rates.

As described in note 31.2.0, the Group applies hedge accounting to mitigate the volatility that the existence of significant foreign currency transactions would have on the consolidated income statement. Hedge accounting is used because the Group meets the requirements described in note 31.2.0 on accounting policies to be able to classify financial instruments as accounting hedges.

The Group applies the special hedge accounting policies based on that established in the applicable accounting standards. As a result, these financial instruments have been formally designated as hedges and it has been observed that the hedges are highly effective. The expiry dates of hedging instruments have been negotiated so that they coincide with the expiry dates of the hedged items. In 2015, using hedge accounting, no significant amounts were recognized in profit or loss either in relation to gains or losses on transactions that did not occur or as a result of the ineffectiveness of the hedges.

Approximately 60% of the cash flows associated with hedges in US dollars are expected to be generated during the six months subsequent to year-end, while the remaining 40% is expected to be generated between six months to a year. It is also likely that the impact on consolidated profit and loss will arise during these periods. Regarding the hedging of cash flows arising from intercompany transactions to supply finished goods for sale to end customers, the derivatives have short-term time horizons aligned with expected cash flows.

The fair value of the hedging instruments was calculated as described in note 31.2.o.

In 2015, had the value of the euro increased by 10% compared to the US dollar and, as a result, compared to the rest of the foreign currencies linked to the US dollar, taking into consideration the average historical correlations in the last three, the hedging policy applied by the Group and all other things being equal, consolidated profit after income taxes would have been approximately Euros 172,846 thousand lower (Euros 84,250 thousand in 2014). Had the value of the euro dropped by 10%, consolidated profit after income taxes would have been approximately Euros 183,639 thousand higher (Euros 81,162 thousand in 2014), primarily because of the translation of subsidiaries' annual accounts expressed in currencies other than the euro and the impact of merchandise purchases in US dollars.

#### 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 comprise the vast majority of revenue. Collections are primarily made in cash or through credit card payments.

The Group adopts prudent criteria in its investment policy, the main objectives of which are to reduce the credit risk associated with investment products and the counterparty risk associated with financial institutions by establishing highly detailed analysis criteria.

Investment vehicles are rated using a selection of criteria, including, ratings from the three main rating agencies, the size of the investment vehicle, location and returns. All the investment vehicles have the maximum credit rating.

In addition to taking into account the credit ratings issued by the three main rating agencies, the Group considers the solvency, liquidity, asset quality and management prudence of the banks, as well as the performance potential of the bank in stressed conditions and standard probability of default models.

Based on the aforementioned counterparty risk considerations, the Group assigns a rating that determines the maximum permissible exposure for a given bank. A rigorous analysis of the counterparty does not completely eliminate credit risk and, therefore, these limits seek to guarantee a broad

diversification of the banking book. 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 fulfillment by the investment vehicle of domestic and regulatory requirements.

In relation to credit risk arising from commercial transactions, impairment losses are recognized for trade receivables when objective evidence exists that the Group will be unable to recover all the outstanding amounts in accordance with the original contractual conditions of the receivables. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognized in the income statement. The impairment losses recognised on the balances presented under this caption amount to Euros 248 thousand (amount used of Euros 536 thousand in 2014) and correspond to doubtful trade receivables.

At 31 January 2016 and 2015, no significant outstanding balances existed. Furthermore, based on available historical data, the Group does not consider it necessary to make valuation adjustments to receivables which are not past due. The fair value of the receivables is equal to their carrying amount.

The main financial assets of the Group are shown under Financial Instruments: other information.

#### Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows of normal operations. In the event the Group requires financing, either in Euros or in other currencies, it reverts to loans, credit facilities or other types of financial instruments (see note 19).

Details of financial liabilities are disclosed in note 19, along with their expected maturities.

#### Interest rate risk

The Group's exposure to interest rate risk, which in no case is significant, principally occurs in the following items:

- Cash and cash equivalents: given the Group's investment policy (see note 19), any changes in interest rates at year-end would not significantly affect consolidated profits.
- Financial debt: given the amount of the Group's external financing (see note 19), any change in interest rates at year-end would not significantly affect consolidated profits.
- Discount rates: used in the calculation of the impairment loss on non-current assets (property, plant and equipment and intangible assets), goodwill and intangible assets with an indefinite useful life (see note 31.2.g).
- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

The Group does not have any material financial assets or liabilities designated at fair value through profit or loss.

#### Country risk

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

One of the most significant indications of country risk is foreign currency risk and the possibility of exposure to limits and controls on the free circulation of cash flows due to the 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 2016, there was no significant risk in relation to the repatriation of funds or any material cash surpluses restricted as to their use by the Group or its subsidiaries. Similarly, there are no significant restrictions on the Group's ability to realise the assets and settle the liabilities of its subsidiaries.

At 31 January 2016, the Group did not operate in markets in which there was more than one exchange rate.

#### Capital management

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

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations. The shareholder remuneration policy is detailed in note 28.

No significant changes to capital management were made during the year.

#### Financial instruments

At 31 January 2016 and 2015, the Group had arranged hedging derivatives, basically forward contracts on future purchases in US dollars and forwards to hedge intra-Group financing. 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:

<b>Other financial assets</b>	<b>2015</b>	<b>2014</b>
Fair value of the hedging instruments	45,751	168,947
<b>Total</b>	<b>45,751</b>	<b>168,947</b>

<b>Other financial liabilities</b>	<b>2015</b>	<b>2014</b>
Fair value of the hedging instruments	50,264	55,711
Reciprocal call and put options (Note 5)	18,272	27,511
<b>Total</b>	<b>68,536</b>	<b>83,222</b>

The detail of the fair value (measured as indicated in note 31.2.o) of the hedging instruments for 2015 and 2014 is as follows:

## 2015

### Other financial assets at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2015	Transfer to income	Transfer to income from equity	Income recognise directly in equity	Fair value 2014
OTC Derivatives						
Foreign currency forwards	2	45,729	(71,079)	(97,569)	45,429	168,947
Zero-premium option combinations	2	22	22	-	-	-
<b>Total Derivatives</b>		<b>45,751</b>	<b>(71,057)</b>	<b>(97,569)</b>	<b>45,429</b>	<b>168,947</b>

### Other financial liabilities at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2015	Transfer to income	Transfer to income from equity	Income recognise directly in equity	Fair value 2014
OTC Derivatives						
Foreign currency forwards	2	33,634	(13,122)	(972)	9,448	38,281
Zero-premium option combinations	2	26	26	-	-	-
Cross Currency Swap	2	16,562	277	762	(1,702)	17,226
Interest Rate Swap	2	41	(164)	-	-	204
<b>Total Derivatives</b>		<b>50,264</b>	<b>(12,983)</b>	<b>(211)</b>	<b>7,746</b>	<b>55,711</b>

## 2014

### Other financial assets at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2014	Transfer to income	Transfer to income from equity	Income recognise directly in equity	Fair value 2013
OTC Derivatives						
Foreign currency forwards	2	168,947	59,162	(238)	97,569	12,454
Cross Currency Swap	2	-	1,459	(2,026)	-	567
<b>Total Derivatives</b>		<b>168,947</b>	<b>60,621</b>	<b>(2,265)</b>	<b>97,569</b>	<b>13,022</b>

### Other financial liabilities at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2014	Transfer to income	Transfer to income from equity	Income recognise directly in equity	Fair value 2013
OTC derivatives						
Foreign currency forwards	2	38,281	19,621	(3,356)	972	21,044
Cross Currency Swap	2	17,226	17,988	-	(762)	-
Interest Rate Swap	2	204	(160)	-	-	364
<b>Total Derivatives</b>		<b>55,711</b>	<b>37,448</b>	<b>(3,356)</b>	<b>211</b>	<b>21,408</b>

There were no transfers among the various hierarchical levels (see note 31.2.o).

#### Financial instruments: other information

The main financial assets held by the Group, other than cash and cash equivalents and derivative financial instruments, comprise loans and receivables related to the Group's principal activity and guarantees 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:

	2015	2014
Cash and cash equivalents (Note 19)	4,225,527	3,797,930
Current financial investments (Note 19)	1,085,648	222,259
Trade receivables (Note 10)	163,765	182,496
Receivable due to sales to franchises (Note 10)	229,873	176,766
Other current receivables (Note 10)	122,288	96,070
Guarantees (Note 17)	461,490	429,324
<b>Total</b>	<b>6,288,591</b>	<b>4,904,845</b>

The financial liabilities of the Group mainly comprise debts and payables on commercial transactions.

The fair value of financial assets and liabilities measured at amortized cost does not differ substantially from their carrying amount, taking into account that in the majority of cases collection or payment is made in the short term. In 2015 no significant financial asset impairment losses were recognized.

## 6.26. Employee benefits

#### Defined benefit or contribution plan obligations

In general, the Group has no defined benefit or contribution plan obligations to its employees. However, in line with prevailing labor legislation or customary employment practice in certain countries, the Group assumes certain obligations related with the payment of specific amounts for accidents, illness, retirement, etc., to which employees sometimes contribute. The associated risk is partially or fully externalized through insurance policies.

Furthermore, in some countries employees receive a share of the profits generated by Group companies. Liabilities associated with these items are

recognized under "Trade and other payables" and "Other non-current liabilities" in the consolidated balance sheet. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

#### Long-term cash-settled incentive plan

Inditex's Board of Directors approved a deferred cash-settled incentive plan for members of the management team and other personnel from Inditex and its Group of companies. By complying with the terms of the plan, each beneficiary is entitled to receive an incentive up to the maximum assigned to him/her.

The plan started on 1 February 2013 and ended on 31 January 2016. Incentives are divided into an initial payment for the period ending 31 January 2015 and a final payment for the period ending 31 January 2016.

In order to be entitled to the initial and final payments the employees must, in addition to fulfilling the other terms and conditions provided for in the plan, have remained in the employ of Inditex or of any Inditex Group company in the period until the end of each of the aforementioned periods. In the cases in which early settlement occurs (e.g. death, retirement, permanent disability or unjustified dismissal), the incentive to which the employee in question might be entitled to, will be paid on the basis of the length of time effectively worked from the beginning of the term of the plan, as a proportion of the total duration of the plan or, in the case of the initial payment, as a proportion of the duration of the initial period.

The liability in this connection is recognized under "Trade and other payables" in the consolidated balance sheet and the period provision is reflected under "Operating expenses" in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not material.

The long-term cash-settled incentive plan does not expose the Group to significant risks. There are no plan assets in this connection.

#### Long-term equity-settled incentive plan

The annual General Shareholders' Meeting resolved to establish a long-term equity-settled incentive plan targeted at members of the management team and other personnel of Inditex and of its Group of companies whereby each beneficiary will be entitled, if the terms and conditions provided for in the plan

are met, to receive up to the maximum number of shares designated to that beneficiary.

The plan consists of two mutually independent time periods: the first from 1 July 2013 to 30 June 2016 and the second from 1 July 2014 to 30 June 2017.

The amount relating to this plan is recognized under "Equity" in the consolidated balance sheet and the period expense is recognized under "Operating expenses" in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not material.

The long-term equity-settled incentive plan does not expose the Group to significant risks.

To cater for the long-term equity-settled incentive plan, the Group acquired, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see note 22).

The number of shares received is calculated on the basis of a performance-based formula approved in the fifth resolution of the annual General Shareholders' Meeting held on 16 July 2013.

In 2015 no shares were delivered under the long-term equity-settled incentive plan.

#### Extraordinary profit-sharing plan

In view of the Group's performance in recent years the Board of Directors of Inditex approved a bonus plan for 2015-2016 as a means of enabling employees to participate in the company's growth. The plan was set up for all the employees of the

stores, manufacturing and logistics centers, and chains and subsidiaries around the world with more than two years of service within the Group. Among those participating in the plan the Group will distribute 10% of the increase in net profit for the year attributable to the Parent of the Group with respect to the prior year up to a maximum of 2% of total net profit. This group of employees includes around 78,000 individuals.

The plan covers two years. The first phase of the plan will be collected in 2016 based on the increase in the Group's net profit in 2015 compared to 2014. The second phase will be executed in 2017 in the same way.

The plan will vest in 2015 and 2016.

The liability in this connection is recognized under "Trade and other payables" in the consolidated balance sheet and the period provision is reflected under "Operating expenses" in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not material.

## 6.27. Jointly controlled entities

Inditex has a 50% stake in the group formed by the parent Tempe, S.A. and its subsidiaries, the detail of which is shown in the following table. The principal activity of these companies is the design, supply and distribution of footwear to Inditex Group companies, their main customer.

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Tempe, S.A.	50.00%	Alicante - Spain	Equity method	31-Jan.	Multi-concept	Sale of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico City - Mexico	Equity method	31-Dec.	Multi-concept	Sale of footwear
Tempe Logística, S.A.	50.00%	Alicante - Spain	Equity method	31-Jan.	Multi-concept	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo -Brazil	Equity method	31-Dec.	Multi-concept	Sale of footwear
Tempe Diseño, S.L.	50.00%	Alicante - Spain	Equity method	31-Jan.	Multi-concept	Design
Tempe Trading	50.00%	Fribourg - Switzerland	Equity method	31-Oct.	Multi-concept	Dormant
Tempe Trading Asia Limited	50.00%	Hong Kong - China	Equity method	31-Jan.	Multi-concept	Sale of footwear
TMP Trading (Shanghai) Co., Ltd.	50.00%	Shanghai- China	Equity method	31-Dec.	Multi-concept	Sale of footwear

Set forth below is the financial information of the Tempe Group (expressed in thousands of euros), obtained from its consolidated annual accounts prepared in accordance with IFRSs, together with other relevant financial information:

	2015	2014
Non-current assets	177,114	176,643
Current assets	534,289	498,888
Non-current liabilities	(32,109)	(41,630)
Current liabilities	(299,210)	(302,993)
<b>Net assets</b>	<b>380,084</b>	<b>330,908</b>
Revenues	1,117,422	963,457
<b>Gross profit</b>	<b>324,890</b>	<b>240,019</b>
Operating expenses	(152,505)	(132,452)
Amortization and depreciation	(20,872)	(20,222)
<b>EBIT</b>	<b>152,470</b>	<b>87,345</b>
<b>Net profit</b>	<b>110,976</b>	<b>72,040</b>

In 2015 the Group received dividends totalling Euros 22,414 thousand (Euros 30,035 thousand in 2014) from Tempe (see note 16).

## 6.28. Proposed distribution of the profit of the Parent

The directors will propose that the Euros 1,867,891 thousand of 2015 net profit of the Parent, which is the maximum amount distributable, be distributed as an ordinary dividend of Euros 0.46 per share and an extraordinary gross dividend of Euros 0.14 per share on the total outstanding shares, and that Euros 52,355 thousand be taken to voluntary reserves.

## 6.29. Remuneration of the Board of Directors and transactions with related parties

### Remuneration of the Board of Directors

Remuneration earned by the Board of Directors and senior management during 2015 is shown in the section on transactions with related parties.

## Other information concerning the Board of Directors

According to the public registers of the Spanish Stock Exchange Commission (CNMV), at 31 January 2016 the members of the Board of Directors held the following direct and indirect investments in the share capital of Inditex:

Name or company name of director	Number of direct shares	Number of indirect shares	Percentage of capital
Mr. Pablo Isla Álvarez de Tejera	1,805,320	-	0.058%
Mr. Amancio Ortega Gaona	-	1,848,000,315 <sup>1</sup>	59.294%
Mr. José Arnau Sierra	30,000	-	0.001%
PONTEGADEA INVERSIONES, S.L.	1,558,637,990	-	50.010%
Ms. Irene R. Miller	66,200	-	0.002%
Mr. José Luis Durán Schulz	-	-	-
Mr. Rodrigo Echenique Gordillo	-	-	-
Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós	150,000	-	0.005%
Mr. Emilio Saracho Rodríguez de Torres	-	-	-
<b>Total</b>			<b>59.360%</b>

<sup>1</sup> Through Pontegadea Inversiones, S.L. and Partler 2006, S.L.

As required by article 229 of the Spanish Companies Act, amended by Law 31/2014, of 3 December, reforming that Law in order to improve corporate governance, the directors did not report any situation of direct or indirect conflict of interest that they or persons related to them might have with the Parent. One of the directors notified the Board of Directors of a potential situation of conflict of interest, which was duly recorded by the board. This situation did not arise in 2015.

When the Board of Directors deliberated on the appointment, re-election, acknowledgment and acceptance of resignation, placement of office at the disposal of the Board, remuneration or any resolution involving a person or company related to a director, the person affected left the meeting room during the deliberation of and voting on the related resolution. Also, the executive director left the meeting room during the deliberation of and voting on the appointment of the Coordinating Independent Director.

## Related party transactions

Related parties are subsidiaries, jointly controlled entities and associates, details of which are shown in Appendix I to the consolidated annual accounts, as well as significant or controlling shareholders, members of the Board of Directors of Inditex and senior management of the Inditex Group, as well as their close relatives, 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 on official secondary markets must disclose. All amounts are expressed in thousands of euros.

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

## Inditex Group companies

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

The following tables show the transactions and outstanding balances between Inditex and its jointly controlled entities:

Transactions:

Type of company (Thousands of euros)	2015	2014
Jointly controlled entities	(817,446)	(730,840)

Balances:

	31/01/16	31/01/15
Current financial investments	2,634	11,037
Trade and other receivables	4,121	6,238
Non-current financial investments	181,112	148,145
Trade and other payables	250,636	152,129
Current financial debt	288	401

Details of operations with significant shareholders, the members of the Board of Directors and management are as follows:

### Significant shareholders

In 2015 the transactions performed by the Inditex Group with Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or with persons or with companies related to them or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

### FY 2015

Company name of significant shareholder	Nature of relationship	Type of transaction	Amount
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(33,726)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	171
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	(20)
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Products sales	70
Pontegadea Inversiones, S.L., Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services rendered	6,090
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Lease of assets	(1,020)
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Other expenses	(180)

### FY 2014

Company name of significant shareholder	Nature of relationship	Type of transaction	Amount
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(33,718)
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	171
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	(20)
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Products sales	32
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services rendered	3,162
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Lease of assets	(1,421)
Rosp Corunna Participaciones Empresariales, S.L.U. or related entities or persons	Contractual	Other expenses	(361)

Several group companies have leased commercial premises belonging to companies related to the controlling shareholder or to significant shareholders.

#### Members of the Board of Directors and management

The following tables show the remuneration and termination benefits earned by the directors and management of Inditex in 2015:

An itemized breakdown of the remuneration of the members of the Board of Directors in 2015 is as follows:

	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2015
Mr Pablo Isla Álvarez de Tejera	Executive	100				3,250	3,300	5,520	12,170
Mr José Arnau Sierra	Propietary	100	80	127					307
Mr Amancio Ortega Gaona	Propietary	100							100
GARTLER, S.L. (1)	Propietary	85							85
PONTEGADEA INVERSIONES S.L. (2)	Propietary	15							15
Ms Irene R. Miller	Independent	100		127	50				277
Mr Nils Smedegaard Andersen (3)	Independent	45		45					90
Mr José Luis Durán Schulz (4)	Independent	55		82					137
Mr Carlos Espinosa Bernaldo de Quirós	Other external	100		127					227
Mr Rodrigo Echenique Gordillo	Independent	100		127	50				277
Mr Emilio Saracho Rodríguez de Torres	Independent	100		127	27				254
		<b>900</b>	<b>80</b>	<b>762</b>	<b>127</b>	<b>3,250</b>	<b>3,300</b>	<b>5,520</b>	<b>13,939</b>

Notes:

(1) Represented by Ms Flora Pérez Marcote. Cessation of employment at 8 December 2015

(2) Represented by Ms Flora Pérez Marcote. Appointment at 9 December 2015

(3) Cessation of employment at 13 July 2015

(4) Appointment at 14 July 2015

An itemized breakdown of the remuneration of the members of the Board of Directors in 2014 is as follows:

	Type	Remuneration of Board members	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Committees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2015
Mr Pablo Isla Álvarez de Tejera	Executive	100				3,250	2,600	1,980	7,930
Mr José Arnau Sierra	Propietary	100	80	100					280
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Other external	100		173	23				296
Mr Rodrigo Echenique Gordillo (1)	Independent	55		55	27				137
Ms Irene R. Miller	Independent	100		100	50				250
Mr Nils Smedegaard Andersen	Independent	100		100					200
Mr Emilio Saracho Rodríguez de Torres	Independent	100		100					200
Mr Juan Manuel Urgoiti López de Ocaña (2)	Independent	36		36					72
GARTLER, S.L. (3)	Propietary	100							100
Mr Amancio Ortega Gaona	Propietary	100							100
		<b>891</b>	<b>80</b>	<b>664</b>	<b>100</b>	<b>3,250</b>	<b>2,600</b>	<b>1,980</b>	<b>9,565</b>

Notes:

(1) Appointment at 15 July 2014

(2) Cessation of employment at 10 June 2014

(3) Represented by Ms Flora Pérez Marcote

The following table shows the remuneration and termination benefits received by the senior management of the Inditex Group in 2015:

	<b>MANAGEMENT</b>
Remuneration	36,220
Termination benefits	-

The following table shows the remuneration and termination benefits received by the senior management of the Inditex Group in 2014:

	<b>MANAGEMENT</b>
Remuneration	25,143
Termination benefits	-

The aforementioned remuneration for 2015, includes the amount vested in 2015 under the long-term incentive plan ("the Plan") targeted at management and other employees of the Inditex Group approved by Inditex in 2013 (the features of which are described in note 26). The incentive vested in 2015 under the aforementioned plan amounted to Euros 5,520 thousand for directors and Euros 14,444 thousand for senior management and will be paid in the first half of the 2016 reporting period. The incentive vested in 2014 under the aforementioned plan amounted to Euros 1,980 thousand for directors and Euros 5,181 thousand for senior management and will be paid in the first half of the 2015 reporting period.

From 2011 to 31 January 2015, the Chairman/CEO participated in a defined contribution benefits plan, consisting of a group life insurance policy contracted with a prestigious insurance company operating in the Spanish market. The contributions to the defined contribution benefits plan were paid by Inditex and settled in single annual installments each September for each of the aforementioned years. These annual contributions were equivalent to 50% of the fixed salary paid by Inditex to the CEO each year. No contribution was made to the plan in 2015. Inditex's contribution to the Plan during 2014 amounted to Euros 1,625 thousand.

## 6.30. External auditors

In 2015 and 2014 the fees for financial audit and other services provided by the auditor of the Company's annual accounts, or by companies related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

	<b>2015</b>	<b>2014</b>
Audit services	5,678	5,085
Other assurance services	437	318
<b>Total audit and similar services</b>	<b>6,115</b>	<b>5,403</b>
Tax advisory services	306	254
Other services	726	628
<b>Total professional services</b>	<b>7,147</b>	<b>6,285</b>

The figures in the table above include the total fees for services rendered in 2015 and 2014, irrespective of the date of invoice.

In addition to the audit of the Inditex Group annual accounts, audit services rendered by Deloitte in 2015 and 2014 also include certain audit work related with the external audit.

According to information received from the auditors, fees received from the Inditex Group by the principal auditors and the rest of the firms belonging to the international network (and associated firms) do not exceed 0.024% of their total revenue.

## 6.31. Selected accounting policies

### 6.31.1. Basis of consolidation

#### *i) Subsidiaries*

Subsidiaries are entities controlled by the Parent. Control exists when the Parent has the power, directly or indirectly, to govern financial and operating policies (see Note 1). Subsidiaries are consolidated by aggregating the total amount of assets, liabilities, income, expenses and cash flows, after carrying out 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 date that control commences. Details of subsidiaries are provided in Appendix I. Net identifiable assets acquired, liabilities and contingent liabilities assumed as part of a business combination are stated at their acquisition date fair value, providing this acquisition took place after 1 January 2004, the date of transition to EU-IFRSs.

For business combinations subsequent to that date, any consideration given plus the value assigned to non-controlling interests that is in excess of the net assets acquired and liabilities assumed is recognized

as goodwill. Any shortfall determined between the consideration given, the value assigned to non-controlling interests and identifiable net assets acquired is recognized in profit and loss.

Acquisitions of shares in businesses subsequent to gaining control and partial disposals that do not result in a loss of control are recognized as transactions with shareholders in equity.

Non-controlling interests in the consolidated statement of changes in equity are presented separately from the consolidated equity attributable to equity holders of the Parent.

The results and each item of other comprehensive income are allocated to equity attributable to equity holders of the Parent and to non-controlling interests in proportion to their investment, even if this gives rise to a balance receivable from non-controlling interests. Agreements entered into between the Group and non-controlling interests are recognized as a separate transaction.

The share of non-controlling interests' shareholders of the equity and results of subsidiaries are presented under "Equity attributable to non-controlling interests" and "Net profit attributable to non-controlling interests", respectively. Details of subsidiaries are provided in Appendix I.

#### *ii) Jointly controlled entities*

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

#### *iii) Harmonization of criteria*

Each of the entities included in the consolidated Group prepares its annual accounts and other accounting records in accordance with the accounting policies and legislation applicable in the country of origin. When these accounting criteria and policies are different to those adopted by Inditex in the preparation of its consolidated annual accounts, they have been adjusted in order to present the consolidated annual accounts using homogenous accounting policies.

#### *iv) Intra-Group eliminations*

All intra-Group receivables, payables and transactions, and any unrealized gains or losses arising from

transactions with third parties, are eliminated in the consolidation process.

#### *v) Translation of annual accounts denominated in foreign currencies*

The Group has applied the exemption relating to accumulated translation differences envisaged in IFRS 1 First-time Adoption of International Financial Reporting Standards and, therefore, any translation differences recognized in the consolidated annual accounts generated prior to 1 January 2004 are recorded under reserves. Since that date, the annual accounts of entities with a functional currency other than the euro are translated as follows:

- Assets and liabilities are translated into Euros at the exchange rates prevailing at the balance sheet date.
- Items that comprise the equity of these entities are translated to Euros at 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 into Euros at the exchange rates prevailing on the date on which they were recognized, while average exchange rates are used in the cases in which the application of this simplifying criterion does not generate significant differences.

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

However, exchange differences deriving from trade balances payable and receivable and financing operations between group companies, with foreseeable settlement, are recognized in the consolidated income statement for the year.

#### *vi) Annual accounts in hyperinflationary countries*

The annual accounts of foreign operations in countries considered to have hyperinflationary economies were adjusted prior to translation to Euros to account for the effect of changes in prices.

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

Companies with a reporting date which differs from that of the consolidated annual accounts were consolidated with the annual accounts at their closing date (see Appendix I). Significant operations carried out between the reporting date of these subsidiaries and that of the consolidated annual accounts are subject to a temporary unification process.

*viii) Changes in the scope of consolidation*

Appendix I lists all the entities included in the scope of consolidation. The detail of the main entities incorporated or acquired by the Group and consolidated for the first time in 2015 is as follows:

Companies incorporated:

Zara Home Österreich Clothing GMBH
Massimo Dutti Slovakia, S.R.O
Pull & Bear Luxembourg S.A
Zara Taiwan BV ITX Taiwan Branch
CDC Trading (Shanghai) CO LTD
Oysho Sverige, AB
Zara Home Retail South Africa (PTY) LTD.

Companies acquired:

Zara Vittorio 13 Italia, S.R.L
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The inclusions in the consolidated Group referred to above did not have a material impact on the consolidated annual accounts for 2015.

## 6. 31.2. Accounting policies

Certain standards, amendments and interpretations recently came into force for years beginning on or after 1 January 2015.

It should be noted in this regard that the new standards with a potential impact on the Group are as follows:

- Amendments to IAS 19, Defined Benefit Plans: Employee Contributions (issued in November 2013): The amendments were issued to allow employee contributions to be deducted from the service cost in the same period in which they are paid, provided certain requirements are met. Obligatory application in annual reporting periods beginning on or after 1 February 2015.
  - Improvements to IFRSs, 2010-2012 cycle (issued in December 2013), implying minor amendments to a series of standards. Obligatory application in annual reporting periods beginning on or after 1 February 2015.
  - Improvements to IFRSs, 2011-2013 cycle (issued in December 2013), implying minor amendments to a series of standards. Obligatory application in annual reporting periods beginning on or after 1 January 2015.
  - IFRIC 21, Levies (issued in May 2013). This interpretation addresses the accounting for a liability to pay a levy if that levy is within the scope of IAS 37. It also addresses the accounting for a liability to pay a levy whose amount and timing is certain. Obligatory application in annual reporting periods beginning on or after 17 June 2014.
- The application of the aforementioned amendments and improvements did not give rise to a material impact on the Group's annual accounts.
- At the date of formal preparation of the consolidated annual accounts the following standards and interpretations with a potential impact on the Group had been issued by the IASB and adopted by the European Union although their application will be obligatory in annual reporting periods beginning on or after 1 January 2016, since they are not subject to early adoption:
- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortization (issued in May 2014) These amendments clarify the acceptable methods of depreciation and amortization of property, plant and equipment and intangible assets.
  - Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations (issued in May 2014) The amendments provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business.
  - Improvements to IFRSs, 2012-2014 cycle (issued in September 2014), implying minor amendments to a series of standards.
  - Amendments to IAS 27, Equity Method in Separate Financial Statements (issued in August 2014). The amendments permit the use of the equity method in the separate financial statements of an investor.
  - Amendments to IASs 16 and 41, Bearer Plants (issued in June 2014) As a result of the amendments, bearer plants shall be measured at cost rather than at fair value.
  - Amendments to IAS 1, Disclosure Initiative (issued in December 2014). The amendments define various clarifications in relation to disclosures (materiality, aggregation, order of specific items within the notes to the financial statements, etc.)
- The Group's directors consider that, taking into account the business activities carried on by the Group companies, the future application of the aforementioned amendments and improvements will

not have a material effect on the consolidated annual accounts.

Also, at the date of formal preparation of the consolidated annual accounts the following standards and interpretations with a potential impact on the Group had been issued by the IASB but had not become effective because they had not yet been adopted by the European Union:

- IFRS 9, Financial Instruments (last phase issued in July 2014) Replaces the requirements in IAS 39 relating to the classification, measurement, recognition and derecognition of financial assets and financial liabilities. It will be of obligatory application in annual reporting periods beginning on or after 1 January 2018.
- IFRS 14, Regulatory Deferral Accounts (issued in January 2014) The standard establishes the financial reporting requirements for regulatory deferral account balances that arise when an entity provides goods or services to customers at a price or rate that is subject to rate regulation. It will be of obligatory application in annual reporting periods beginning on or after 1 January 2016.
- IFRS 15, Revenue from Contracts with Customers (issued in May 2014) New revenue recognition standard (supersedes IAS 11, IAS 18, IFRIC 13, IFRIC 15, IFRIC 18 and SIC 31). It will be of obligatory application in annual reporting periods beginning on or after 1 January 2018.
- IFRS 16, Leases (issued in January 2016). New lease standard (supersedes IAS 17, IFRIC 4, SIC 15 and SIC 27). It will be of obligatory application in annual reporting periods beginning on or after 1 January 2019.
- Amendments to IFRS 10, IFRS 12 and IAS 28, Investment Entities (issued in December 2014) The amendments establish clarifications on the consolidation exception for investment entities. It will be of obligatory application in annual reporting periods beginning on or after 1 January 2016.

The Group is analyzing the impact these new standards and amendments may have on the consolidated annual accounts. Also, certain standards and amendments will not have an impact due to their subject-matter (e.g. IFRS 14).

#### a) Foreign currency translation

Foreign currency transactions are translated to Euros using the exchange rates prevailing at the date of the transaction. Monetary assets and

liabilities denominated in foreign currencies at the reporting date are translated to Euros at the exchange rates prevailing at that date. Exchange differences arising on translation are recognized in the income statement as financial results.

Cash flows from transactions in foreign currency are translated into Euros in the consolidated cash flow statement at the exchange rates prevailing at the transaction date. The effect of fluctuations in exchange rates on cash and cash equivalents expressed in foreign currencies is presented separately in the consolidated statement of cash flows under “Effect of exchange rate fluctuations on cash and cash equivalents”.

#### b) Property, plant and equipment

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

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

The estimated average useful lives are as follows:

Asset description	Useful life
Buildings	25 to 50 years
Fixtures, furniture and machinery (*)	8 to 15 years
Other property, plant and equipment	4 to 13 years

(\*) In the case of assets located in leased premises, the depreciation rate is adapted to the estimated term of the lease if this is shorter than the useful lives of the assets.

The Group reassesses property, plant and equipment residual values, useful lives and depreciation methods at each reporting date. Modifications to initially established criteria are recognized as changes in estimates.

After initial recognition of an asset, only costs that will generate future economic benefits that can be classified as probable and be reliably estimated are capitalized.

Periodic maintenance, upkeep and repair costs are expensed as they are incurred.

#### c) Rights over leased assets

These rights, known as leasehold assignment rights, access premiums or tenancy right waivers, relate to the amounts paid for lease rights over premises for access to commercial premises, in which the acquirer and the new lessee are subrogated to the rights and

obligations of the transferor and former lessee under the previous lease.

Since these rights arose as a result of an acquisition for consideration, they were recognized as assets in the accompanying consolidated balance sheet.

These assets are recognized at cost of acquisition. After initial recognition, they are stated at cost less accumulated amortization and any impairment losses and are amortized over the term of the lease contract, except when, for legal reasons, the rights do not lose value, in which case they are determined to be intangible assets with indefinite useful lives and are therefore systematically tested for impairment.

In order to assess the possible existence of impairment of these assets, the Group uses the procedures described in Note 31.2.g.

#### **d) Other intangible assets**

- Intellectual property: intellectual property is charged for the amounts paid for the acquisition of title to or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Group and is amortized on a straight-line basis over a maximum period of ten years.
- Computer software: software is stated at cost and is amortized on a straight-line basis over a five-year period.
- Industrial designs: these items are reflected at their cost of production, which includes the cost of samples, personnel costs and other directly or indirectly attributable costs, and are amortized on a straight-line basis over an estimated useful life of two years.

The Group reviews the intangible asset residual values, useful lives and amortization methods at the end of each reporting period. Modifications to initially established criteria are recognized, where applicable, as changes in estimates.

#### **e) Financial investments**

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

#### **f) Investment property**

Investment property is made up of assets held to generate rental income or for capital appreciation or both, and is stated at cost of acquisition less accumulated depreciation and any impairment losses

that have to be recognized. Depreciation is calculated on a straight-line basis over the useful lives of the corresponding assets.

Details of the market value of investment property are shown in note 13.

#### **g) Impairment of non-current assets**

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

Impairment of non-current assets (property, plant and equipment and intangible assets) other than goodwill and intangible assets with an indefinite useful life

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances such as the performance of a store, operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full.

The recoverable amount of assets is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the expected future cash flows for the period in which these assets are expected to generate revenue, forecast variations in the amount or distribution of the cash flows over time, the time value of money, the risk premium attached to the risk of uncertainty attached to the asset, and other factors which a market participant would consider in valuing the future cash flows from the asset.

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent from those from other assets or groups of assets. For assets that do not generate cash inflows individually, the recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

Based on the actual management of operations, the Group has defined each of the commercial premises in which it carries out its activities (stores) as basic cash-generating units, although these basic units can be aggregated to concept-country level, or even to all the

companies located in the same country. Group assets which are not clearly assignable under this scheme (for example industrial or logistics assets) are treated separately within the context of this general policy according to their specific nature.

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

The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases for the commercial premises or without any time limit in the case of company-managed premises (perpetual return).

The discount rate applied is usually a pre-tax measurement 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:

	2015 average	2014 average
Americas	9.55%	9.00%
Asia and rest of the world	6.85%	6.94%
Spain	5.79%	5.46%
Rest of Europe	6.84%	7.04%
<b>Total</b>	<b>7.32%</b>	<b>7.35%</b>

The results obtained from the 2015 impairment test performed on non-current assets (property, plant and equipment and intangible assets), are shown in the tables of changes reflected in notes 12 and 14 to the consolidated annual accounts relating to property, plant and equipment and rights over leased assets and other intangible assets.

Also, the Group performed sensitivity analyses on the result of the impairment test to test its sensitivity to the following 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 would disclose the existence of additional asset impairment amounting to Euros 1,587 thousand and Euros 1,217 thousand, respectively (Euros 1,385 thousand and Euros 1,241 thousand, respectively, in 2014).

#### Impairment of goodwill

Goodwill acquired through a business combination is allocated to the group of basic cash-generating units aggregated to concept-country level grouped together at chain-country level, for the purpose of performing the related impairment tests. This grouping is made on the basis of:

- The degree of independence of the cash flows in each case.
- The way in which the Group assesses 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 grouping 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 review of the impairment for 2015 did not disclose the need to recognise any impairment loss on goodwill.

Also, the Group performed sensitivity analyses on the result of the impairment test to test its sensitivity to the following assumptions:

- Increase of 100 basis points in the discount rate.
- Use of a perpetuity growth rate of 0%.

– 5% reduction in future cash flows.

These sensitivity analyses performed separately for each of the aforementioned assumptions did not disclose the existence of any impairment in any case.

#### Impairment of intangible assets with an indefinite useful life

The intangible assets with an indefinite useful life are assigned to each of the commercial premises in which the Group carries on its business activities (stores).

These leasehold assignment rights are included in the calculation of the impairment of the non-current assets, as explained above.

#### Reversals of impairment losses

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

The reversal of an impairment loss on a cash-generating unit is distributed among its assets, except for goodwill, which is distributed in accordance with its carrying amount and taking into account the limitation set out in the preceding paragraph.

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

#### **h) Accounts receivable**

Trade receivables are initially recognized at fair value. After initial recognition, they are stated at amortized cost in accordance with the effective interest method, less any impairment losses recognized.

Impairment losses are recognized on trade receivables when there is objective evidence that the Group will not be able to collect the entire amount owed by the debtor in accordance with the terms of the debt. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the original interest rate. The amount of the impairment loss is recognized in the income statement.

#### **i) Inventories**

Inventories are measured at the lower of acquisition or production cost and net realizable value.

Cost comprises all the costs incurred in acquiring and transforming the inventories, as well as the design, logistics and transport costs and those directly allocable and incurred in bringing the inventories to their present location and condition.

Transformation costs comprise the costs directly related to the units produced and a systematically calculated portion of indirect, variable and fixed costs incurred during the transformation process.

Cost is calculated on a FIFO basis and includes the cost of materials consumed, labor and manufacturing expenses.

The cost of inventories is adjusted through the caption “Cost of merchandise” in the consolidated income statement when cost exceeds net realizable value. Net realizable value is considered as the following:

- Raw materials and other supplies: replacement cost. However, raw materials and other supplies are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.
- Goods for resale: estimated selling price in the normal course of business.
- Work in progress: the estimated selling price for the corresponding finished products, less estimated costs of completion.

#### **j) Cash and cash equivalents**

Cash and cash equivalents include cash on hand and demand deposits at financial institutions. 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. Investments which mature in less than three months from the acquisition date are also included.

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

The Group classifies cash flows relating to interest and dividends paid and received as cash flows used in and obtained from investing and financing activities.

### **k) Current financial investments**

Current financial investments include bank deposits and investments in investment funds that are not available at short term or that mature at between three and twelve months from acquisition.

The Group classifies cash flows relating to the amounts invested and received as cash flows from investing activities.

### **l) Employee benefits**

Obligations acquired with 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 2016.

Personnel expenses accrued during the year are determined based on the best estimate of how far the conditions of payment have been met and the period that has elapsed since the plan started.

Personnel expenses incurred by the Company in relation to the beneficiaries of the plans referred to in note 26 to the consolidated annual accounts are recognized in liability and equity accounts during the period in which the expenses are incurred.

### **m) Provisions and contingent liabilities**

Provisions are recognized in the balance sheet when:

- the Group has a present legal or constructive obligation as result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are based on the best information available at the date of preparation of the annual accounts and are revised at each balance sheet date.

If it is more likely than not that an outflow of resources will no longer be required to settle the obligation, the provision is reversed. The provision is reversed against the consolidated income statement item where the corresponding expense was recognized.

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

### **n) Financial liabilities**

Financial liabilities, including trade and other payables, are initially recognized at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, the Group's financial liabilities are measured at amortized cost using the effective interest method.

### **o) Derivatives and hedging operations**

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

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

Amounts recognized in equity are taken to income when the forecast transaction takes place with a charge or credit to the account in which it was recognized. Also, gains or losses recognized in equity are reclassified to finance income or expenses when the forecast transaction is not expected to occur. The fair value of the hedges is recognized, depending on whether it is positive or negative, under "Other financial assets" or "Other financial liabilities" in the accompanying consolidated balance sheet.

In order for financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Group verifies initially and periodically over the life of the hedge, using "effectiveness tests", that the hedging relationship remains effective, i.e., that it is prospectively foreseeable that changes in the fair value or cash flows from the hedged item (attributable to the hedged risk) are offset almost completely by changes in the fair value or cash flows of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item. Also, the ineffective portion of the hedging instrument is recognized immediately in the consolidated income statement.

The fair value of the hedging instruments has been calculated using measurement techniques based on the spot exchange rate and yield curves (Levels 1 and 2), based on the fair value hierarchy shown below:

### **Level 1**

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

### **Level 2**

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

### **Level 3**

Unobservable inputs for the asset or liability.

The Group does not have any assets or liabilities assigned to this hierarchical level.

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

#### ***Level 1 instruments***

The Group assigns certain fixed-income securities to this level and measures them at the prices in the active market in which they are traded.

#### ***Level 2 instruments***

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

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

#### **Foreign currency forwards**

Fair value measurement:

Foreign currency forwards are basically measured by comparing the contract strike price (agreed delivery price) with the market forward rate for expiration 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). This risk free valuation is subsequently adjusted to include each parties' credit risk, both the risk corresponding to the counterparty (Credit Value Adjustment ("CVA") or the market value of counterparty credit 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 or default and the assumed recovery amount in the event of default are obtained from market CDSs or from other observable market inputs. The CVA and the DVA calculations are netted for each counterparty with which the entity has a netting agreement for the derivative positions in the event of default.

#### **Cross-currency swap**

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 (in the applicable currency). The present value of the leg that is not denominated in Euros is then translated to Euros (using the current spot exchange rate) and calculating the risk free value as the difference between the present value of the receive leg and the present value of the pay leg. The discount curves are adjusted for the cross currency (basis) swap corresponding to the two currencies.
- The risk free yield is then adjusted to include the credit risk adjustment: both the CVA (Credit Value Adjustment - credit risk of the counterparty) 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 or default and the assumed recovery amount in the event of default are obtained from market CDSs or from other observable market inputs.
- The CVA and the DVA calculations are netted for each counterparty with which the entity has a netting agreement for the derivative positions in the event of default.

#### **Zero premium option combinations**

Fair value measurement:

Valuation of zero-premium options is based on the stochastic local volatility ("SLV") model using a Monte Carlo simulation. The valuation depends on the implied volatility of the standard option contracts as well as the dynamics of the implied volatilities.

#### **p) Revenue recognition**

The sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred.

Sales of goods to franchises are recognized when the aforementioned conditions are met and when revenue can be reliably determined and collection is considered probable.

The Group sells certain assets with the right for the buyers to return the goods. In these cases, the sale of the goods is recognized when the above conditions are met and it is possible to reliably estimate future returns based on experience and other relevant factors. Estimated returns are recognized with a credit to the provision for sales returns, and are recorded as inventories, net of the effect of any reduction in value.

Rental income is recognized on a straight-line basis over the term of the lease.

Revenue from royalties is recognized using the accrual principle based on the substance of the contracts, providing collection is considered probable and the amount can be reliably estimated.

#### **q) Leases**

Lease contracts in which the significant risks and rewards inherent to ownership of the asset are substantially transferred to third parties are classified as finance leases. All other leases are classified as operating leases.

Assets acquired through a finance lease are recognized as non-current assets at the lower of the present value of the future lease payments and the fair value of the leased asset, while the corresponding debt with the lessor is recognized as a liability. Lease payments are apportioned between the reduction of the outstanding liability and the finance charge, which is recorded as a financial expense during the year.

In the case of operating leases, non-contingent or fixed rent payments are charged to the income statement on a straight-line basis over the term of the lease. Contingent rent is recognized in the period in which payment is probable, as are variable rent increases linked to the consumer price index.

Incentives received from shopping center developers or owners of commercial premises (mainly contributions to construction work and grace periods) are recognized as non-current liabilities under "Other non-current liabilities – Lease

incentives" and under "Trade and other payables", the portion expected to be charged to income in the coming year. They are booked as a reduction in rental expense under "Other operating expenses" on a straight-line basis over the term of the respective lease contracts.

#### **r) Financial income and expenses**

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

#### **s) Income tax**

The income tax expense for the year comprises current tax and deferred tax. Income tax comprises current and deferred tax and is recognized in the income statement and included in the determination of net profit or loss for the year, except to the extent that it relates to a transaction which has been recognized in equity in the same or previous years, in which case it is charged or credited to equity, or to a business combination.

Current tax is the tax expected to be paid or recovered in the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable or recoverable in respect of previous years.

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 comprise income tax amounts payable in the future on account of taxable temporary differences while deferred tax assets are amounts recoverable due to the existence of deductible temporary differences, tax loss or tax credit carryforwards.

The Group recognizes deferred tax assets and liabilities derived from temporary differences, except those relating to the initial recognition of an asset or liability in a transaction which is not a business combination and which did not affect either accounting or taxable profit (losses), or in the case of deferred taxes, where temporary differences are related to the initial recognition of goodwill. Deferred tax assets and liabilities are also recognized for temporary differences relating to investments in subsidiaries, except when the Parent can control their reversal and the temporary differences will probably not reverse in the foreseeable future.

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

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets, whether recognized or not, are reviewed at each balance sheet date.

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

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

#### **t) Current and non-current assets and liabilities**

The Group classifies assets and liabilities as current and non-current. 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 netted unless there are specific requirements to the contrary or a standard or interpretation so permits.

#### **u) Treasury shares**

Treasury shares acquired by the Group have been presented separately at cost as a reduction in equity in the consolidated balance sheet, and no gains or losses have been recorded as a result of transactions carried out with treasury shares.

Costs incurred in treasury share transactions are recorded as a reduction in equity, after consideration of any tax effect.

## **6.32. Environment**

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that

might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

## **6.33. Events after the reporting period**

At the date of preparation of these consolidated annual accounts no matters had been disclosed that might modify the consolidated annual accounts or give rise to disclosures additional to those already included in these consolidated annual accounts.

## **6.34. Explanation added for translation to English**

These consolidated annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Group (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.

## Appendix I - Composition of the Inditex Group

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
<b>Subsidiaries:</b>						
Industria de Diseño Textil, S.A.	Parent	A Coruña - Spain	Full Consol.	31-Jan.	-	Parent
Comditel, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Zara	Buyer
Zara Asia, Ltd.	100.00%	Hong Kong - China	Full Consol.	31-Jan.	Zara	Retail sales
Choolet, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textile Manufacturing
Confecciones Fíos, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textile Manufacturing
Confecciones Goa, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textile Manufacturing
Denllo, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textile Manufacturing
Hampton, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textile Manufacturing
Nikole, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Buyer
Samlor, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textile Manufacturing
Stear, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textile Manufacturing
Trisko, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textile Manufacturing
Zintura, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textile Manufacturing
Glencare, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Textile Manufacturing
Indipunt, S.L.	51.00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Textile Manufacturing
Indipunt Diseño, S.L.	51.00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Design
Zara España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Retail sales
Zara Argentina, S.A.	100.00%	Buenos Aires - Argentina	Full Consol.	31-Jan.	Zara	Retail sales
Zara Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-Jan.	Zara	Retail sales
Zara Chile, S.A.	100.00%	Santiago de Chile - Chile	Full Consol.	31-Dec.	Zara	Retail sales
Zara USA, Inc.	100.00%	New York - USA	Full Consol.	31-Jan.	Zara	Retail sales
Zara France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-Jan.	Zara	Retail sales
Zara UK, Ltd.	100.00%	London - UK	Full Consol.	31-Jan.	Zara	Retail sales
Zara Mexico, B.V.	100.00%	Amsterdam - France	Full Consol.	31-Jan.	Zara	Holding company
Zara Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-Jan.	Zara	Retail sales
Zara México, S.A. de C.V.	95.00%	Mexico City - Mexico	Full Consol.	31-dic	Zara	Retail sales
Zara Portugal Confeçoes Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-Jan.	Zara	Retail sales
G.Zara Uruguay, S.A.	100.00%	Montevideo - Uruguay	Full Consol.	31-Jan.	Zara	Retail sales
Zara Financiën B.V. Ireland	100.00%	Dublin - Ireland	Full Consol.	31-Jan.	Multi-concept	Financial services
Zara Brasil, Lda.	100.00%	Sao Paulo - Brazil	Full Consol.	31-Dec.	Zara	Retail sales
Zara Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara	Retail sales
Zara Österreich Clothing, GmbH	100.00%	Vienna - Austria	Full Consol.	31-Jan.	Zara	Retail sales
Zara Denmark A/S	100.00%	Copenhagen - Denmark	Full Consol.	31-Jan.	Zara	Retail sales
Zara Sverige AB	100.00%	Stockholm - Sweden	Full Consol.	31-Jan.	Zara	Retail sales

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ANNUAL ACCOUNTS - ECONOMIC AND FINANCIAL REPORT

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Zara Norge AS	100.00%	Oslo - Norway	Full Consol.	31-Jan.	Zara	Retail sales
Zara Canada, Inc.	100.00%	Montreal - Canada	Full Consol.	31-Jan.	Zara	Retail sales
Zara Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Zara	Retail sales
Zara Luxembourg, S.A.	100.00%	Luxembourg - Luxembourg	Full Consol.	31-Jan.	Zara	Retail sales
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-Jan.	Zara	Retail sales
Zara Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Zara	Retail sales
Zara Japan Corp.	100.00%	Tokyo - Japan	Full Consol.	31-Jan.	Zara	Retail sales
Zara Česká Republika, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31-Jan.	Zara	Retail sales
Zara Puerto Rico, Inc.	100.00%	San Juan - Puerto Rico	Full Consol.	31-Jan.	Zara	Retail sales
Za Clothing Ireland, Ltd.	100.00%	Dublin - Ireland	Full Consol.	31-Jan.	Zara	Retail sales
Zara Magyarorszag Kft.	100.00%	Budapest - Hungary	Full Consol.	31-Jan.	Zara	Retail sales
Zara Holding, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Holding company
Zara Monaco, SAM	100.00%	Monte Carlo - Monaco	Full Consol.	31-Jan.	Zara	Retail sales
Zara Commercial (Shanghai) Co., Ltd	100.00%	Shanghai - China	Full Consol.	31-Dec.	Zara	Retail sales
Zara Commercial (Beijing) Co., Ltd	100.00%	Beijing - China	Full Consol.	31-Dec.	Zara	Retail sales
Zara Macau, Ltd	100.00%	Macao - China	Full Consol.	31-Dec.	Zara	Retail sales
Zara Polska, Sp. z o.o.	100.00%	Warsaw - Poland	Full Consol.	31-Jan.	Zara	Retail sales
ZAQ Zara CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31-Dec.	Zara	Retail sales
Zara Deutschland, GmbH	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Zara	Holding company
Zara Bucuresti, Srl	100.00%	Bucharest - Romania	Full Consol.	31-Dec.	Zara	Retail sales
Zara Ukraine, LLC	100.00%	Kiev - Ukraine	Full Consol.	31-Dec.	Zara	Retail sales
Zara Slovakia, S.R.O.	100.00%	Bratislava - Slovakia	Full Consol.	31-Jan.	Zara	Retail sales
Zara Taiwan, B.V. TW Branch	100.00%	Taipei - Taiwan	Full Consol.	31-Jan.	Zara	Retail sales
Zara Croatia, Ltd.	100.00%	Zagreb - Croatia	Full Consol.	31-Jan.	Zara	Retail sales
Zara Retail Korea, Ltd.	80.00%	Korea	Full Consol.	31-Jan.	Zara	Retail sales
Zara Bulgaria LTD	100.00%	Sofia - Bulgaria	Full Consol.	31-Dec.	Zara	Retail sales
Zara Immobiliare Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Zara	Real estate
Zara Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Design
Zara Management, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara	Holding company
Kommanditgesellschaft ZARA Deutschland B.V. & Co.	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Zara	Retail sales
ITX Fashion Retail South Africa	90.00%	South Africa	Full Consol.	31-Jan.	Zara	Retail sales
Group Zara Australia Pty. Ltd.	80.00%	Sidney - Australia	Full Consol.	31-Jan.	Zara	Retail sales
ITX Financien, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Financial services
Zara Taiwan, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara	Holding company
Zara Vittorio 11 Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Zara	Real estate
Zara BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Zara	Retail sales
Zara Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-Jan.	Zara	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Nikole Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100.00%	Montenegro	Full Consol.	31-Dec.	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100.00%	Korea	Full Consol.	31-Jan.	Zara	Real estate
Inditex Trent Retail India Private Ltd	51.00%	Gurgaon - India	Full Consol.	31-Mar.	Zara	Retail sales
Kiddy´s Class España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Retail sales
Fibracolor, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Zara	Dormant
ITX Holding, S.A.	100.00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Multi-concept	Holding company
Zara Finland, OY	100.00%	Helsinki - Finland	Full Consol.	31-Jan.	Zara	Retail sales
Retail Group Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Zara	Retail sales
ITX Financien III, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Financial services
ITX Albania SHPK	100.00%	Tirana - Albania	Full Consol.	31-Dec.	Multi-concept	Retail sales
Zara Fashion (Shanghai) Co., Ltd	100.00%	Shanghai - China	Full Consol.	31-Dec.	Zara	Retail sales
Oysho España, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Venezuela, S.A.	100.00%	Caracas - Venezuela	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Portugal, Conf. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Mexico, S.A. de C.V.	98.50%	Mexico City - Mexico	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Polska, Sp. z o.o	100.00%	Warsaw - Poland	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho MAGYARORSZAG Kft.	100.00%	Budapest - Hungary	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Ro, Srl	100.00%	Bucharest - Romania	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Ukraine, LLC	100.00%	Kiev - Ukraine	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Oysho	Design
Oysho Bulgaria, LTD	100.00%	Sofia - Bulgaria	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Commercial & Trading (Shanghai) Co., Ltd.	100.00%	Shanghai - China	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Korea, LTD	100.00%	Korea	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Croacia, LTD	100.00%	Zagreb - Croatia	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Macau, Ltd	100.00%	Macao - China	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Oysho	Retail sales
Oysho Hong Kong, Ltd.	100.00%	Hong Kong - China	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Belgique, S.A	100.00%	Brussels - Belgium	Full Consol.	31-Jan.	Oysho	Retail sales
Grupo Massimo Dutti, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-Jan.	Massimo Dutti	Retail sales

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Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Venezuela, S.A.	100.00%	Caracas - Venezuela	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti UK, Ltd.	100.00%	London - UK	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Sverige AB	100.00%	Stockholm - Sweden	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Norge AS	100.00%	Oslo - Norway	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Ireland., Ltd.	100.00%	Dublin - Ireland	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti USA, Ltd.	100.00%	New York - USA	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Danmark A/S	100.00%	Copenhagen - Denmark	Full Consol.	31-Jan.	Massimo Dutti	Dormant
Massimo Dutti CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Deutschland, GmbH	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Massimo Dutti	Holding company
Massimo Dutti Mexico, S.A. de C.V.	98.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
BCN Diseños, S.A. de C.V.	98.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Massimo Dutti	Real estate
Liprasa Cartera, S.L.	98.00%	Madrid - Spain	Full Consol.	31-Jan.	Massimo Dutti	Holding company
Massimo Dutti, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100.00%	Hong Kong - China	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp. z o.o.	100.00%	Warsaw - Poland	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Ro, Srl	100.00%	Bucharest - Romania	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Macau, Ltd.	100.00%	Macao - China	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Ukraine, LLC	100.00%	Kiev - Ukraine	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Česká Republika, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100.00%	Beijing - China	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, LTD	100.00%	Sofia - Bulgaria	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Croatia, LTD	100.00%	Zagreb - Croatia	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Korea, LTD	100.00%	Korea	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Massimo Dutti	Design
Massimo Dutti Commercial Shanghai Co, Ltd	100.00%	Shanghai - China	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti Österreich, GmbH	100.00%	Vienna - Austria	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Canada, Inc.	100.00%	Montreal - Canada	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Taiwan, B.V. Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
MD Benelux, N.V.	100.00%	Bruges - Belgium	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Italco Moda Italiana Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Japan, Co.	100.00%	Tokyo - Japan	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Puerto Rico, INC	100.00%	San Juan - Puerto Rico	Full Consol.	31-Jan.	Massimo Dutti	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
KG Massimo Dutti Deutschland, B.V. & CO.	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Magyarország Kft.	100.00%	Budapest - Hungary	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Massimo Dutti Taiwan, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Massimo Dutti	Holding company
Master Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Dutti BH, D.O.O	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Massimo Dutti	Retail sales
Massimo Duttil India Private Ltd	51.00%	Gurgaon - India	Full Consol.	31-Mar.	Massimo Dutti	Retail sales
ITX Merken, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Services
Pull & Bear España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Portugal Conf. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	98.50%	Mexico City - Mexico	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Ceska Republika, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Ireland, Ltd.	100.00%	Dublin - Ireland	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Magyarország Kft.	100.00%	Budapest - Hungary	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Polska, Sp. z o.o	100.00%	Warsaw - Poland	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear UK Limited	100.00%	London - UK	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Ro, Srl	100.00%	Bucharest - Romania	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Ukraine, LLC	100.00%	Kiev - Ukraine	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Slovakia, S.R.O.	100.00%	Bratislava - Slovakia	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Croatia, LTD	100.00%	Zagreb - Croatia	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Commercial Beijing Co., Ltd.	100.00%	Beijing - China	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Bulgaria, Ltd.	100.00%	Sofia - Bulgaria	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Hong Kong Ltd.	100.00%	Hong Kong - China	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Pull & Bear	Design
Pull & Bear Macau, Ltd.	100.00%	Macao - China	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Pull & Bear Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Österreich Clothing, GmbH	100.00%	Vienna - Austria	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Taiwan, B.V. Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Korea, LTD	100.00%	Korea	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Pull & Bear	Retail sales

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Plataforma Cabanillas, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Pull & Bear	Logistics
Pull & Bear Taiwan, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Pull & Bear	Holding company
P&B, GmbH	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Pull & Bear	Holding company
Pull & Bear Deutschland, B.V. & CO.	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Sverige AB	100.00%	Stockholm - Sweden	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pull & Bear Suisse, S.Á.R.L.	100.00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Pro Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Pull & Bear	Retail sales
Uterqüe, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Uterqüe	Buyer
Uterqüe España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Uterqüe	Retail sales
Uterqüe Hellas	100.00%	Athens - Greece	Full Consol.	31-Jan.	Uterqüe	Retail sales
Gruputerqüe Portugal Conf. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-Jan.	Uterqüe	Retail sales
Uterqüe Cis, LTD	100.00%	Moscow - Russia	Full Consol.	31-Dec.	Uterqüe	Retail sales
Uterqüe Giyim Limited	100.00%	Istanbul - Turkey	Full Consol.	31-Jan.	Uterqüe	Retail sales
Uterqüe México, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Uterqüe	Retail sales
Uterqüe Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Uterqüe	Design
Uterqüe Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Uterqüe	Retail sales
Uterqüe Hong Kong, Ltd.	100.00%	Hong Kong - China	Full Consol.	31-Jan.	Uterqüe	Retail sales
Uterqüe Commercial & Trading (Shanghai) Co., Ltd.	100.00%	Shanghai - China	Full Consol.	31-Dec.	Uterqüe	Retail sales
Bershka BSK España, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Portugal Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Mexico, S.A. de C.V.	97.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Giyim Ithalat Ihracat Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka UK, Ltd.	100.00%	London - UK	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Ireland., Ltd.	100.00%	Dublin - Ireland	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Ceska Republica, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Croatia, Ltd.	100.00%	Zagreb - Croatia	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Polska Sp. z o.o.	100.00%	Warsaw - Poland	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Slovakia, S.R.O.	100.00%	Bratislava - Slovakia	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Carpati, Srl	100.00%	Bucharest - Romania	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Ukraine, LLC	100.00%	Kiev - Ukraine	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Magyaroszag Kft.	100.00%	Budapest - Hungary	Full Consol.	31-Jan.	Bershka	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Bershka Cis, Ltd	100.00%	Moscow - Russia	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Osterreich Clothing GmbH	100.00%	Vienna - Austria	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Hong Kong Limited	100.00%	Hong Kong - China	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Commercial Beijing Co., Ltd.	100.00%	Beijing - China	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Bulgaria, LTD	100.00%	Sofia - Bulgaria	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Korea, LTD	100.00%	Korea	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Taiwan, B.V. Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Bershka	Design
Bershka Macau, Ltd.	100.00%	Macao - China	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Japan, Ltd.	100.00%	Tokyo - Japan	Full Consol.	31-Jan.	Bershka	Retail sales
BSKE, GmbH	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Bershka	Holding company
Bershka BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Deutschland B.V. & CO. KG	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-Jan.	Bershka	Retail sales
Bershka Taiwan, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Bershka	Holding company
Best Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka Commercial (Shanghai) Co., Ltd.	100.00%	Shanghai - China	Full Consol.	31-Dec.	Bershka	Retail sales
Bershka USA INC	100.00%	New York - USA	Full Consol.	31-Jan.	Bershka	Retail sales
Stradivarius España, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-Jan.	Stradivarius	Retail sales
ITX RE	100.00%	Dublin - Ireland	Full Consol.	31-Jan.	Multi-concept	Insurance
Stradivarius Portugal, Conf. Unip. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Polska, Sp. z o.o	100.00%	Warsaw - Poland	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Ireland Limited	100.00%	Dublin - Ireland	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Magyaroszag Kft.	100.00%	Budapest - Hungary	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Croatia, LTD.	100.00%	Zagreb - Croatia	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Slovakia, S.R.O.	100.00%	Bratislava - Slovakia	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Ro, Srl	100.00%	Bucharest - Romania	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Ukraine, LLC	100.00%	Kiev - Ukraine	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Česká Republika, S.R.O.	100.00%	Prague - Czech Republic	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Commercial Shangai Co., Ltd.	100.00%	Shanghai - China	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Bulgaria, LTD	100.00%	Sofia - Bulgaria	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Diseño, S.L.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Stradivarius	Design

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Stradivarius Macau, Ltd.	100.00%	Macao - China	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Korea, Ltd.	100.00%	Korea	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Hong Kong, Ltd.	100.00%	Hong Kong - China	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius UK LIMITED	100.00%	London - UK	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Stradivarius	Retail sales
Stradivarius México, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius BH, D.O.O.	100.00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Serbia, D.O.O. Belgrade	100.00%	Belgrade - Serbia	Full Consol.	31-Jan.	Stradivarius	Retail sales
Spanish Retail Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Stradivarius	Retail sales
Stradivarius Japan Corporation	100.00%	Tokyo - Japan	Full Consol.	31-Jan.	Stradivarius	Retail sales
ITX Trading, S.A.	100.00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Multi-concept	Buyer
Zara Home España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Portugal, Conf. Soc. Unip. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home UK, Ltd.	100.00%	London - UK	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Hellas, S.A.	100.00%	Athens - Greece	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Nederland, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Mexico, S.A. de C.V.	98.50%	Mexico City - Mexico	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100.00%	Istanbul - Turkey	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Francia, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Ro, Srl	100.00%	Bucharest - Romania	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home CIS, Ltd.	100.00%	Moscow - Russia	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Ukraine, LLC	100.00%	Kiev - Ukraine	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Polska, Sp. z o.o	100.00%	Warsaw - Poland	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Diseño, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Taiwan, B.V. TW Branch	100.00%	Taipei - Taiwan	Full Consol.	31-Jan.	Zara Home	Retail sales
ZHE, GmbH	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100.00%	Sao Paulo - Brazil	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Croatia, LTD	100.00%	Zagreb - Croatia	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Belgique, S.A.	100.00%	Brussels - Belgium	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Commercial & Trading (Shanghai) Co., Ltd	100.00%	Shanghai - China	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Japan Corp.	100.00%	Tokyo - Japan	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Canada, Inc.	100.00%	Montreal - Canada	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Taiwan, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara Home	Holding company
Zara Home Macao, Ltd.	100.00%	Macao - China	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Sverige AB	100.00%	Stockholm - Sweden	Full Consol.	31-Jan.	Zara Home	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Zara Home Kazakhstan, LLP	100.00%	Almaty - Kazakhstan	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Hong Kong, Ltd.	100.00%	Hong Kong - China	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Suisse, S.A.R.L.	100.00%	Fribourg - Switzerland	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Chile SPA	100.00%	Santiago de Chile - Chile	Full Consol.	31-Dec.	Zara Home	Retail sales
Zara Home Australia Pty Ltd	100.00%	Sidney - Australia	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Magyarorszag Kft.	100.00%	Budapest - Hungary	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Korea LIMITED	100.00%	Korea	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Home Danmark A/S	100.00%	Copenhagen - Denmark	Full Consol.	31-Jan.	Zara Home	Retail sales
G. Zara Home Uruguay, S.A.	100.00%	Montevideo - Uruguay	Full Consol.	31-Jan.	Zara Home	Retail sales
Zara Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Logistics
Plataforma Europa, S.A.	100.00%	Zaragoza - Spain	Full Consol.	31-Jan.	Zara	Logistics
Plataforma Logística León, S.A.	100.00%	León - Spain	Full Consol.	31-Jan.	Zara	Logistics
Plataforma Logística Meco, S.A.	100.00%	Madrid - Spain	Full Consol.	31-Jan.	Multi-concept	Logistics
Pull & Bear Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Massimo Dutti	Logistics
Bershka Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Bershka	Logistics
Oysho Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Oysho	Logistics
Stradivarius Logística, S.A.	100.00%	Barcelona - Spain	Full Consol.	31-Jan.	Stradivarius	Logistics
Zara Home Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara Home	Logistics
Uterqüe Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Uterqüe	Logistics
Lefties Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Logistics
Inditex Logística, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Logistics
Tordera Logística, S.L.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Logistics
Nueva comercializadora global XXI, S.A. DE C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Multi-concept	Logistics
Corporación de Servicios XXI, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Multi-concept	Services
ITX Fashion, Ltd.	100.00%	Dublin - Ireland	Full Consol.	31-Jan.	Multi-concept	Retail sales
Goa-Invest, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Construction
Goa-Invest Deutschland, GmbH	100.00%	Hamburg - Germany	Full Consol.	31-Jan.	Multi-concept	Construction
Zara Vastgoed, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Zara	Real estate
ITX Global Solutions Limited	100.00%	Hong Kong - China	Full Consol.	31-Jan.	Multi-concept	Services
SNC Zara France Immobiliere	100.00%	Paris - France	Full Consol.	31-Dec.	Zara	Real estate
SCI Vastgoed Ferreol P03302	100.00%	Paris - France	Full Consol.	31-Dec.	Zara	Real estate
SCI Vastgoed France P03301	100.00%	Paris - France	Full Consol.	31-Dec.	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100.00%	Paris - France	Full Consol.	31-Dec.	Zara	Real estate
SCI Vastgoed Nancy P03304	100.00%	Paris - France	Full Consol.	31-Dec.	Zara	Real estate
Invercarpro, S.A.	100.00%	Madrid - Spain	Full Consol.	31-Jan.	Zara	Real estate
Robustae S.G.P.S. Unip. Lda.	100.00%	Lisbon - Portugal	Full Consol.	31-Jan.	Zara	Retail sales

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Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Lefties España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Real estate
Born, S.A.	100.00%	Palma de Mallorca- Spain	Full Consol.	31-Jan.	Zara	Real estate
LFT RUS Ltd	100.00%	Moscow- Russia	Full Consol.	31-Dec.	Zara	Retail sales
Robustae Mexico, S.A de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Zara	Retail sales
Inditex Cogeneración, A.I.E.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Combined heat and power plant
Inditex, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Dormant
Zara Holding II, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Holding company
Zara, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Zara	Dormant
Zara, S.A.	100.00%	Buenos Aires - Argentina	Full Consol.	31-Jan.	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Logistics
ITX Asia Pacific Enterprise Management, Co., Ltd.	100.00%	Shanghai - China	Full Consol.	31-Dec.	Multi-concept	Buyer
FSF New York, LLC	100.00%	New York - USA	Full Consol.	31-Jan.	Zara	Real estate
FSF Soho, LLC	100.00%	New York - USA	Full Consol.	31-Jan.	Zara	Real estate
ITX USA, LLC	100.00%	New York - USA	Full Consol.	31-Jan.	Multi-concept	Retail sales
Fashion Retail España, S.A.	100.00%	A Coruña - Spain	Full Consol.	31-Jan.	Multi-concept	Retail sales
ITXR Macedonaia Dooel Skopje	100.00%	Skopje - Macedonia	Full Consol.	31-Dec.	Multi-concept	Retail sales
ITX E-commerce (Shanghai) Co. Ltd.	100.00%	Shanghai - China	Full Consol.	31-Dec.	Multi-concept	Retail sales
ITX Financien II, B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Financial services
ITX Canada, Inc.	100.00%	Montreal - Canada	Full Consol.	31-Jan.	Multi-concept	Retail sales
ITX Mexico XXI, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Multi-concept	Retail sales
ITX Korea LIMITED	100.00%	Korea	Full Consol.	31-Jan.	Multi-concept	Retail sales
ITX Japan CORPORATION	100.00%	Tokyo - Japan	Full Consol.	31-Jan.	Multi-concept	Retail sales
ITX Services India Private Ltd	100.00%	Gurgaon - India	Full Consol.	31-Mar.	Multi-concept	Buyer
ITX Turkey Perakende Magazacilik Ve Ticaret LIMITED SIRKETI	100.00%	Stockholm - Sweden	Full Consol.	31-Jan.	Multi-concept	Retail sales
Inditex France, S.A.R.L.	100.00%	Paris - France	Full Consol.	31-Jan.	Multi-concept	Dormant
Zara Home Österreich Clothing, GmbH	100.00%	Vienna - Austria	Full Consol.	31-Jan.	Zara Home	Retail sales
Massimo Dutti Slovakia, S.R.O.	100.00%	Bratislava - Slovakia	Full Consol.	31-Jan.	Massimo Dutti	Retail sales
Pull & Bear, Luxembourg, S.A.	100.00%	Luxembourg - Luxembourg	Full Consol.	31-Jan.	Pull & Bear	Retail sales
Zara Vittorio 13 Italia, S.R.L.	100.00%	Milan - Italy	Full Consol.	31-Jan.	Zara	Real estate
Zara Taiwan BV ITX Taiwan Branch	100.00%	Taipei - Taiwan	Full Consol.	31-Jan.	Multi-concept	Retail sales
CDC Trading (Shanghai) Co., Ltd.	100.00%	Shanghai - China	Full Consol.	31-Dec.	Multi-concept	Buyer
Oysho Sverige AB	100.00%	Stockholm - Sweden	Full Consol.	31-Jan.	Oysho	Retail sales
Oysho Slovakia, S.R.O	100.00%	Bratislava - Slovakia	Full Consol.	31-Jan.	Oysho	Retail sales
Zara Home Retail South Africa (PTY) LTD.	100.00%	South Africa	Full Consol.	31-Jan.	Zara	Retail sales
FGI Gestión Mex, S.A. de C.V.	100.00%	Mexico City - Mexico	Full Consol.	31-Dec.	Multi-concept	Construction
ITX Merken B.V.	100.00%	Amsterdam - Netherlands	Full Consol.	31-Jan.	Multi-concept	Services

# Consolidated directors' report

at 31 January 2016

*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.  
(Amounts expressed in millions of euros)*

## Situation of the entity

Inditex is a global fashion group with a presence in five continents, 88 markets and in both the Northern and Southern hemispheres, which engages mainly in the distribution of fashion goods, principally clothing, footwear, accessories and textile products for the home. Inditex carries out its activity through various commercial formats such as Zara, Pull & Bear, Massimo Dutti, Bershka, Stradivarius, Oyso, Zara Home and Uterqüe.

Each format's commercial activity is carried on through an integrated store and on-line sales model managed directly by companies in which Inditex holds all or the majority of the share capital, with the exception of certain countries where, for various reasons, the retail selling activity is performed through franchises.

Inditex's business model is a flexible, integrated and customer-orientated model with a clear multi-channel and multi-concept strategy.

The business model encompasses all the phases of the value chain: design, manufacturing and supply, distribution, logistics and retail sales. The offer of an attractive combination of fashion at very competitive prices, the constant renewal of designs and dispatches to stores between twice and six times a week place the customer at the center of the Group's strategy, and the remittance of information on a daily basis from the stores makes it possible to update collections on an ongoing basis.

The Group's logistics system facilitates continuous deliveries from the distribution centers of the various commercial formats to stores throughout each season. This system essentially operates through centralized logistics centers for each concept in which inventory is stored and distributed to stores worldwide.

## Organizational structure

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- General Meeting
- Board of Directors
- Audit and Control Committee
- Nomination Committee
- Remuneration Committee
- Regulatory Compliance Committee and Department
- Ethics Committee

## Business performance and results

### Key financial and non-financial indicators

Inditex continues to expand its global, fully integrated store and online sales platform.



Oysho graphic designer at the brand's head office in Tordera (Barcelona).

In FY2015, Inditex achieved a strong operating performance. Net sales reached €20.9 billion, with sales growth of 15.4%. Net sales in local currencies increased by 15%.

Like-for-like sales increased 8.5% in FY2015 (7% first half and 9.5% second half) on 5% in FY2014. The like-for-like calculation includes store sales (i.e. sales in stores opened for the whole of fiscal years 2015 and 2014) and online. This represents 78% of total sales.

In FY2015 Inditex new space in prime locations increased 8%. Space contribution to sales was 6.5%. Total selling area at FYE reached 4,086,904 square metres:

Total selling area	2015	2014	15/14
Zara	2,523,388	2,352,826	7%
Pull&Bear	351,799	318,554	10%
Massimo Dutti	233,084	216,175	8%
Bershka	456,914	427,165	7%
Stradivarius	271,386	253,814	7%
Oysho	92,891	84,193	10%
Zara Home	146,866	123,776	19%
Uterqüe	10,576	9,596	10%
<b>Total</b>	<b>4,086,904</b>	<b>3,786,099</b>	<b>8%</b>

Net store openings in FY2015 amounted to 330 reaching a total of 7,013 stores in 88 markets. In FY2015 Inditex opened stores in 56 markets.

Store openings, by quarter and stores, by market and concept, at FYE were as follows:

Net openings by quarter:

Concept	1Q 2015	2Q 2015	3Q 2015	4Q 2015	Total 2015
Zara	15	9	36	19	79
Zara Kids	0	0	(2)	0	(2)
Pull&Bear	5	2	17	14	38
Massimo Dutti	9	1	13	11	34
Bershka	2	2	22	12	38
Stradivarius	8	1	18	13	40
Oysho	5	6	12	9	32
Zara Home	19	6	19	21	65
Uterqüe	0	4	1	1	6
<b>Total</b>	<b>63</b>	<b>31</b>	<b>136</b>	<b>100</b>	<b>330</b>

Total stores by quarter:

Concept	1Q 2015	2Q 2015	3Q 2015	4Q 2015
Zara	1,938	1,947	1,983	2,002
Zara Kids	162	162	160	160
Pull&Bear	903	905	922	936
Massimo Dutti	715	716	729	740
Bershka	1,008	1,010	1,032	1,044
Stradivarius	918	919	937	950
Oysho	580	586	598	607
Zara Home	456	462	481	502
Uterqüe	66	70	71	72
<b>Total</b>	<b>6,746</b>	<b>6,777</b>	<b>6,913</b>	<b>7,013</b>

Company-managed stores and franchised stores at FYE 2015:

Concept	Co. Managed	Franchised	Total
Zara	1,784	218	2,002
Zara Kids	160	0	160
Pull&Bear	803	133	936
Massimo Dutti	638	102	740
Bershka	895	149	1,044
Stradivarius	777	173	950
Oysho	542	65	607
Zara Home	449	53	502
Uterqüe	57	15	72
<b>Total</b>	<b>6,105</b>	<b>908</b>	<b>7,013</b>

Sales at company-managed and franchised stores:

Concept	Co. Managed	Franchised
Zara	87%	13%
Pull&Bear	83%	17%
Massimo Dutti	82%	18%
Bershka	82%	18%
Stradivarius	77%	23%
Oysho	86%	14%
Zara Home	85%	15%
Uterqüe	84%	16%
<b>Total</b>	<b>85%</b>	<b>15%</b>

Net sales by concept are shown in the table below:

Million Euros	2015	2014	15/14
Zara	13,628	11,594	17.5%
Pull&Bear	1,417	1,284	10.4%
Massimo Dutti	1,498	1,413	6.0%
Bershka	1,875	1,664	12.7%
Stradivarius	1,289	1,130	14.1%
Oysho	452	416	8.7%
Zara Home	666	548	21.5%
Uterqüe	75	68	10.3%
<b>Total</b>	<b>20,900</b>	<b>18,117</b>	<b>15.4%</b>

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

Area	2015	2014
Europe ex-Spain	44.0%	46.0%
Asia & RoW	23.5%	21.1%
Spain	17.7%	19.0%
Americas	14.7%	13.9%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>

Inditex has continued to expand its global, fully integrated online sales platform with the launch of online sales for Zara in Taiwan, Hong Kong and Macau in September 2015 and in Australia for Zara Home in December 2015, taking the total for Inditex to 29 markets. Annex III includes information regarding the markets and concepts with online sales.

Gross profit rose to €12.1 billion, 14.4% higher than the previous year. The Gross margin was 57.8% of sales (58.3% in FY2014).

Operating expenses have been tightly managed over the year and have grown by 14%, mainly as a result of the growth in sales and the new retail space added as well as the special profit sharing plan for employees. They include all the start-up costs for new space addition.

Million Euros	2015	2014
Personnel expenses	3,335	2,932
Rental expenses	2,087	1,850
Other operating expenses	1,969	1,676
<b>Total</b>	<b>7,392</b>	<b>6,458</b>

At FYE 2015 the number of employees was 152,854 (137,054 at FYE 2014).

EBITDA rose to €4.7 billion, 15% higher than a year earlier.

EBIT rose to €3.7 billion, 15% higher. The breakdown of EBIT by concept is shown below:

EBIT by concept (million of euros)				% sales	% total
Concept	2015	2014	15/14	2015	2015
Zara	2,452	2,123	16%	18%	67%
Pull&Bear	206	188	10%	15%	6%
Massimo Dutti	273	267	2%	18%	7%
Bershka	299	245	22%	16%	8%
Stradivarius	274	227	21%	21%	7%
Oysho	70	65	7%	16%	2%
Zara Home	100	81	23%	15%	3%
Uterqüe	4	2	118%	5%	0%
<b>Total EBIT</b>	<b>3,677</b>	<b>3,198</b>	<b>15%</b>	<b>18%</b>	<b>100%</b>

The following chart shows the breakdown of financial results:

Million Euros	2015	2014
Net financial income (losses)	11	16
Foreign exchange gains (losses)	(1)	(2)
<b>Total</b>	<b>10</b>	<b>14</b>

Results from companies consolidated by the equity method came to €56 million.

Net income came to €2.9 billion, 15% higher than the previous year.

**Return on Equity (ROE)**, defined as Net income on average Shareholder's equity:

Million Euros	2015	2014
Net income	2,875	2,501
Shareholders equity - previous year	10,431	9,246
Shareholders equity - current year	11,410	10,431
Average equity	10,920	9,838
<b>Return on Equity</b>	<b>26%</b>	<b>25%</b>

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

Million Euros	2015	2014
<b>EBIT</b>	3,677	3,198
<b>Average capital employed</b>		
Average shareholders' equity	10,920	9,838
Average net financial debt (*)	0	0
<b>Total average capital employed</b>	<b>10,920</b>	<b>9,838</b>
<b>Return on Capital employed</b>	<b>34%</b>	<b>33%</b>

(\*) Zero when net cash

#### Return on Capital Employed by concept:

Concept	2015	2014
Zara	30%	29%
Pull&Bear	38%	39%
Massimo Dutti	43%	45%
Bershka	53%	43%
Stradivarius	65%	55%
Oysho	49%	53%
Zara Home	33%	36%
Uterqüe	12%	6%
<b>Total</b>	<b>34%</b>	<b>33%</b>

To complement the financial statements included in the consolidated annual accounts of the INDITEX Group, attached hereto is Appendix I showing the income statement by quarter for 2015.

Appendices II and III show a list of stores by concept and market at 31 January 2016 and the information on the markets in which the various concepts make on-line sales.

## Issues relating to sustainability and employees

The business model of the Inditex Group is based on the premise that all its processes must be sustainable and responsible. Inditex views sustainability as a shared responsibility in which all the professional teams making up the Group play a role and which is reflected in a series of commitments including most notably the responsible manufacture of goods, the traceability and integrity of the supply chain, efficient use of resources, innovation and customer service and a commitment to its employees and the community.

All suppliers and plants involved in the production process of goods for sale are obliged on an explicit and binding basis to adhere to the social responsibility and environmental values and practices that define the Group and are transmitted through the Sustainability Department and its purchasing teams. Inditex responds to this challenge through the creation and implementation of policies that are in tune with fundamental employment standards and environmental protection as well as, the establishment of tools for control and direct cooperation with suppliers and multilateral dialogue with bodies and institutions working in these areas.

Noteworthy among the projects that Inditex has initiated in order to meet the challenge posed by a sustainable production chain are the following:

- Supply chain traceability system
- Manufacturer and Supplier Code of Conduct Compliance Program
- Water Master Plan in the manufacturing chain
- Supplier *Cluster* Program
- Framework agreement with the international workers federation *IndustriALL Global Union*
- Program for improved energy, water and waste management in the *Green to Wear* manufacturing chain
- Forest product policy to protect primary forests in danger of extinction
- Product health and safety standards compliance programs *Clear to Wear* and *Safe to Wear*.

- Ready to Manufacture program to evaluate the wet textile manufacturing processes, with the aim of implementing practices to guarantee product health and safety.
- The List, by Inditex, research and quality control program for the chemical products employed in textile manufacturing.

Other environmental initiatives are carried out at the Group's facilities including most notably the implementation of ISO 14001 certified environmental management systems at head offices, central offices and all of Inditex's logistics centers; the opening and refurbishing of stores based on the Ecoefficient Store Manual: LEED/BREEAM certification of flagship stores, logistics centers and offices; emission reduction programs; packaging and waste optimization programs; waste minimization plans at logistics centers and stores; design and buyer team awareness initiatives and programs for product recycling and end of product life programs.

Inditex understands that its relationships with its employees and with the community it forms part of must be based on the principles set forth in its Code of Conduct and Responsible Practices. The policies on equal opportunities and the balance between family and working life and the integration projects constitute essential instruments for creating a work environment that encourages the personal and professional growth of the workforce.

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

Gender			
Categories	W	M	Total
Manufacturing and logistics	4,012	5,128	9,140
Central services	6,448	3,823	10,271
Stores	106,049	27,394	133,443
<b>Total</b>	<b>116,509</b>	<b>36,345</b>	<b>152,854</b>

## Liquidity and capital resources

Inditex continued to show a strong financial position in FY2015.

Million Euros	31 January 2016	31 January 2015
Cash & cash equivalents	4,226	3,798
Short term investments	1,086	222
Current financial debt	(10)	(8)
Non current financial debt	(1)	(2)
<b>Net financial cash (debt)</b>	<b>5,300</b>	<b>4,010</b>

The operating working capital position remains negative as a result of the business model:

Million Euros	31 January 2016	31 January 2015
Inventories	2,195	1,860
Receivables	669	862
Payables	(4,591)	(3,658)
<b>Operating working capital</b>	<b>(1,728)</b>	<b>(936)</b>

Funds from Operations reached €3.9 billion in FY2015, 16.4% higher than in 2014.

In recent years, Inditex has been involved in substantial capital expenditure at its head offices, logistics centers and stores and on-line sales platforms. Ordinary capital expenditure for FY2015 amounted to €1.4 billion. Extraordinary capital expenditure in FY2015 amounted to €142 million.

The Group's capital structure is characterized by the low debt/equity ratio as a result of the practically non-existent financing and the strength of its equity.

The Group's organic growth and its CAPEX needs have been financed substantially in full with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

The Group considers that no changes will arise with regard to the generation and management of liquidity in FY2016.

Additionally, the Group has available credit lines, against which no amounts have been drawn down (see note 19 to the consolidated annual accounts), that guarantee access to such additional funds as might be required.

## Analysis of contractual obligations and off balance sheet transactions

As detailed in note 24 to the consolidated annual accounts, the most significant contractual obligations related to future minimum payments under non-cancellable operating leases.

Also, commitments exist in relation to investments envisaged in the opening of new stores in FY2016, the amount of which is included in the figure for capital expenditure detailed under Issues relating to sustainability and employees.

## Main risks and uncertainties

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

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

### 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 retaining 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 it performs retail activities.

In this regard, country-risk triggering geo-political, demographic and socio-economic changes in countries in which procurements or retail sales are made, the emergence of new means of communication and changes in consumer behavior or a downturn in demand in certain markets

constitute, inter alia, factors that might have an adverse effect on the optimum achievement of the Group’s business objectives.

### 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, labor law, commercial and consumption-related regulations, intellectual property regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk, which determine the criminal liability of legal entities.

### 3. Reputation

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

They arise from the possibility of incorrect management of issues relating to social responsibility and environmental sustainability, responsibility for product health and safety, the corporate image of the Group, as well as its image in the 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 the difficulties involved in identifying and adequately retaining talent, and maintaining an adequate working environment in all the work centers.

### 5. Operational

The principal operational risks to which the Group is exposed arise from the possible difficulties involved in recognizing and taking on board the constant

changes in fashion trends, and in manufacturing, buying and selling new items that meet customer expectations.

The risk arising from the interruption of operations is associated with the possible occurrence of extraordinary events not within the Group's control (natural disasters, fires, transport or key supplier strikes, interruptions in energy and fuel supplies, withholding of goods in freight, etc.), which could have a significant effect on the normal functioning of the Group's operations.

In view of the Group's operating structure, the main operational risks are concentrated at logistics centers and at third party operators transporting goods. The clothing, footwear, accessories and household products of all the concepts are distributed from 14 logistics centers located throughout Spain. Logistics distribution is complemented by other smaller logistics centers located in other countries and with third party logistics operators which carry out small scale distribution operations.

Other risks included under this category would be those associated with property management, particularly in relation to the search for and selection of commercial premises and the return thereon.

## 6. Financial

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes foreign currency risk and counterparty credit risk. In addition, the increasingly international nature of the Group's businesses exposes it to country risk in its various different markets.

The euro is the Group's functional currency. Its international transactions require the use of numerous non-euro currencies giving rise to foreign currency risk. The Group has investments overseas whose assets are exposed to the foreign currency risk. Given that the Group consolidates the annual accounts of all its companies in its functional currency, i.e. in the euro, it is exposed to foreign currency risk in the translation of the results of all its entities located outside the Economic and Monetary Union. The Group is also exposed to the risk arising from the payment and collection flows

in currencies other than the euro in relation to the acquisition and provision of goods and services in both Group and non-Group transactions.

The Group is not exposed to significant concentrations of counterparty credit risk. The majority of its revenue relates to retail sales which are collected in cash or through credit or debit card payments. In any event, the Group is exposed to the risk that the (mainly financial) counterparties do not fulfil the obligations resulting from investing the Company's liquidity, under the credit facilities or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks.

## 7. Information for decision-making

The risks in this category relate to the availability of adequate information at all levels: transactional and operating information, financial and accounting information, management information and budgeting and control information.

The Group's various departments and particularly the Management Planning and Control and the Administration departments, which report to the Corporate Finance Department, are directly responsible for producing and supervising the quality of this information.

## 8. Technology and information systems

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

## 9. Corporate governance

This category includes the risk relating to the possibility of an inadequacy in the Group's management leading to the failure to comply with corporate governance and transparency rules.

Risk management at the Group is a process promoted by the Board of Directors and senior management and is the responsibility of all members of the Organization, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved, furnishing shareholders, other stakeholders and the market in general with sufficient guarantees to ensure that the value generated will be protected.

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

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

- Investment Policy
- External Financing Policy
- Payment Management Policy
- Financial Risk Management Policy
- Code of Conduct and of Responsible Practices
- Criminal Risk Prevention Manual
- Inditex Group Internal Code of Conduct for matters related to Securities Markets.
- Corporate Social Responsibility Policy
- Manufacturer and Supplier Code of Conduct
- Occupational Risk Prevention Policy
- Environmental Sustainability Policy
- IT Security Policy
- Purchasing and Contracting Policy
- Tax Strategy and Policy

For more details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2015.

## Significant events after the reporting period

No significant events have occurred since the reporting date.

## Information on the outlook for the Group

Store and on-line sales in local currencies, adjusted for the calendar effect of an extra trading day in February due to the leap year, increased by 15% from 1 February to 7 March 2016. The Spring/Summer season is influenced by the performance over the Easter period due to its significant sales volumes.

In FY2016 Inditex expects 400-460 gross openings and the absorption of 100-120 small units into neighboring stores. Approximately 70% of the new contracts have been signed but in some cases openings may not take place in FY2016.

Store openings are planned in five new markets in FY2016: Vietnam, New Zealand, Paraguay, Aruba and Nicaragua.

Over the course of FY2016 all Inditex concepts will be present online in all European markets and Turkey.

Capital expenditure in FY2016 is expected to be approximately Euros 1.5 billion, driven mainly by the program to add new retail space in key locations during the year. Capital expenditure is expected to increase less than the growth in retail space in the coming years.

Inditex foresees significant opportunities for growth and continues with the global expansion of its integrated store and on-line sales model. In the coming years 6%-8% growth is envisaged in new retail space in prime locations and organic and on-line sales are expected to make an increasing contribution.

## R&D+I activities

The Inditex Group generally does not carry out research and development projects, which are defined as projects, other than those involving the design of garments, accessories, household products or certain logistical activities, in which amounts are invested

over several years to develop assets on which a return is expected over multi-year periods.

Since its inception, the Group has been run with the help of the technology available in all areas of activity in order to improve manufacturing and distribution processes, and by developing in-house or third-party tools to facilitate the management of the business. Some examples of this are point-of-sale terminals, inventory management systems, distribution center delivery systems, systems for communications with stores and in-store garment labeling systems.

## Acquisition and sale of treasury shares

The annual general shareholders' meeting held on 16 July 2013 approved a long-term share-based incentive plan (see note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for that plan.

By virtue of the foregoing, the following treasury share acquisitions were made:

- In FY2013 450,000 treasury shares of Euros 0.15 par value each were acquired for an average acquisition cost of Euros 103.32 per share (which, following the stock split approved by the Annual General Shareholders' Meeting on 15 July 2014, in the ratio of five new shares for every existing share, are currently equal to 2,250,000 treasury shares of Euros 0.03 par value each at an average acquisition cost of Euros 20.66 per share), representing 0.072% of the share capital.
- In FY2014 1,250,000 treasury shares were acquired for an average acquisition cost of Euros 20.94 per share, representing 0.040% of the share capital.

In total, the Group holds 3,500,000 treasury shares representing 0.112% of the share capital.

## Other salient information

### Stock market information

Inditex's share price rose by 15.5% in 2015 to Euros 30.185 per share on 31 January 2016, following the 18.0% increase in 2014. The average daily trading volume was approximately 7.9 million shares. The Dow Jones Stoxx 600 Retail and Ibex 35 indexes fell by 4.4% and 15.3%, respectively, in the same period.

Inditex's market capitalization stood at Euros 94,076 million at FYE 2015, up 927% on its capitalization when its shares were admitted to trading on 23 May 2001, as compared with an 8% decrease in the Ibex 35 index in the same period.

The dividend for FY2014 totaling Euros 0.52 per issued share was paid in May and November 2015.

## Dividend policy

The Group's policy consists of the payment of dividends equivalent to 50% of the net profit generated in the year under the concept of ordinary dividend and with the possibility of a bonus dividend.

Inditex's Board of Directors will propose at the annual general meeting a dividend increase of 15.4% to Euro 0.60 per share, composed of an ordinary dividend of Euros 0.46 per share and a bonus dividend of Euros 0.14 per share. Euros 0.30 will be payable on 3 May 2016 as an interim ordinary dividend and Euros 0.30 will be payable on 2 November 2016 as the final ordinary and bonus dividend.

Dividends paid to shareholders in 2015 reached Euros 1,626 million.

## Other disclosures

### Related party transactions

Transactions with related parties are described in note 29 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in FY2015 that substantially affected its financial position or results.

### Information on average payment periods required by Law 15/2012, of 5 July, amending Law 3/2004, of 29 December.

The Group's supplier payment policy complies with the periods for payment to suppliers set in the late payment legislation in force. The Group is developing measures to try to reduce the payment period in those rare cases in which the established maximum payment period is exceeded. The aforementioned measures will focus on reducing the length of the processes involved in the receipt, verification, acceptance and accounting of invoices (enhancing use of electronic and technological methods) and improving the procedure for incident resolution in this connection.

## Annual Corporate Governance Report

The Annual Corporate Governance Report for 2015 is available at [www.inditex.com](http://www.inditex.com) and was published in the section on Relevant Event Communications of the CNMV (Spanish National Securities Market Commission) website ([www.cnmv.es](http://www.cnmv.es)) on 9 March 2016.

This document is of a purely informative nature and does not constitute an offer to sell, exchange or buy, or the solicitation of an offer to buy, securities issued by any of the companies mentioned herein.

This document contains forward-looking statements. All statements other than statements of historical fact included herein, including, without limitation, those regarding our financial position, business strategy, management plans and objectives for future operations are forward-looking statements. Any such forward-looking statements are subject to risk and uncertainty and thus could differ materially from actual results.

Some of these risks include, amongst others, ongoing competitive pressure in the sector, consumer tastes

and spending trends, economic, political, regulatory and trade conditions in the markets where the Inditex Group is present or in the countries where the Group's products are manufactured or distributed.

The risks and uncertainties that could affect the forward-looking statements are difficult to predict. Except for the cases where the prevailing rules and regulations in force require otherwise, the company assumes no obligation to publicly revise or update its forward-looking statements in the case of unexpected changes, events or circumstances that could affect them. Given the uncertainties of forward-looking statements, we caution readers not to place undue reliance on these statements.

For a discussion of these and other factors that may affect forward looking statements and the Inditex Group's business, financial conditions and results of operations, see the documents and information communicated by the company to the Comisión Nacional del Mercado de Valores (the Spanish Securities Commission).

The contents of this disclaimer should be taken into account by all persons or entities.

## Annex I – Income statement: FY2015 quarterly results

	Q1	Q2	Q3	Q4
Net sales	4,374	5,047	5,322	6,157
Cost of sales	(1,777)	(2,173)	(2,125)	(2,736)
<b>Gross profit</b>	<b>2,597</b>	<b>2,875</b>	<b>3,197</b>	<b>3,421</b>
	59.4%	57.0%	60.1%	55.6%
Operating expenses	(1,701)	(1,801)	(1,838)	(2,051)
Other net operating income (losses)	(0)	1	(1)	2
<b>Operating cash flow (EBITDA)</b>	<b>895</b>	<b>1,075</b>	<b>1,358</b>	<b>1,371</b>
	20.5%	21.3%	25.5%	22.3%
Amortisation and depreciation	(231)	(250)	(264)	(277)
<b>Operating income (EBIT)</b>	<b>664</b>	<b>825</b>	<b>1,094</b>	<b>1,094</b>
	15.2%	16.4%	20.6%	17.8%
Financial results	8	0	2	(0)
Results from companies consolidated by equity method	14	14	12	15
<b>Income before taxes</b>	<b>686</b>	<b>840</b>	<b>1,108</b>	<b>1,109</b>
Taxes	(163)	(193)	(253)	(252)
<b>Net income</b>	<b>523</b>	<b>647</b>	<b>855</b>	<b>857</b>
	12.0%	12.8%	16.1%	13.9%
Minorities	2	2	2	2
<b>Net income attributable to the controlling company</b>	<b>521</b>	<b>645</b>	<b>853</b>	<b>855</b>
	11.9%	12.8%	16.1%	13.9%

## Annex II – Stores by concept and market as at 31 January 2016

Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
ALBANIA	1		1	1	1		1			5
ALGERIA	1				1			1		3
ANDORRA	1		1	1	1		1	1	1	8
ARGENTINA	10									10
ARMENIA	2		2	2	2		2	1		11
AUSTRALIA	15							2		17
AUSTRIA	14		2	3	7			2		28
AZERBAIJAN	2		1	2	2		1	1		9
BAHREIN	2		2	2	1		1	1	1	10
BELGIUM	27		8	22	11			7		75
BOSNIA	2		2	1	2		2			9
BRAZIL	55							14		69
BULGARIA	6		5	5	7		5	5		33
CANADA	26			5				2		33
CHILE	9							2		11
CHINA	179		76	72	76		69	63	31	566
COLOMBIA	12		4	4	9		10	2	2	43
COSTA RICA	2		2	1	2		2	1		10
CROATIA	9		5	3	7		5	2	1	32
CYPRUS	6		5	4	6		6	4	4	35
CZECH REPUBLIC	7		5	1	4		3			20
DENMARK	4									4
DOMINICAN REPUBLIC	2		1	2	2		2	2	1	12
ECUADOR	2		2	1	2		2	1		10
EGYPT	5		5	4	5		4	3	3	29
EL SALVADOR	2		2		2		1			7
ESTONIA	2		1	2	1		1			7
FINLAND	4									4
FRANCE	127	1	33	24	49		21	11	22	288
GEORGIA	3		1	3	2		2	1		12
GERMANY	80		9	17	11			14		131
GREECE	40	6	24	13	29		19	19	10	160
GUATEMALA	3		2	1	2		3	2	1	14
HONDURAS	2		2	1	2		2		1	10
HUNGARY	8		7	3	10		8	2	2	40
ICELAND	2									2
INDIA	17									17
INDONESIA	13		9	3	7		12		2	46
IRELAND	9		3	2	6		3			23
ISRAEL	23		25	2	7					57
ITALY	94	7	45	11	58		63	45	32	355
JAPAN	98				21		11		15	145
JORDAN	2		2	2	1		5	1	1	15
KAZAKHSTAN	4		4	3	4		5	2	3	25
KUWAIT	6		4	2	2		2	4	3	25
LATVIA	4		3	2	3		1			13

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Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX	
LEBANON	7		5	6	7		5	5	4	1	40
LITHUANIA	5		4	4	4		4		1		22
LUXEMBOURG	3			1							4
MACEDONIA	1		1	1	1		1				5
MALAYSIA	9		2	5	4						20
MALTA	1		3	1	2		2	1	1		11
MEXICO	71		58	36	62		32	44	24	11	338
MONACO	1										1
MONTENEGRO	1		1		1		1	1			5
MOROCCO	4		2	2	2		6	3	3	1	23
NETHERLANDS	26		7	7	15				4		59
NORWAY	4			1							5
OMAN	1				1		1	1	1		5
PANAMA	2		1	1	1		1	1	1		8
PERU	2								2		4
PHILIPPINES	8		2	2	4		3				19
POLAND	49		37	26	56		76	18	10		272
PORTUGAL	68	18	54	42	50		44	35	26	4	341
PUERTO RICO	3			1							4
QATAR	2		2	2	2		1	2	2	2	15
ROMANIA	23		21	10	21		21	8	4		108
RUSSIA	90		79	44	86		78	62	38	8	485
SAUDI ARABIA	30		13	14	30		42	17	6	3	155
SERBIA	4		2	2	2		2	2			14
SINGAPORE	9		3	4	3		3				22
SLOVAKIA	3		2		3		3				11
SLOVENIA	5		2	1	4		4				16
SOUTH AFRICA	7										7
SOUTH KOREA	43		5	7	6		4	1	1		67
SPAIN	321	128	257	220	237		290	191	148	34	1,826
SWEDEN	12		1	4				1	2		20
SWITZERLAND	18		1	7	5				1		32
TAIWAN	8		1	4	1				2		16
THAILAND	10		3	4	1		2		2		22
TUNISIA	3		2	1	2		1	2			11
TURKEY	36		29	22	31		29	25	19		191
UAE	11		8	11	9		7	8	8	4	66
UKRAINE	9		11	5	11		11	6			53
UNITED KINGDOM	68		7	12	5		1		10		103
UNITED STATES	68			3							71
URUGUAY	2								1		3
VENEZUELA	10		5		10						25
<b>Total</b>	<b>2,002</b>	<b>160</b>	<b>936</b>	<b>740</b>	<b>1,044</b>	<b>950</b>	<b>607</b>	<b>502</b>	<b>72</b>	<b>7,013</b>	

## Annex III – Markets and concepts with online sales

	<b>Concept</b>	<b>Market</b>
2007	Zara Home	Europe: Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, UK, Switzerland, Norway, Finland, Poland
2010	Zara	Spain, Portugal, France, Germany, Italy, UK, Netherlands, Belgium, Luxembourg, Austria, Ireland
2011	Zara	United States, Japan, Switzerland, Monaco, Sweden, Denmark, Norway
From 2011	Massimo Dutti, Bershka, Pull&Bear, Stradivarius, Oysho, Uterqüe	Europe
2012	Zara	China, Poland
2012	Massimo Dutti, Zara Home	United States
2013	Zara	Russian Federation, Canada
2013	Massimo Dutti, Bershka, Stradivarius, Oysho	Russian Federation
2014	Zara	South Korea, Mexico, Greece, Romania
2015	Zara	Taiwan, Hong Kong, Macau
2015	Zara Home	Australia
Progressive roll-out	All Concepts	Globally

# Systems for control of risks

## 1. Company's Risk Management System

Risks management in the Inditex Group is a process driven by the Board of Directors and the Senior Management, incumbent on each and every single member of the Organization, which seeks to provide reasonable safety in the achievement of the targets established by the Group, ensuring the shareholders, other stakeholders and the market in general, an appropriate level of guarantee which ensures protection of value built.

In this context, the Enterprise Risks Management Policy of the Group sets the overarching principles, key risk factors and the general action lines to manage and control the risks which affect the Group. This Policy is enforced on the whole Group and is at the basis of an Integral Risks Management System which is currently being implemented at corporate level and within key business areas.

The Enterprise Risks Management Policy is developed and supplemented by specific internal policies or regulations with regard to certain areas or units of the Group. Among the internal policies or regulations developed and implemented by these areas regarding the management of the different types of risks, the following should be pointed out:

- Investment Policy.
- External Financing Policy.
- Payment Management Policy.
- Financial Risk Management Policy.
- Code of Conduct and Responsible Practices.

- Manual on Criminal Risks Prevention.
- Internal Regulations of Conduct of the Inditex Group regarding Transactions in Securities.
- Corporate Social Responsibility Policy.
- Code of Conduct for Manufacturers and Suppliers.
- Occupational Hazards Policy.
- Environmental Sustainability Policy.
- Information Security Policy
- Procurement Policy
- Tax Policy and Tax Strategy

The risk management process is described in detail in the Risks Management Manual attached to the Enterprise Risk Management Policy.

The whole process is based upon the identification and assessment of the factors which may have a negative impact on achievement of the business objectives, which translates into a risks map that includes the main risks which are classified in different groups, together with an assessment thereof based upon their potential impact, the likelihood of their occurrence and the level of preparedness of the Group to face up to them. The risks map is regularly reviewed to keep it updated, in order to include amendments related to the evolution of the Group itself and the environment where it operates. This risks management process also addresses a certain response vis-à-vis such factors, and the establishment of the control measures which are necessary for such response to be effective.



Communication and visual merchandising team in the Pull&Bear pilot store in Narón (A Coruña).

Within the Risks Management System, business units represent the first line of defense, and they report the relevant information to the Enterprise Risks Management Department, which coordinates the System as second line of defense.

Internal Audit acts as third line of defense, overseeing in an independent and objective manner the Risks Management System and reporting to the Board of Directors through the Audit and Control Committee.

## 2. Corporate bodies responsible for drawing up and enforcing the Risks Management System

The main responsibilities of the governing bodies and areas involved in Enterprise Risks Management at the Inditex Group are described below:

### Board of Directors

- Approval of the Enterprise Risks Management Policy, on the proposal of the Management, wherein strategy in the area of risks management and disclosure thereof to the organization is defined. Based upon such policy, the ERM System is implemented, as well as the mechanisms for the regular follow-up of internal information and control systems.

### Audit and Control Committee

- Overseeing the control and risks management function.
- Periodically reviewing the Enterprise Risk Management Policy, including
- Ensuring that the Enterprise Risk Management Policy would include at least:
  - (i) The different types of risk (including without limitation, operational, technological, financial, legal, reputational and tax related) that the Company is faced with, including among such financial or economic risk, contingent liabilities and other off-balance sheet risks;
  - (ii) The determination of the level of risk that the Company deems acceptable;
  - (iii) The measures planned to reduce the impact of the identified risks, should they materialize; and,

(iv) The information and internal control systems that will be used to monitor and manage the aforementioned risks, including contingent liabilities and other off-balance sheet risks;

- Reviewing the information about the risks that the Group is faced with, and about the risk control systems, that must be included in the Annual Corporate Governance Report, the management report attached to the annual accounts and the interim financial statements and in any other information instruments of the Company; and
- Evaluating any question regarding non-financial risks (including without limitation operational, technological, legal, social, environmental, political and reputational) that the control policy and the risks management systems must contain.

### Financial Division (ERM Department)

- Ensuring the good running of the Risk Management System and namely that all relevant risks which affect the company are duly identified, managed and quantified.
- Taking an active role in the preparation of the risk strategy and in the important decisions on their management.
- Ensuring that the ERM System would appropriately mitigate risks.
- Overseeing and coordinating the work of Risks Managers at each Business Unit or Area, both at corporate or concept level, providing valid tools for risks assessment and management.
- Maintaining and updating knowledge, techniques, methodologies and tools allowing observance of the principles underlying the ERM system at maximum quality levels.
- Regularly reviewing the risks management policies and manuals and proposing the amendment and update thereof to the Board of Directors, where applicable.
- Coordinating and processing the information received by Risks Managers at each Business Unit or Area, reporting to the Senior Managers and the Board of Director through the Audit and Control Committee.
- Promoting appropriate and effective communication channels between ERM Division and the remaining Divisions and areas involved.

### Risks Managers

- Monitoring the risks under their remit, in accordance with the methodology and tools defined by the ERM Department
- Identification of events which may entail potential risks and opportunities within the assigned scope of responsibility, reporting the necessary information to the ERM Department.
- Follow-up and notice of the risks management evolution, as well as the defined action plans.

### Internal Audit

- Contributing to the improvement of risks management, control and governance processes, assuring to the Audit and Control Committee an effective and independent supervision of the internal control system and issuing recommendations for the Group which help reduce to reasonable levels the potential impact of risks which hamper the achievement of the objectives of the Organization.
- Internal Audit function must always remain independent in respect of ERM System, and it shall not be responsible for making any key decisions regarding its operation.

### Senior Executives

- Raising awareness regarding the weight of the ERM System and its value for all the stakeholders of the Company, encouraging the creation of an all-encompassing risks management culture.
- Defining and validating functions, powers and responsibilities within the framework of the ERM System.
- Determining the level of risk that the Company may deem acceptable. Provision of appropriate and sufficient resources to implement Risks Management activities.
- Validation of action and work plans resulting from the risks management process itself.
- Follow-up of activities.

Additionally, certain specific Committees exist in respect of the follow-up of the major risks:

- Expansion Committee
- Logistics Committee
- Committee of Ethics
- Business Monitoring Committee

- Code Compliance Supervisory Board
- Committee for Information Security
- Investments Committee
- Reputation Committee

## **3. Main risks that could prevent attainment of business goals**

In order to permit a streamlined and comprehensive risks management, the Group has established a definition of risk valid for the whole Organization. Thus, the Group defines risk as: "any potential event which might have a negative impact on the achievement of its business objectives".

Risks reviewed are classified and grouped in the following categories:

### **3.1. Business environment**

These are risks stemming from external factors, connected with the Group's business.

This category encompasses the risks regarding the difficulty in adjusting to the environment or market in which the Group operates, whether as regards procurement processes or distribution and sale of goods activities. This element is inherent in the fashion retail business and consists of the eventual inability of the Group to follow and offer a response to the evolution of its target market or to adjust to the new situations in procurement or distribution countries.

In this respect, geopolitical, demographic and social and economic changes that trigger the country risk in procurement or distribution countries, the emergence of new communication channels and changes in consumption habits or the consumption decline in certain markets are, *inter alia*, factors which may have an impact on the effective achievement of the business objectives of the Group.

### **3.2. Regulatory risk**

Those are risks to which the Group is exposed arising from the different laws and regulations in force in the different countries where it conducts its business.

Included in this category are risks regarding tax, customs, employment, trade and consumption and industrial and intellectual property regulations, and risks associated with the remaining laws and regulations, namely regulatory risks of a criminal nature, regardless of whether or not they determine criminal liability of the natural person.

### 3.3. Reputation

Those are the risks which have a direct impact on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the society at large.

These risks arise out of a potentially inappropriate management of the issues regarding social responsibility and sustainability, responsibility on account of health and safety of products, the corporate image of the Group, including in social networks, as well as any other potential regulatory noncompliance which might have an impact on the reputation of the Organization.

### 3.4. Human Resources

The main risks in the human resources area are those arising out of the potential dependence on key personnel and of the difficulty in properly identifying and retaining talent, and in keeping an appropriate work environment in all work centres.

### 3.5. Operations

The main operational risks the Group faces arise out of a potential difficulty in recognizing and taking in the ongoing changes in fashion trends, and in manufacturing, supplying and putting on the market new models meeting customers' expectations.

The risk arising out of business interruption is associated with the potential occurrence of extraordinary events beyond the control of the Group (natural disasters, fires, strikes of haulers or of key suppliers, power outage, discontinuance in the supply of fuel, goods detention during carriage, etc.,) that may significantly affect normal operations.

Given the way the Group works, the main risks included in this category are to be found in logistics

centres and in external operators charged with carriage of the goods. The distribution of apparel, footwear, accessories and homeware for all the concepts is based upon 14 logistics centres spread throughout Spain. Distribution logistics are also ensured by other smaller distribution centres located in different countries and by external logistics operators in charge of small volume distribution operations.

Other risks included in this category are those associated with real estate management, related to the search and selection of business premises and their profitability.

### 3.6. Financial

In the regular conduct of its business, the Group is exposed to financial risks. Included in this category are foreign exchange risk and counterparty credit risk. Additionally, given the ever-growing international dimension of the Group's business, the Company is exposed to the country risk in different markets.

The Euro is the functional currency of the Group. Its international transactions involve using a large number of currencies other than the Euro, which gives rise to the foreign exchange risk. The Group has various investments abroad, the net assets of which are exposed to foreign exchange rate risk. As the consolidated financial statements of all the companies in the Group are prepared in the functional currency, i.e., Euro, it is faced with the foreign exchange risk on account of translation, in respect of all its entities outside the European Monetary Union. The company is also faced with the risk resulting from transactions in currencies other than Euro in flows of collections and payments for acquisition of goods and provision of services both in respect of transactions within the Group and outside the Group.

The Group is not exposed to significant concentrations of counterparty credit risk. Most of its revenue results from retail sales, where payment is primarily made on demand, either in cash or with credit card. At any rate, the Group is faced with the risk that counterparties, mainly financial ones, would fail to comply with the obligations stemming from investment of the company's cash, loan agreements and other financial and securities vehicles, and from derivatives used for financial risks hedging.

### **3.7. Information for the decision making**

The risks hereunder included are those linked to the appropriate information at all levels: transactional and operational, financing-accounting, management, budgeting and control.

The different departments of the Group, and especially the Planning and Management Control Department and the Administration Department, which report to the Financial Division, are directly responsible for producing and supervising the quality of such information.

### **3.8. Technology and information systems**

The risks hereunder covered include those linked to the technological infrastructure, the effective management of information, of computer and robotic networks and of communications. Risks connected with the physical and logical safety of the systems are also included, namely the risk of cyber-attacks against IT systems, which might eventually affect the confidentiality, integrity and availability of key information.

### **3.9. Corporate Governance**

This category includes the risk associated with the non-existence of an appropriate management of the Group which might entail a breach of Corporate Governance and transparency rules.

## **4. Risk tolerance level of the Company**

The Inditex Group relies on standard criteria to identify, assess and prioritize risks, based upon the concept of risk tolerance as key tool.

It is incumbent on Senior Executives to establish strategy and risk tolerance, which must reflect the volume of risks that the company is willing to assume, to reasonably attain the goals and interests of the Group. Such tolerance is regularly updated, at least every time the Group strategy changes.

Once the risks tolerance for strategic and business objectives of the Group has been defined, it is duly disclosed to the Corporate Enterprise Risks Manager, who determines the assessment scales of key business risks (impact, likelihood and level of preparedness).

## **5. Risks that have materialized during the year**

During the year, risks inherent in the business model, the Group's business and the market environment, have materialized as a result of circumstances inherent in the conduct of business and the prevailing economic climate. Although none of them has had a significant impact on the Organization, materialization of foreign exchange risk has had a higher weight.

The Group operates globally and therefore, it is exposed to the foreign exchange risk in respect of transactions in currencies, namely in US dollar, Russian ruble, Chinese renminbi, Mexican peso, Sterling pound and Japanese yen. In the course of the year, the appreciation of non-Euro currencies has had a slightly positive impact on the growth rate of net sales of the company, and a negative impact on the cost of sales, particularly during the second half of the year.

The foreign exchange risk is managed pursuant to the guidelines set out by the Management of the Group, which mainly cover the establishment of financial or natural hedging systems, constant monitoring of foreign exchange rates flows and other measures aimed at mitigating such risk.

## **6. Response and supervision plans for the main risks faced by the entity**

The Group relies on response plans seeking to reduce the impact and likelihood of materialization of the critical risks described in section 3 above, or to improve the level of preparedness versus risks.

The main response plans for each risks category are explained below:

## 6.1. Business environment

In order to reduce the risk exposure in this area, the Group carries out a feasibility research for each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether the estimated figures are met or not. Moreover, the business model of the Group is not only based upon managing new openings, but also on improving the efficiency and effectiveness of the markets, business lines and stores already existing, so that the growth achieved via expansion and diversification, be complemented by the organic growth of the current business.

In line with the foregoing, the expansion policy, the multi-brand format of the Group and the use of new technologies as a communication and sale option for our customers, represents a way to diversify this risk, which downplays the global exposure to this business environment risk.

## 6.2. Regulatory risk

In order to reduce risk exposure in this area and ensure the appropriate enforcement of the prevailing local laws and regulations in force, the Legal, Tax, Industrial Property, Human Resources, Internal Audit and Corporate Social Responsibility departments, in addition to the General Counsel's Office, liaise with the different supervisors and the legal external advisors of each country or geographical area.

Special mention should be made of criminal regulatory risks. For the purposes of reducing such risks, the Group relies on a Manual on Criminal Risks Prevention, overseen by the Committee of Ethics.

Additionally, the Group relies on an internal control system that seeks to mitigate tax and customs-related risks.

The Internal Audit department conducts regulatory compliance audits on a regular basis with teams of independent professionals specializing in certain regulations which apply to business.

## 6.3. Reputation

The Group has developed a Compliance Programme in respect of the Code of Conduct for Manufacturers and Suppliers through Social Audits

and Pre-Assessment, based on the external and independent verification of the facilities which are necessary to manufacture the fashion items that it distributes, in order to minimize the potential risks of damaging the brand image, due to improper behaviour by third parties. Said programme sets out the review procedures which ensure gathering information and evidence on the minimum working conditions that all manufacturers, suppliers and external workshops must comply with. Additional information on this Programme and on other programmes is available in the Annual Report and at the corporate website. Likewise, the Corporate Social Responsibility Department carries out technical and production audits on a regular basis and the Environment Department conducts audits and exercises controls at the facilities where wet processes are carried out.

In such sizable and visible organisations as the Group, some conflicts might arise out of an inappropriate relationship with third parties alien to the proceedings of the Group (CNVM, media, investors, public authorities, etc.).

The Group sets out, through the Communication and Institutional Relations Office and the Corporate Social Responsibility Department, the procedures and protocols required to minimize this risk. Likewise, given their relevance, the General Counsel's Office and the Capital Markets Department are charged with managing specifically the relationship with CNMV and the latter is also charged with investors' relations.

Likewise, different departments, including the Communication and Institutional Relations Office, are responsible for tracking the image of the Group in the social networks.

To reduce the risks associated with the description of finished product, ensuring that they do not entail any hazard for the health and safety of customers, the Group carries out controls and verifications of the health and safety of the products standards ("Safe to Wear" and "Clear to Wear"), whose enforcement is mandatory throughout the production line for all finished products, footwear and accessories.

The Group relies on a Code of Conduct and Responsible Practices and a Code of Conduct for Manufacturers and Suppliers. The Committee of Ethics is responsible for the enforcement and construction of both Codes, and the Code Compliance Office holds training days on the Code of Conduct and Responsible Practices for certain employees.

## 6.4. Human Resources

To minimize these risks, the Human Resources Department carries out continuous recruitment and hiring processes of new personnel, including hunting processes for key personnel. It has also developed a regular training programme for its staff and has implemented specific systems:

- to combine quality in employees' performance and the job satisfaction each of them may derive at the workplace;
- to facilitate the exchange of jobs among those employees wishing to broaden their experience in the different areas of the Organisation
- to provide career opportunities to the most talented and diligent persons within the Organization.

On the other hand, the work system implemented within the Organization encourages the transfer of knowledge between the employees involved in the different areas, thus minimizing the risk of depending excessively on the knowledge of key personnel. Additionally, the use of career development, training and compensation policies seeks to retain key employees.

To ensure an appropriate work environment, the Human Resources department follows a series of action lines which are thoroughly reviewed in the Performance section of the Annual Report.

Meanwhile, a growing demand has arisen lately within the labour market, linked to the social responsibility of companies, which has become a key factor upon selecting a company for the job of choice. Thus, issues such as equal opportunities, remuneration systems other than salary or family and work balance are *inter alia*, factors that the Company takes into account, with policies designed for such purposes.

In this respect, the Inditex Group has implemented Equal Opportunities Plans, with measures that seek to meet different goals, such as, *inter alia*: fostering the commitment and effective implementation of the equal opportunities principle between female and male employees, contributing to reduce inequality and imbalance, preventing labour discrimination, fostering the company's commitment towards improving life quality, ensuring a healthy work environment and providing actions to promote family and work balance.

## 6.5. Operations

The Group reduces exposure to this risk through a production and procurement system that ensures a reasonably flexible answer to unexpected changes in our customers demand. Stores are permanently in touch with the team of designers, through the Product Management Department, and this allows perceiving the changes of taste of the customers. Meanwhile, the vertical integration of the transactions allows reducing manufacturing and delivery terms as well as the stock volumes, while at the same time, the reaction capacity to introduce new products throughout the season, is kept.

Given the relevance that an efficient logistics management has on the materialization of such risks, the Group conducts a review of all the factors which might have a negative impact on the target of achieving the maximum efficiency of the logistics management, to actively monitor such factors under the supervision of the Logistics Committee.

To mitigate the risk resulting from stoppage of operations, associated with the likelihood of occurrence of extraordinary events beyond the control of the Group, the size and use of all centres has been optimized, based upon the volume of each concept or the specific requirements of the geographical area which they service. Namely, part of the above mentioned logistics centres specialize in distribution of goods sold on-line. The different centres have been set in such a manner as to be able to assume storage and distribution capacity from other centres in the event of any contingency resulting from potential accidents or stoppage of distribution activities.

Additionally, the Group takes active measures to reduce risk exposure, by keeping high levels of prevention and protection in all its distribution centres, in addition to insurance policies covering both any potential property damage incurred by the facilities and stock, and any loss of profit which might arise out of any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan assesses the need and considers, where appropriate:

- Investing in new distribution centres or extending the existing ones, so as to minimize the risk associated with the logistics planning and sizing.
- Investing towards improving and automating processes in the existing centres, for the purposes

of increasing their capacity and efficiency and improving the internal control on goods stored in such centres. In this respect, mention should be made of the progressive application of RFID technology within the supply chain, which allows reaching a very high degree of control on goods.

- The search, approval and control of external logistics operators, in different strategic points, with full integration in the logistics capacity of the company.

With regard to the potential risk of goods detention in the course of carriage, the Group relies on a network of agents in different procurement and distribution points, as well as on alternative routes for carriage of goods.

The Group reduces the risks associated with the real estate management, regarding the search and selection of business premises and the profitability thereof, through the monitoring of all markets where it operates, the evaluation of the feasibility of premises prior to their opening, and the supervision of all new store openings by the Expansion Committee.

## 6.6. Financial

In order to reduce the foreign exchange risk, it must be managed in a proactive, sufficient and systematic manner. To achieve this, the Group has implemented the Financial Risk Management Policy with the main goals of reducing potential economic losses and volatility in the financial statements resulting from such risk. Exchange exposure materializes in terms of net investment, translation and transaction risks. Such Policy sets the guidelines to manage all such exposures and provides that exchange management is done at headquarters by the Financial Management department of the Group. The Policy sets forth the review and follow-up procedures regarding exchange exposure and the potential hedging strategies, the procedure to contract financial derivatives and the registration and documentation thereof. At present, the exchange risk insurance (forward contract) is the main hedging instrument. Additionally, other instruments, such as collars and swaps are used to a lesser extent.

Payment Management Policy addresses the principles aimed at ensuring compliance with Group's obligations, safeguarding its interests and setting up the required procedures and processes

to ensure an effective payment management. Such policy determines the best method, currency and terms to make payments, in economic, accounting and legal terms. Finally, the Payment Management Policy covers the potential payment exceptions and the procedure to authorize such exceptional payments. Meanwhile, the Proxies Policy determines the different proxies included in each Group entitled to approve financial transactions on behalf of the company, including payments, the level of authorization according to the Group to which they belong, the authorized amount of the transaction and the required pairing of proxies according to such criteria.

The Investment Policy of the Group, which seeks to ensure security, integrity and liquidity of financial assets of the company, provides the guidelines which need to be observed by counterparties and classifies them in panels in accordance with their rating, solvency and relevance profile for the Group. Likewise, such Policy sets maximum exposure limits in terms of counterparty and provides procedures to ensure control, follow-up and monitoring of credit risk.

Such Policy sets guidelines with regard to the role of sovereign risk in terms of counterparty credit risk, and the influence thereof on financial assets and/or investment vehicles.

## 6.7. Information for the decision making

In order to reduce exposure to this type of risks, the Group regularly reviews the management information disclosed to the different officers and invests, *inter alia*, in IT systems, business monitoring and budgeting systems.

The Ethical Hacking department, reporting to the IT Division, is responsible for ensuring that such information is available and/or amended, exclusively by the persons authorized to do so, setting the parameters for the systems to ensure the reliability, confidentiality, integrity and availability of key information.

With regard to the risks associated with financial reporting, the Group has set up an Internal Control System on Financial Reporting [*SCIIF*, [*Spanish acronym*]] aimed at achieving an ongoing follow-up and assessment of the main risks associated, which

permits ensuring reasonably the reliability of the public financial information of the Group. Additional information on this issue is available in Chapter SCIIIF, page 248.

In addition, the consolidated Financial Statements and those of all relevant companies are subject to review by the independent auditors, who are also in charge of carrying out certain audit works regarding the financial information. Likewise, as regards the most significant companies of the Group, independent auditors are requested to issue recommendations on internal control.

## 6.8. Technology and IT

Given the importance of the smooth running of technological systems to achieve the objectives of the Group, the IT Division exercises, through the Ethical Hacking area and with the support of the Committee for Information Security, a permanent control aimed at ensuring streamlining and consistency of such systems, in addition to the security and stability required for business continuity. The Group is aware that its systems will require ongoing improvement and investment to prevent obsolescence and keep the response capacity thereof at the levels required by the Organization.

As a benchmark, aimed at keeping the safety of the information and of the elements which process it, the Group is governed by the IT Safety Policy, which is accepted by all users with access to information. Such Policy is available at the corporate intranet.

For the specific purpose of keeping a continuous systems operation, the Group relies on technical and procedural contingency systems which would reduce the consequences of any breakdown or stoppage. Among such technical contingency systems, the main data centre, TIER IV certified, the storage of synchronous data in redundant locations exposed to different physical or geological risks, or the duplicity of teams and lines may be found.

Additionally, the Ethical Hacking area within the IT Division relies on continuous review mechanisms, which are regularly assessed by different internal and external audits, to prevent, detect and respond to any potential cyber-attack. Such controls would allow advancing and/or reducing the consequences of risk materialization, together with insurance policies covering loss of profit, expenses stemming

from cyber-attack and public liability of the company for damages incurred by third parties. The Company considers, based upon the available information, that these controls have been successful to date.

However, taking into account that every year a large number of hackers attempts to gain access to the information of corporations globally, the Group is aware that technological risks progress exponentially, in an unpredictable and sometimes highly elaborate manner. For such reason, although Information Security is one of the top priorities of the Group, the possibility of a non-detectable attack, including to its services providers, which might have an impact on the operations or the information managed by the Organization, cannot be ruled out.

## 6.9. Corporate Governance

In order to reduce these risks, compliance with the corporate governance system of the Company is required. Such system comprises the Articles of Association, the Board of Directors' Regulations, the Regulations of the General Meeting of Shareholders, the Audit and Control Committee's Regulations, the Nomination Committee's Regulations and the Remuneration Committee's Regulations, the corporate policies implemented for enterprise risk management, and the internal regulations of the Group (the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, and the Internal Regulations of Conduct regarding Transactions in Securities (hereinafter, IRC)).

The Code Compliance Supervisory Board and the Code Compliance Officer are charged with overseeing and enforcing the IRC.

With regard to the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics is responsible for the enforcement and construction thereof. Such Committee may act ex officio or at the behest of any of Inditex's employees, manufacturers or suppliers, or any third party involved in a direct relationship and with a lawful business or professional interest, by submitting a report in good faith.

With regard to corporate governance supervision, the Board of Directors and the Audit and Control Committee are the main governing bodies responsible for risks control.

## **1. The Board of Directors**

The Board of Directors is the maximum authority responsible for identifying the main risks for the Group and for organising the appropriate internal control and information systems.

## **2. The Audit and Control Committee**

Included in the duties of the Audit and Control Committee is that of assisting the Board of Directors in its duties to oversee and control the Group, by reviewing the internal control systems. The duties of the Audit and Control Committee are provided in the Articles of Association, the Board of Directors' Regulations and the Audit and Control Committee's Regulations.

The Audit and Control Committee's Regulations provide that it is incumbent on the Audit and Control Committee, exclusively comprised of Non-executive Directors, *inter alia*: to oversee the effectiveness of the internal control of the Company, the internal audit and the risk management systems, including tax ones, and to review with the financial auditor the significant weaknesses of the internal control system revealed, as the case may be, in the conduct of the audit, and to supervise the process for preparing and releasing the regulated financial information.

Additionally, the Audit and Control Committee is responsible for overseeing the Internal Audit Department of the Group, approving its budget and the Internal Audit Plan, the annual report of activities of the Internal Audit department and ensuring that it relies on the appropriate material and human resources, whether internal or external, to discharge its duties, approving the budget of the Internal Audit function, the Internal Audit Plan and the annual activities report, ensuring that its activity is mainly focused on the risks which are relevant for the Company and its Group, and gathering periodic information on the proceedings of Internal Audit.

The Internal Audit Department is directly linked to the Board of Directors, to which it reports functionally, through the Chair of the Audit and Control Committee, thus ensuring the full independence of its acts.

The mission of the Internal Audit function is defined in the Group's Internal Audit Charter, and it consists of contributing to the good running of the Group, by assuring an independent and effective supervision of the internal control system, and providing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks

that hamper the achievement of the objectives of the Organization.

Likewise, according to such Charter, the goals of the Internal Audit function are to promote the existence of appropriate internal control and risk management systems; the standard and efficient application of internal control system policies and procedures which make up such internal control system; and to serve as communication channel between the Organization and the Audit and Control Committee, in relation to those matters under the remit of the Internal Audit function.



Oysho employee in Tordera (Barcelona).

# SCIIF

## (Spanish acronym) Internal control and risks management systems with regard to financial reporting

This chapter addresses the mechanisms which comprise the internal control and risks management systems (SCIIF) with regard to the financial reporting of the company.

### 1. Entity's control environment

#### 1.1. Responsible bodies

The description of the duties of the bodies responsible for (i) the existence and maintenance of an appropriate and effective SCIIF; (ii) its implementation, and (iii) its supervision, is provided below:

##### 1. Board of Directors

Apart for the matters reserved for the competence of the General Meeting of controlling body of the Group, being ultimately responsible for the existence and update of an appropriate and effective SCIIF.

The Board of Directors is entrusted with the administration, management and representation of the Group, delegating in general the management of the day-to-day business of INDITEX to the executive bodies and the management team and focusing on the general supervisory function, which includes guiding the policy of the Group, monitoring the management activity, assessing the management by the officers, making the most relevant decisions for the company and liaising with the shareholders.

Pursuant to the provisions of the Articles of Association, the Board of Director's Regulations and

the Audit and Control Committee's Regulations, it is incumbent on the Audit and Control Committee to oversee the process for preparing and releasing the regulated financial information, and to monitor the effectiveness of the SCIIF.

##### 2. Audit and Control Committee

Among the financial and monitoring duties incumbent on the Audit and Control Committee, it is charged with overseeing the process of preparation and release of the financial information and the effectiveness of the internal control systems of the Group. In this respect, the Committee discharges, *inter alia*, the following functions:

- Overseeing the effectiveness of the internal control system of the Company, the internal audit, and the risks management system, including tax risks, and to discuss with the auditor the significant weaknesses of the internal control system revealed in the course of the audit.
- With regard to the powers regarding the process to prepare the regulated financial information:
  - Overseeing the process of preparation and submission and the integrity of the regulated financial information relating to the Company and its Group, ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the financial auditor, with the scope and frequency that may be defined, as the case may be.



Pull&Bear employee in Narón (A Coruña).

- Reviewing compliance with the legal requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable.
  - Advising the Board of Directors on any significant change of accounting standard and of the significant risks on the balance sheet and off-balance sheet.
- With regard to the internal control and risk management policy:
- Overseeing the control and risk management function.
  - Regularly reviewing the internal control and risks management policy, including tax risks. .
  - Ensuring that the internal control and risks management policy contains at least:
    - i. The different types of risk (including without limitation, operational, technological, financial, legal, reputational and tax related) that the Company is faced with, including among such financial or economic risk, contingent liabilities and other off-balance sheet risks;
    - ii. The determination of the level of risk that the Company deems acceptable;
    - iii. The measures planned to reduce the impact of the identified risks, should they materialize; and,
    - iv. The information and internal control systems that will be used to monitor and manage the aforementioned risks, including contingent liabilities and other off-balance sheet risks.
  - Reviewing the information about the risks that the Group is faced with, and about the risk control systems, that must be included in the Annual Corporate Governance Report, the management report attached to the annual accounts and the interim financial statements and in any other information instruments of the Company;
  - Evaluating any question regarding non-financial risks (including without limitation operational, technological, legal, social, environmental, political and reputational) that

the control policy and the risks management systems must contain;

Most members of the Audit and Control Committee are independent directors. The Committee meets on a quarterly basis and each time it is called by its Chair. In FY2015, the Audit and Control Committee has met 5 times.

### **3. Financial Division.**

The *Dirección General de Finanzas* [Financial Division] (hereinafter, DGF (*Spanish acronym*)) is responsible for the design, implementation and update of an appropriate SCIF, as provided in the “Procedure for Enterprise Risk Management in respect of financial information”. Such procedure is part of the integral risks management system of the Group and it covers exclusively those risks which affect the financial information.

In this respect, DGF sets out and circulates the policies, guidelines and procedures, associated with financial information production and is charged with ensuring the appropriate enforcement thereof within the Group.

### **4. Internal Audit.**

Internal Audit is overseen by the Audit and Control Committee to which it reports. It is charged, *inter alia*, with supporting such body in supervising the internal control of financial information systems, by performing specific audits about SCIF, requesting action plans to correct or reduce any weaknesses detected and following-up the implementation of the proposed recommendations.

## **1.2. Elements of the process for drawing up the financial information**

Additionally, with regard to the process for drawing up the financial information, a number of departments and/or mechanisms are charged with (i) designing and reviewing the organizational structure; (ii) clearly defining the lines of responsibility and authority with an appropriate allocation of duties and functions; and, (iii) ensuring the existence of the required procedures for the appropriate circulation within the company.

The design and review of the organizational structure and of the lines of responsibility and authority within the Group falls on the Board of Directors. The

departments charged with drawing up the financial information are to be found within such structure.

The Nomination Committee, which is composed of a majority of independent directors is charged with providing and reviewing the criteria to be followed in the recruitment of the senior executives of the Group.

It is incumbent on such Committee, *inter alia*, to issue a report on any appointment and/or removal of senior executives of the Group proposed to the Board of Directors by the chief executive pursuant to the provisions of section 16.2. (g) of the Board of Directors' Regulations.

Senior executives and the Human Resources Division (hereinafter DRRHH, (*Spanish acronym*)) are charged with describing duties and responsibilities of each area. Additionally, the Compensation Department, reporting to the DRRHH regularly assesses the classification, description and duties of each position. Such duties are disclosed to each of the affected areas.

For the purposes of preparing financial information, the Group has clearly defined authority and responsibility lines. The main responsibility in preparing financial information falls with the DGF.

The DGF is responsible for the existence and appropriate dissemination within the Group of the internal control policies and procedures required to ensure that the financial information is reliably prepared. Likewise, the DGF schedules the key dates and the reviews to be carried out by each responsible area.

The structure, size and definition of duties and tasks of each position within the financial area are defined by the DGF together with the DRRHH.

To carry out its activity, the DGF is organized in the following departments:

- Administration Department
- Planning and Management Control Department
- Financial Management Department
- Enterprise Risks Management Department
- Processes and Projects Department
- Tax Department

The Group relies on financial organization structures that meet local requirements in each country where

it operates, headed by a Chief Financial Officer who is charged, among other things with the following:

- Designing and setting local organizational structures fit for the performance of the financial tasks allocated.
- Integrating into the local management the corporate financial policies defined by the Group.
- Adapting corporate accounting and management systems to local requirements.
- Enforcing the procedures which are part of the SCIIF of the Group and ensuring an appropriate segregation of functions at local level.
- Launching and maintaining standard controls through corporate technological tools.

#### **Code of Conduct and Responsible Practices**

The Board of Directors approved in the meeting held on 17 July 2012, following a favorable report of the Audit and Control Committee, the Code of Conduct and Responsible Practices of the Inditex Group (which replaces both the Internal Guidelines for Responsible Practices of the Inditex Group's Personnel and the Code of Conduct) and the Code of Conduct for Manufacturers and Suppliers (which replaces the Code of Conduct for External Manufacturers and Workshops).

Therefore, the Group's internal conduct policies are covered in the following codes:

- The Code of Conduct and Responsible Practices.
- The Code of Conduct for Manufacturers and Suppliers.
- The Internal Regulations of Conduct regarding Transactions in Securities (hereinafter, the IRC).

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties.

Its goal consists of exacting an ethical and responsible professional conduct from INDITEX and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees is based. For such purposes, the principles and values which shall govern the relationship between the Group and its stakeholders (employees, customers, shareholders, business

partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices is based upon a number of general principles, *inter alia*, that according to which the operations of the Inditex Group shall be developed under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of Inditex shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

One of the standards covered in the Code of Conduct and Responsible Practices is the "Obligation to Record Transactions", addressed in section 4.13 thereof, according to which:

*"Any and all transactions carried out by Inditex which may have an economic impact shall be clearly and accurately shown on the appropriate records of accounts, as a true representation of the transactions carried out, and they shall be made available to the internal and external auditors.*

*Inditex's employees shall enter the financial information on the company's systems in a full, clear and accurate manner, so that they would show, as at the relevant date, their rights and obligations in accordance with the applicable regulations. Additionally, the accuracy and integrity of the financial information which, under the prevailing regulations in force shall be disclosed to the market shall be ensured.*

*Inditex undertakes to implement and maintain an appropriate internal control system on financial reporting, ensuring the regular supervision of the effectiveness of such system.*

*Accounting records shall be at all times made available to the internal and external auditors. For such purposes, Inditex undertakes to provide its employees with the necessary training for them to understand and comply with the commitments undertaken by the company regarding the internal control on financial information."*

With regard to the dissemination of the above referred regulations, it is incumbent on the Human Resources Department of the Group to circulate a copy of the Code of Conduct and Responsible Practices to any new employees upon their joining the organization.

Likewise, such updated regulations are available on the corporate website ([www.inditex.com](http://www.inditex.com)) and on INET, and are subject to the appropriate measures regarding disclosure, training and awareness-raising, so that they may be understood and implemented within the whole organization. Additionally, the Code of Conduct and Responsible Practices is also available at the stores' TGT in most countries.

In order to ensure compliance with the Code of Conduct and Responsible Practices, there is a Committee of Ethics, composed of:

- The General Counsel and Code Compliance Officer, who chairs it.
- The Chief Audit Officer.
- The Corporate Social Responsibility Director
- The Human Resources Director

The Committee of Ethics may act *ex officio* or at the behest of any of Inditex's employees, manufacturers, suppliers or any third party involved in a direct relationship and with a lawful business or professional interest, further to a report made in good faith.

The Committee of Ethics reports to the Board of Directors through the Audit and Control Committee and has the following duties:

- To supervise compliance with the Code and the internal circulation thereof to the Group's s personnel.
- To receive any manner of written instruments with regard to the enforcement of the Code and to send them, where appropriate, to the relevant body or Department which may be responsible for processing and issuing a resolution regarding such instrument.
- To monitor and supervise the management and settlement of any case.
- To solve any doubts which may arise, regarding the enforcement of the Code.
- To propose to the Board of Directors, after report from the Audit and Control Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.
- To oversee the Whistle Blowing Channel and compliance with the Procedure.

In the performance of its duties, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or by any court order.
- The thorough review of any information or document that triggered its action.
- The commencement of such proceedings that adjust to the circumstances, where it shall always act with independence and full respect of the right of the affected person to be heard as well as of the presumption of innocence.
- The indemnity of any complainant as a result of bringing complaints in good faith to the Committee.

Decisions of the Committee of Ethics shall be binding for the Inditex Group and for its employees.

The Committee of Ethics submits a report to the Audit and Control Committee at least twice a year, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Control Committee reports to the Board of Directors, on an annual basis as well as whenever this latter so requires, on the enforcement of the Code of Conduct and Responsible Practices and of the additional documents which comprise the regulatory compliance policy of the group from time to time in force.

#### **Code of Conduct for Manufacturers and Suppliers**

The Code of Conduct for Manufacturers and Suppliers defines minimum standards of ethical and responsible behaviour which must be met by the manufacturers and suppliers of the products rized by Inditex in the course of its business, in line with the corporate culture of the Inditex Group, firmly based on the respect for human and labour rights

The Code applies to all manufacturers and suppliers involved in the procurement, manufacturing and finishing processes of the products that the Group commercializes and it is based upon the general principles that define Inditex's ethical behavior, i.e.: all its operations are developed under an ethical and responsible perspective; all persons, individuals or entities, who maintain, directly or indirectly, any kind of employment, economic, social and/or industrial relationship with Inditex, are treated fairly and with dignity; all its activities are carried out in a manner that most respects the environment; all

manufacturers and suppliers (production centers that are not property of Inditex) fully adhere to these commitments and undertake to ensure that the standards which are set forth in the Code of Conduct for Manufacturers and Suppliers are met.

Manufacturers of goods commercialized by Inditex are bound to comply with this Code of Conduct for Manufacturers and Suppliers and with the Code of Conduct and Responsible Practices, to insomuch as they apply to them. Likewise, the remaining suppliers of goods and services of the Group shall enforce both Codes insomuch as they apply to them.

#### **IRC**

In turn, The Board of Directors approved on 20 July 2000, pursuant to the provisions of the then prevailing section 78 of Act 24/1988 of 28 July on the Stock Exchange and consistent rules, the "Internal Regulations of Conduct regarding Transactions in Securities of Inditex and its Corporate Group".

The IRC governs such issues as confidentiality of relevant information, declarations of conflicts of interest, transactions in securities of Inditex and its corporate group by individuals within its scope (affected or related parties), treasury stock policy and communication of relevant facts.

Two revised texts of the Internal Regulations of Conduct regarding Transactions in Securities were approved by the Board of Directors held on 20 March and 11 December 2003, respectively, for the purposes of adjusting them first to the new obligations introduced by the Financial Act and also to the recommendations included in the Aldama Report. As a result of such review, certain concepts were redefined and control on transactions in securities which might be eventually carried out by Affected Persons was enhanced, among others.

Said revised text was lastly amended further to a resolution of the Board of Directors dated 13 June 2006, for the purposes of adjusting its contents to the provisions of *Real Decreto* 1333/2005 of 11 November, whereby the Stock Exchange Act was implemented in the matter of market abuse.

Finally, there is a Code Compliance Supervisory Board which reports directly to the Audit and Control Committee of the Board of Directors. Such Supervisory Board is composed of:

- The Executive Chairman
- The General Counsel

- The Director of the Capital Markets Department, and
- The Head of Human Resources.

Such Supervisory Board is responsible for developing procedures and implementing regulations to enforce the IRC. Likewise, within the Code Compliance Supervisory Board there is a Code Compliance Office. The General Counsel of the Inditex Group is the Code Compliance Officer. The Code Compliance Office is charged, *inter alia*, with enforcing the conduct policies of stock exchanges and the standards and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The proceedings of the companies which are part of the Group and of all the individuals with access to information which may be deemed to be relevant information, and namely to financial information, shall adjust to the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the Code Compliance Supervisory Board and the Code Compliance Office shall ensure that the above referred principles are observed.

With regard to the IRC, the Code Compliance Office keeps a General Documentary Register of all Affected Persons (persons subject to the IRC) and is bound to inform them that they are subject to the provisions of the IRC and of any breaches and penalties which would arise, where appropriate, from an inappropriate use of Reserved Information.

Likewise, the Code Compliance Office shall inform the Affected Persons that they have been included in the General Documentary Register and about any other issues addressed by *Ley Orgánica* 15/1999, of 13 December on Personal Data Protection.

### **Whistle Blowing Channel**

A Whistle Blowing Channel is available to all employees of the Group, manufacturers, suppliers or third parties with any direct relationship and a lawful business or professional interest, regardless of their tier or geographical or functional location, so that they may report through this Whistle Blowing Channel any breach of the Group's internal conduct and regulatory compliance policies by any employees, manufacturers, suppliers or third parties with whom the Group has any direct employment, business or professional relationship and which affect Inditex or its Group.

Therefore, any breach and any manner of malpractice in respect of any codes may be reported, including those of a financial and accounting nature.

It is incumbent on the Committee of Ethics to oversee the Whistle Blowing Channel and the enforcement of the Whistle Blowing Channel Procedure.

The proceedings of such Whistle Blowing Channel are implemented in the Whistle Blowing Channel Procedure approved by the Board of Directors last 17 July 2012; such document is available on the INET.

Reports about any breach or any queries regarding the construction or application of internal conduct and regulatory compliance policies may be sent to the Company by post, for the attention of the Committee of Ethics (to Avenida de la Diputación, Edificio INDITEX, 15142 Arteixo, A Coruña (Spain)); by e-mail to: (comitedeetica@inditex.com), or by fax (+34 981186211). The confidentiality of such reports is ensured

Upon receiving the report, the Committee of Ethics verifies first whether it falls within the remit of the Whistle Blowing Channel. If so, the Committee of Ethics will refer such report to the relevant department so that it would make the appropriate investigation. Otherwise, the Committee of Ethics will order closure of proceedings.

In light of the findings reached further to the investigation, the relevant department or department shall, having heard first the interested party, propose any of the following measures to the Committee of Ethics which will have final say:

- Remedy of the breach, if appropriate,
- Proposal of penalties or relevant measures
- Closure of proceedings, where no breach has been detected.

### **Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating SCIIF, which address, at least, accounting rules, auditing, internal control and risk management.**

The Training and Career Development Department of the Group, which reports to the DRRHH, is charged with preparing, together with each of the areas reporting to the DGF and with Internal Audit, training and refresher schemes for the different staff members involved in the preparation and supervision of the financial information of each and every company comprising the Group. Such

schemes include, both general courses focusing on business expertise and knowledge of the different departments which make up the company, and specific schemes aimed at training and refreshing employees in respect of new regulatory changes in the matter of preparation and supervision of financial information.

#### (a) General Induction

Aimed at gaining internal knowledge of each business unit, as well as of each department with their respective activities, functions and duties within the business.

Under this scheme, employees begin by working at the stores, getting acquainted with the whole process of running a store. Then, they spend time at the different corporate departments at headquarters and their training is completed at any of the subsidiaries of the Group abroad.

#### (b) Specific training

Group employees involved in procedures associated with the drafting of financial information receive regular training and refresher courses focusing mainly on learning about local and international standards governing financial information as well as the existing regulations and best practices in the area of internal control.

Within the financial environment, such training and refresher schemes are organized by the Training and Career Development Department which reports to the DRRHH.

At the beginning of each year, this Department prepares a "Training Scheme" encompassing the different courses, both external and internal, addressed to employees of the various departments comprising the DGF.

Training courses are provided on an annual basis for all new supervisors of financial areas in each country, in order to train them in respect of the management model of the INDITEX Group, and in the internal control system on financial information implemented by the Group.

Additionally, supplementary courses are taught by internal staff on the operation of financial software tools used in the preparation of financial information.

With regard to training proceedings of a technical nature carried out by professionals from the

different departments of DGF during FY2015, the following stand out, among others:

- Tax and accounting update seminars
- Regulatory changes in the field of Risk Management
- Scorecards and Internal Audit Reporting
- Course on Internal Control of Tax function
- Seminar on Customs Training
- Training day on Financial Instruments

Additionally, training on International Financial Reporting Standards (IRFS) has been run to all the employees in charge of financial information of the Group present in more than 45 countries. The scheme covered the most relevant IRFS and a review of the policies issued by the Group on accounting topics.

The INET portal covers all the main courses taught, which are thus available to all the staff of the financial area.

## **2. Risks assessment in financial reporting**

### **2.1. Main features of the risk identification process**

The risk identification process has been documented in the "*Procedure for Enterprise Risks Management in respect of Financial Information*". This process seeks to describe the mechanisms to identify and assess, on an annual basis, the risks which may lead to material mistakes in financial reporting

The above referred risks management process is based upon five stages:

1. Gathering financial information
2. Identification of the operation cycles with an impact on financial information
3. Assessment of risks by the reporting unit of financial statements
4. Prioritization of accounts criticality

## 5. Checking risks versus operational cycles

As a result of such process, a scoping matrix of risks regarding financial information (Scoping Matrix of SCIIF) is updated on an annual basis. This Scoping Matrix allows identifying the material headings of financial statements, assertions or goals of financial information in respect of which any risks may exist, and the prioritization of operational processes which have an impact on financial information.

The assessment process covers all the goals of financial information: (i) existence and occurrence; (ii) integrity; (iii) assessment; (iv) release and breakdown; (v) rights and obligations.

Further to the identification of potential risks, they are assessed on an annual basis based upon the management's information and understanding of the business and upon materiality criteria.

Assessment criteria are established (i) from a quantitative perspective in accordance with such parameters as: turnover, size of assets and pre-tax profit and (ii) from a qualitative perspective in accordance with different issues such as transactions standardizing and processes automation, composition, changes versus the previous year, complexity of accounting, likelihood of fraud or error or degree of use of estimates in book recording.

The Group relies on a Corporate Master of Companies wherein all the companies which are part of the Inditex Group are included. Such master is managed and updated in accordance with the "Procedure for the Incorporation and Financing of Companies".

Recorded in such master are on the one hand, general information about companies, such as company name, accounting closing date and currency and on the other, legal details such as the date of incorporation, share capital, list of shareholders, stake percentage, and other relevant information. The Legal Department is responsible for updating the master as regards legal information.

The External Reporting area, which reports to the Planning and Management Control Department determines on monthly basis the number of the companies which make up the Consolidation Perimeter as well as the consolidation methods which apply to each of the companies included in the above referred perimeter.

In addition to the above referred quantitative and qualitative factors, the process for the assessment of

financial information risks considers the main risks identified through the general Map of Critical Risks of the INDITEX Group.

Potential risks identified through the Scoping Matrix of SCIIF are taken into account upon preparing the Map of Critical Risks, which is updated on an annual basis by the Enterprise Risks Management Department (reporting to the DGF) with the assistance of all the involved areas of the organization. Thus, the Group may consider the impact that the remaining risks regarding Business Environment, Reputation, Regulatory Risks, Human Resources, Operations, Financial, Information for the decision-making, Technology and IT Systems and Corporate Governance may have on financial statements.

The whole process is overseen and approved on a yearly basis by the Audit and Control Committee.

## 3. Control activities

### 3.1. Procedures to review and authorize financial information and SCIIF description

Pursuant to the Board of Directors' Regulations, it is incumbent on the Audit and Control Committee, *inter alia*, to review the financial statements and the periodic information that the Board of Directors must submit to the markets and their supervisory bodies, overseeing at all times compliance with the legal requirements and the appropriate use in the preparation of such information of generally accepted accounting standards.

Likewise, the above referred Regulations provide that the Audit and Control Committee will meet on a quarterly basis to review the periodic financial information to be submitted to the Stock Exchanges authorities and the information that the Board of Directors must approve and add to its annual public documentation.

The Group relies on review and authorization mechanisms regarding the financial information on different levels:

- A first level of review carried out by the different local organizational structures.

- A second level of corporate review conducting analytical reviews of financial information reported by the above structures.
- A third level of control of compliance with internal control procedures regarding financial information.

Prior to the statement of the annual accounts and the approval of the half-yearly financial statements, the DGF meets with the External Auditors for the purposes of reviewing and assessing the financial information prior to submitting it to the Board of Directors.

The Audit and Control Committee submits this information to the Board of Directors which is responsible for approving it, in order to be subsequently disclosed to the market.

The Group keeps duly documented through the relevant procedures all processes which it deems to entail a risk of a material impact on the preparation of the financial information.

Such procedures describe the controls which allow giving an appropriate answer to risks associated with the achievement of the goals regarding reliability and integrity of the financial information so as to prevent, detect, reduce and correct the risk of any potential mistakes way in advance.

Additionally, procedures are represented in flow charts and scopes and scoping risks matrixes and controls whereby the relevant control activities are identified. Each control activity is overseen by the relevant supervisor and is systematically carried out. Dissemination of procedures, flow charts and matrixes to staff members involved in the drafting of the financial information is carried out through the specific DGF portal of the Group available on the INET portal, where they may be accessed by any member of the financial team. Such portal represents an additional work tool.

Each procedure is allocated to a manager charged with reviewing and updating it. Said updates are duly reviewed and authorized by the area management prior to their disclosure.

The following procedures should be underscored in accordance with their relevance, considering the business nature:

- Accounts payable
- Treasury
- Stores sales

- Stock management
- Tangible fixed assets
- Taxes
- Accounting closing

The Group also relies on procedures governing accounting closing of subsidiaries and the preparation of the consolidated financial statements. This last procedure provides a section regarding "Provisions, Opinions and Estimates" which defines the main consolidated provisions, opinions and estimates, as well as the review and approval thereof by the DGF.

The Group's standard form of internal control is supported by the SAP GRC Process Control tool.

The DGF relies on another control tool, which supplements the different documented procedures. Such tool consists of a number of indicators (KPIs, "key performance indicators") which aim at evaluating the quality of financial information reported by the relevant managers of the Group companies. Such tool is available to the different units which create information. KPIs are regularly reviewed by members of the different financial departments of companies, with the proposal, where appropriate, of corrective measures and specific action plans and the follow-up thereof.

### **3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of functions) supporting the key process of the company regarding the drafting and publication of financial information**

The internal control framework of IT systems of the Group has been defined based upon a catalogue of IT processes (hereinafter, IT) which covers the whole activity associated with each system and a basic risks review associated with such processes. Thus, the internal control framework covers all the risks associated with each and every process.

The Group has an Ethical Hacking area, reporting to the IT Division, which aims at ensuring security of all computer processes by:

- Setting and circulating regulations to ensure security, pursuant to the Policy for Information Security (hereinafter, PSI (*Spanish acronym*)).
- Carrying out reviews aimed at verifying enforcement of such regulations.

The PSI serves as a benchmark which provides guidelines to be followed by the staff of the Inditex Group, for the purposes of ensuring ethical hacking within all business processes; therefore, they also support the SCIF. Guidelines provided in the Policy for Information Security address the following issues:

- Assets classification and control
- Security versus human deeds
- Physical security and security of the environment
- Accesses control
- Systems, Communications and Transactions Management
- Systems Development and Update
- Business Continuity Management
- Management of Information Security Incidences
- Regulatory and Legal Compliance.

Additionally, regarding the design and implementation of applications, the Group has defined a methodological framework with different requirements aimed at ensuring that the solution implemented actually meets the functions demanded by users and so that the quality level meets the security standards set out.

Likewise, the Group relies on contingency mechanisms and procedures, both technical and operational, which have been defined to ensure recovery of IT systems in case of lack of availability.

During FY2015, the Committee for Information Security has held quarterly meetings and the number of attendees has increased, including the area of Communications and Institutional Relations and E-commerce. Members of the following areas serve on such Committee:

- Administration and Finances
- Internal Audit
- Corporate Development
- International

- Legal
- Corporate Logistics
- Product Diversion Control
- Human Resources
- General Counsel's Office
- Corporate Security
- IT

### **3.3. Internal control policies and procedures to oversee activities outsourced to third parties as well as the appraisal, calculation or assessment activities commissioned from independent experts, which may have any material impact on financial statements**

As a general rule, the Inditex Group does not have any process with a relevant impact on financial information outsourced to any third party. The general policy of the Group lies in not outsourcing any activity which might have any material impact on its financial statements.

During FY2015, the following main activities entrusted to third parties have been identified, without their having any material impact on financial statements:

- Valuation of fixed assets.
- Valuation of intangible assets
- Actuarial calculations.
- HHRR related services
- Valuation of derivatives

Such services are engaged by the supervisors of the relevant areas, ensuring the technical and legal qualifications, capacity and independence of the individuals or companies hired.

## **4. Information and Communication**

The External Reporting area within the Planning and Management Control department is responsible for

drafting, publishing, implementing and updating the Manual of Accounting Policies of the Group. Such area has, among others, the following duties associated with accounting policies:

- Defining the accounting treatment of the transactions which make up the business of the Group.
- Defining and updating the accounting practices of the Group.
- Addressing accounting doubts raised by any company of the Group.
- Standardizing the accounting practices of the Group.

Such manual covers the different transactions inherent in the Groups' business and their accounting treatment in accordance with the Inditex Group's benchmark accounting framework.

The manual is regularly updated. In such updating procedure, the Consolidation and Reporting area includes all accounting changes arisen during the financial year which were advanced to those in charge of drafting the financial statements.

The manual and the remaining documentation are available on the INET portal.

The process for consolidation and preparation of consolidated financial statements is centralized, falling on the External Reporting area which reports to the Planning and Management Control Department.

The Group relies on IT systems for the drafting of financial information of individual companies, and this allows, on the one hand, the automatic recording of the different transactions, with the standard configuration of individual financial statements of each company within the Group, and provides on the other the information required to draft the consolidated financial statements.

In this respect, for the purposes of reporting financial information, the subsidiaries of the Group use SAP BPC tool wherein the individual financial statements are automatically included. Contemporaneously, transactions and inter-group balances are reconciled through another IT tool. The remaining part of the consolidation process (elimination, adjustment, etc.,) is carried out through SAP BPC.

Financial information reported to CNMV is drafted based upon consolidated financial statements gathered through the above referred tool, and based

upon certain supplementary information reported by the subsidiaries, required to prepare the annual/half-year report. Contemporaneously, certain specific controls are exerted to confirm integrity of such information.

## 5. Supervision of the system's operation

### 5.1. SCIIF supervision activities carried out by the Audit Committee

In particular, regarding the monitoring activities about SCIIF carried out by the Audit and Control Committee during the year, it has performed, *inter alia*, the following:

- It has reviewed the consolidated annual accounts of the Group and the periodic financial information, this latter on a quarterly and half-yearly basis, to be provided by the Board of Directors to the markets and its supervisory bodies, overseeing compliance with the legal requirements and the appropriate application of the generally accepted accounting standards upon drafting such information.
- It has proposed to the Board of Directors, the terms of the contractual relationship with auditors, the scope of their professional mandate and, where appropriate, their removal or renewal, overseeing performance of the agreement and regularly assessing their results.
- As part of its monitoring duties regarding the Internal Audit Department, the Audit and Control Committee has approved the annual activities report of such Department, as well as its budget and the annual audit plan.
- It has reviewed the annual audit plan of external auditors, including the audit goals based upon the assessment of financial information risks, and the main areas involved or significant transactions which shall be reviewed during the financial year.
- It has reviewed with the external auditors and with Internal Audit the internal control weaknesses detected, where appropriate, in the course of the different audit and review assignments. Meanwhile, both external auditors and Internal Audit have regularly advised the Audit and Control Committee

on the degree of enforcement of recommendations resulting from such assignments.

- It has kept regular meetings with other corporate departments of the INDITEX Group for the purposes of overseeing the effectiveness of internal control systems of the Group, including SCIIF, and verifying their suitability and integrity, and the degree of implementation of action plans to meet audit recommendations.

Internal Audit is a corporate function included in the current organizational structure by means of a direct link to the Board of Directors, which ensures a full independence in the performance of its activities. Internal Audit reports to the Audit and Control Committee.

Management of the area is central from headquarters and it relies on representatives at such geographical areas where the presence of the Inditex Group justifies such existence. Additionally, the area is divided into specialized areas, which allows gathering deeper knowledge on risks and processes.

Internal Audit's budget is approved on an annual basis by the Audit and Control Committee which provides for the human and material resources, both internal and external of the Internal Audit area.

Among the goals of the Internal Audit function are the assessment of risk exposure and the suitability and effectiveness of controls vis-à-vis risks identified and namely, those regarding reliability and integrity of financial and operational information.

Based upon the Scoping Matrix of SCIIF Risks, Internal Audit drafts a pluri-annual plan for the regular review of SCIIF of the Group which is submitted to the Audit and Control Committee for approval on an annual basis.

Such pluri-annual plan entails reviews of SCIIF for the main processes and significant elements regarding the financial statements of the Group. Review priority is set in accordance with the risks identified. Such plan is implemented through annual planning which determines the scope of the annual SCIIF reviews. The suitability of such plan is reviewed every year, further to the update of the process to identify and assess financial information risks.

Namely, the design and effective operation of key transactional controls and general controls on the main software tools involved in the preparation of the financial information, is subject to review, as well as the review of the general control environment.

Additionally, this review is supplemented by the execution and review of key risk indicators (KRI) defined by Internal Audit on most critical risks areas and which have been designed to detect and reduce likelihood of risks and mistakes, including those of financial nature and fraud. Execution of such key risk indicators is centralized for all business units and geographical areas, pursuant to the annual plan.

In the implementation of its proceedings, Internal Audit relies on different audit techniques, mainly interviews, analytical reviews, specific control tests, reviewing both the effectiveness of design and the effective operation thereof, review of the effectiveness of software tools and material tests.

Likewise, Internal Audit carries out certain limited procedures of analytical review on consolidated financial statements for the first and third quarter of the year on consolidated information.

Results of the assignments, together with the corrective measures recommended, where appropriate, are reported to the DGF and the Audit and Control Committee. The implementation of such measures is subsequently monitored by Internal Audit and reported to the Audit and Control Committee.

## **5.2. Discussion procedure between the financial auditor, the internal audit function and other experts to disclose significant internal control weaknesses identified and action plan**

Internal Audit regularly discloses to the DGF and the Audit and Control Committee the internal control weaknesses identified in the reviews carried out, as well as the follow-up of the action plans set out to settle or reduce them.

Meanwhile, the External Auditors regularly meet with the DGF and Internal Audit, both to gather information and to disclose any potential control weaknesses which may have been detected, where appropriate, in the course of their work.

In the course of its meetings, the Audit and Control considers the potential weaknesses in control which might have an impact on financial statements, requesting, where appropriate, from the affected areas, the relevant information to assess any effects on the financial statements.

Section 45.5 of the Board of Directors' Regulations provides that: *"The Board of Directors shall endeavour to draft the final accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board of Directors considers that it must maintain its criterion, it shall publicly explain the contents and scope of the discrepancy."*

To meet the provisions laid down in the above referred section 45.4, any discussion or different view existing is advanced in the meetings held between the Audit and Control Committee and the external auditors. Meanwhile, external auditors report, where appropriate, about the main improvement issues on internal control identified as a result of their work. Additionally, the Management reports on the degree of implementation of the relevant action plans set in train to correct or reduce the issues identified.

On the other hand, the Audit and Control Committee meets with the auditors of the individual and consolidated statements for the purposes of reviewing on the one hand the financial statements of the Group and on the other, certain half-yearly periodic financial information that the Board of Directors must provide to the market and its supervisory bodies, overseeing compliance with legal requirements and the appropriate enforcement of generally accepted accounting standards upon preparing such information.

During FY2015, members of the Internal Audit Department have attended five meetings of the Audit and Control Committee and the External Auditors four meetings.

## **6. Report of the external auditor**

The Group's Management has decided to submit the information about SCIIF of the Annual Corporate Governance Report for FY2015 prepared by the Company's Management, to the external auditors for review.

# Audit and Control Committee

## 1. Preliminary

The Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) (hereinafter, "Inditex" or the "Company") has been amending its rules on corporate governance in line with the most demanding trends on the subject and in accordance with the good governance codes and regulations approved. Among those amendments, those regarding the Board of Directors' Regulations can be found and mention should be made of the changes in such regulations aimed at reinforcing the duties of the Audit and Control Committee to extend its powers or entrust it with new ones.

Further to the passing of Act 31/2014, of 3 December, amending the Spanish Companies Act for the improvement of corporate governance (hereinafter, "Act 31/2014"), and to the release of the Good Governance Code of Listed Companies, approved further to a resolution of the Board of Directors of Comisión Nacional del Mercado de Valores [Spanish SEC] dated 18 February 2015 (hereinafter, "CBG" [Spanish acronym]), Inditex has carried out a review of its internal regulations, updating them to meet the latest regulatory requirements, the latest recommendations in the area of good governance and the latest trends in the field of corporate governance, which ended with the thorough redraft of most of its internal regulations, including the approval of the Audit and Control Committee's Regulations.

This document, drawn up by the Audit and Control Committee in the meeting held on 13 June 2016, represents the proceedings report and annual activities report of such Committee, drafted following

recommendation 6 of CBG and pursuant to section 15 (e) of the Audit and Control Committee's Regulations. It describes the main proceedings of the Committee from 1 February 2015 through 31 January 2016, financial 2015 year-end.

This report has been issued on an annual basis as of financial year 2002.

## 2. The Audit and Control Committee: origin and evolution, regulations and composition

### A. Origin and evolution

The Board of Directors of INDITEX held on 20 July 2000 approved the Board of Directors' Regulations, under the provisions of the then prevailing Articles of Association in force, in order to adjust to the recommendations and guidelines on good governance.

Said Regulations established the Audit and Control Committee (first known as Audit and Compliance Committee), with powers similar to those which were later acknowledged by statute, being encompassed by Act 24/1988 of 28 July, governing the Stock Exchange (hereinafter, "LMV" - [Spanish acronym]), as amended by Act 44/2002, of 22 November on the Reform of the Financial System (hereinafter, "Financial Act").



Oysho head office in Tordera (Barcelona).

Subsequently, the Board of Directors held on 20 March 2003 passed the following resolutions:

- 1) To propose to the General Meeting of Shareholders the amendment of the Articles of Association, with a new wording of section 30, in order to include the regulation of the Audit and Control Committee.
- 2) To approve the amendment to the Board of Directors' Regulations, in order to enhance the functions of the Audit and Control Committee, with the assumption of new duties and the extension of those already existing.

It was subsequently resolved by the Board of Directors in the meeting held on 10 June 2004, to approve a new Revised Text of the Board of Directors' Regulations, which would include the provisions of Act 26/2003 of 17 July, amending the Stock Exchange Act and then prevailing Revised Text of the Spanish Corporation Act in force, in order to foster transparency in listed companies (the "Transparency Act") and its bylaws. With this new amendment the Audit and Control Committee was once again enhanced, with the inclusion of a new duty.

The Board of Directors held on 11 December 2007 approved a new Revised Text of the Board of Directors' Regulations, in order to adjust the contents thereof to the Recommendations of the Unified Good Governance Code. This amendment entailed an increase in the duties of the Audit and Control Committee, as it encompassed the Recommendations provided by such Unified Code on this issue.

Finally, on 9 June 2015 the Board of Directors approved the Audit and Control Committee's Regulations, currently in force, for the purposes of complying with the provisions of the amendments introduced by Act 31/2014 and with the recommendations of CGB.

## B. Regulations

Traditionally, the Audit and Control Committee's regulations are provided in the Articles of Association of Inditex (section 28) and in the Board of Directors' Regulations (section 15). Since the approval of the Audit and Control Committee's Regulations last 9 June 2015, in addition to the above mentioned sections, this set of rules specifically addresses the proceedings of this Committee. Namely, section

5 thereof addresses the mission of the Audit and Control Committee:

*"Without prejudice to other tasks it may be entrusted by the Board of Directors, and to other powers it may be reserved by these Regulations, the Audit and Control Committee shall have the following basic responsibilities:*

*(a) To report to the General Meeting of Shareholders on those questions raised regarding matters within the remit of the Audit and Control Committee;*

*(b) To oversee the effectiveness of the internal control system of the Company, the internal audit and the risks management systems, including tax risks, and to review with the financial auditor the significant weaknesses of the internal control system revealed in the course of the audit;*

*(c) To oversee the process for preparing and disclosing the regulated financial information;*

*(d) To table to the Board of Directors the motions on selection, appointment, re-election and replacement of the external auditor, as well as the terms and conditions of the contract to be executed with them, and to regularly gather from the external auditor information about the audit plan and its performance, in addition to preserving its independence in the performance of its duties;*

*(e) To liaise with the external auditor in order to receive information on those matters that could jeopardize its independence, so that the Committee may review them, and on any other matter related to the implementation of the audit process, as well as on those other communications envisaged by the audit legislation and the auditing standards. At any rate, the Committee shall receive every year from the external auditor, the statement of its independence, as well as the information on any additional services of any kind rendered and the relevant fees received by the external auditor or by the persons, natural or legal related to such external auditor, pursuant to the provisions of the prevailing financial audit legislation;*

*(f) To issue on an annual basis, prior to the issue of the auditor's report, a report expressing an opinion on the independence of the financial auditor. Such report must address at any rate, the assessment of the provision of any additional services referred to in the foregoing paragraph, considered both separately and as a whole, other than the legal audit and its opinion*

regarding the independence system or the financial audit regulations;

(g) To ensure that the Board of Directors shall present the accounts to the General Meeting of Shareholders in an unqualified audit report and without reservations;

(h) To advise beforehand the Board of Directors on all the topics covered by statute, the Articles of Association and the Board of Directors' Regulations, and namely, on (i) the periodic financial information that the Company must disclose on a regular basis; (ii) the creation or acquisition of shares in special purpose vehicles or entities resident in countries or territories considered tax havens, and (iii) the transactions with related parties;

(i) To inform the Board of Directors on such transactions that involve structural and corporate changes that the Company plans to carry out;

(j) To evaluate any question regarding non financial risks (including operational, technological, legal, social, environmental, political and reputational risks);

(k) To regularly evaluate the appropriateness of the corporate governance system of the Company and oversee compliance thereof, as well as compliance with the internal codes of conduct;

(l) To review the social responsibility and the environmental sustainability policies and to oversee compliance thereof;

(m) To oversee the strategy of communication and relations with shareholders and investors, including small and medium shareholders;

(n) To oversee and evaluate the relations systems with the different stakeholders of the company; and

(o) To coordinate the process of reporting corporate information and information on diversity, pursuant to the applicable regulations and the international standards of reference."

Meanwhile section 6 of the Regulations lists the powers of the Audit and Control Committee regarding the process to prepare the regulated financial information:

"With regard to the preparation of the regulated financial information of the Company and its Group, the Committee shall have the following main duties:

(a) To oversee the process of preparation and submission and the integrity of the regulated financial information relating to the Company and its Group,

ensuring that the half-yearly financial reports and the quarterly management statements are drafted in accordance with the same accounting standards as the annual financial reports and to oversee the review of the interim financial statements requested from the financial auditor, with the scope and frequency that may be defined, as the case may be;

(b) To review compliance with the legal requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the generally accepted accounting principles and international financial reporting standards as may be applicable; and

(c) To advise the Board of Directors on any significant change of accounting standard and of the significant risks on the balance sheet and off-balance sheet."

Section 7 lists the powers of the Committee regarding auditing:

"With regard to the audit of the accounts of the Company and its Group, the Committee shall have the following main duties:

(a) To propose to the Board of Directors the selection, appointment, re-election and replacement of the external auditor, as well as the terms and conditions of the contract to be executed with them, to be subsequently submitted to the General Meeting of Shareholders for approval;

(b) To oversee the independence of the financial auditors and the absence of any prohibition or incompatibility circumstances for auditors, pursuant to the legislation on auditing. To perform such task, the Committee shall:

- i) Receive from the auditors on an annual basis, the statement on their independence regarding the Company or the companies related thereto, directly or indirectly;
- ii) Oversee the hiring of the financial auditor for services other than financial audit where the amount of the fees to be invoiced is significant, and supervise the terms and the performance of the contracts entered into with the external auditor of the Company for the rendering of such services;
- iii) Verify that the Company and the auditor comply with applicable regulations regarding the provision of services other than the auditing of accounts, the limits on the concentration of the auditor's business, the rules on professional fees and, generally, all other regulations

- established in order to ensure the independence of the auditors;
- iv) Ensure that the remuneration of the external auditor for his works does not compromise the quality and independence thereof;
- v) In the event of resignation of the auditor, examine the circumstances that may have given rise thereto; and
- vi) Issue on an annual basis and prior to the issue of the auditor's report, a report setting forth its opinion on the independence of the auditor. At any rate, such report must contain the assessment of the provision of any additional services other than the legal audit, considered both separately and as a whole, and its opinion regarding the independence system of the auditor pursuant to the audit regulations;
- (c) To oversee compliance with the audit contract, regularly gathering from the auditor information on the audit plan and its implementation;
- (d) To review the contents of the auditor's reports and, where appropriate, of the reports on limited review of interim accounts, as well as other mandatory reports to be prepared by the auditors, prior to the issue thereof, in order to avoid qualified reports, ensuring that the Board of Directors shall present the accounts to the General Meeting of Shareholders in an unqualified audit report and without reservations, and, where appropriate, in the exceptional circumstances where a qualified report is issued, that both the Chair of the Committee and the auditors would clearly explain to the shareholders the contents and scope of such reservations and qualifications;
- (e) To assess the results of each financial audit and oversee the response of the Senior Executives to their recommendations;
- (f) To promote that the auditors of the Group's consolidated accounts shall assume responsibility for the audit work of all or the majority of the companies that form part of such Group; and
- (g) To ensure that the auditor carrying out the audit of the financial statements or of consolidated accounting documents shall assume full responsibility for the audit report issued, even though the financial statements of the investee companies have been audited by other auditors;

(h) To serve as a communication channel between the Board of Directors and the auditors, endeavouring for the latter to have, at least once a year, a meeting with the Board of Directors for the purposes of reporting on the work done and the evolution of the accounting and risk situation of the Company; and

(i) To verify that the change of financial auditor is disclosed as a relevant fact to CNMV and, where appropriate, that information is given on the eventual existence of any discrepancies with the outgoing auditor and the contents thereof."

Section 8 of the Audit and Control Committee's Regulations addresses the powers regarding the internal audit function:

"With regard to the Internal Audit function of the Company and its Group, the Committee shall have the following main duties:

(a) To ensure the independence and effectiveness of the Internal Audit Function overseeing that it has sufficient resources, both human and material, internal and external, to carry out its duties;

(b) To approve the budget of the Internal Audit Department, the Internal Audit Plan and the annual activities report of such Department, ensuring that its activities are mainly focused on significant risks for the Company and its Group, and to receive periodic information regarding the activities carried out by the Internal Audit Department;

(c) To propose the appointment and removal of the Internal Audit Director, after report of the Nomination Committee; and

(d) To verify that Senior Executives take into account the findings and recommendations resulting from the reports issued by the Internal Audit Department."

Section 9 lists the powers regarding the Enterprise risk management policy:

"With regard to the internal control and risks management policy of the Company, the Committee shall have the following main duties:

(a) To oversee the control and risks management function;

(b) To regularly review the internal control and risks management policy, including tax risks;

(c) To ensure that the internal control and risks management policy contains at least:

- i) The different types of risk (including without limitation, operational, technological, financial, legal, reputational and tax related) that the Company is faced with, including among such financial or economic risk, contingent liabilities and other off-balance sheet risks;*
- ii) The determination of the level of risk that the Company deems acceptable;*
- iii) The measures planned to reduce the impact of the identified risks, should they materialize; and*
- iv) The information and internal control systems that will be used to monitor and manage the aforementioned risks, including contingent liabilities and other off-balance sheet risks.*

*(d) To review the information about the risks that the Group is faced with, and about the risk control systems, that must be included in the Annual Corporate Governance Report, the management report attached to the annual accounts and the interim financial statements and in any other information instruments of the Company; and*

*(e) To evaluate any question regarding non-financial risks (including without limitation operational, technological, legal, social, environmental, political and reputational) that the control policy and the risks management systems must contain.”*

Meanwhile, section 10 describes the powers regarding corporate governance:

*“With regard to the corporate governance policy of the Company and its Group, the Committee shall have the main basic duties:*

*(a) To regularly evaluate the appropriateness of the corporate governance system for the purposes of fulfilling its mission of promoting corporate interest taking into account the lawful interests of the different stakeholders of the company;*

*(b) To oversee compliance with the Internal Regulations of Conduct regarding transactions with Securities, with these Regulations and, generally, with the corporate governance rules of the Company, and to make the relevant motions to improve it;*

*(c) To receive from the Code Compliance Office or, as the case may be, from the Code Compliance Supervisory Board, at least every six months and whenever the Audit and Control Committee*

*may deem it fit for the appropriate exercise of its information functions, information on the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities and, namely, with the cases seen, if any, and the resolutions passed;*

*(d) To prepare and table to the Board of Directors for approval, the Annual Corporate Governance Report; and*

*(e) To oversee the operation of the Company’s website with regard to the posting of information on corporate governance included in Section 42 of the Board of Directors’ Regulations.”*

Section 11 of the Audit and Control Committee’s Regulations addresses the powers regarding compliance with the internal regulations:

*“With regard to compliance with the internal regulations of the Company, the Committee shall have the following main duties:*

*(a) To establish and oversee the mechanisms that would allow all the Group’s employees, manufacturers, suppliers or third parties with a direct relationship and a lawful business or professional interest, to report with all due guarantees of confidentiality, indemnity and observing at any rate the regulations on data protection, any potential breach of the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and the remaining internal regulations of the Group;*

*(b) To receive from the Committee of Ethics at least every six months and whenever the Audit and Control Committee may deem it fit for the appropriate exercise of its functions, information on the degree of compliance with the Code of Conduct and Responsible Practices, on the reports of any potential breach of the Code of Conduct for Manufacturers and Suppliers, and, generally, on the enforcement of the regulatory compliance system of the Company, and to submit motions to the Board of Directors for the adoption of measures and policies seeking to improve compliance with such model; and*

*(c) To receive information and, where appropriate, issue reports on the disciplinary measures that are intended for members of the senior management of the Company.”*

In turn, section 12 lists the powers regarding corporate social responsibility:

*“With regard to the corporate social responsibility of the Company and its Group, the Committee has the following main duties:*

- (a) To oversee the corporate social responsibility policy, ensuring that it focus on building value;*
- (b) To follow up the strategy and practices of such social responsibility and to evaluate the degree of compliance thereof;*
- (c) To verify the process of reporting corporate information and information on diversity pursuant to the applicable regulations and the international standards of reference; and*
- (d) To receive from the Corporate Social Responsibility Department, at least once a year and whenever the Audit and Control Committee may deem it fit for the appropriate exercise of its functions, information on the social responsibility policy and namely on the following topics*
  - i) Compliance with the Code of Conduct for Manufacturers and Suppliers, especially underscoring the result of the social audits carried out, directly or indirectly, by the Company for the purposes of ensuring the enforcement of human and social rights throughout its production line;;*
  - ii) Social investment of the Company in the areas of education, employment and humanitarian relief, or in any other area it may determine; and*
  - iii) Compliance with the health and safety of the products standards of the products marketed by the Company.”*

Section 13 covers the powers regarding environmental sustainability:

*“With regard to the environmental sustainability of the Company and its Group, the Committee has the following main duties:*

- (a) To oversee the environmental sustainability policy of the Company, ensuring that it focuses on building value;*
- (b) To follow up the strategy and the practices of such environmental sustainability and to evaluate the degree of compliance thereof; and*
- (c) To receive from the Environmental Department at least once a year and whenever the Audit and Control Committee may deem it fit for the appropriate exercise*

*of its functions, information on the environmental sustainability policy and namely on the fulfillment of the goals of the Strategic Environmental Plan from time to time in force.”*

The powers of the Audit and Control Committee regarding tax issues are listed in section 14 of the Audit and Control Committee’s Regulations:

*“With regard to tax issues of the Company and its Group, the Committee has the following main duties:*

- (a) To advice beforehand the Board of Directors on the creation or acquisition, as the case may be, of interests in special vehicles or entities resident in countries or territories considered tax havens;*
- (b) To receive from the head of tax issues of the Company in order to relay it to the Board of Directors prior to the statement of the annual accounts and the filing of the Corporate Tax return, information on tax criteria followed by the Company during the financial year, and on the degree of compliance with the Code on Good Tax Practices; and*
- (c) To inform the Board of Directors, based upon the information received from the head of tax issues of the Company, on the tax policies applied and, in the case of transactions or matters which must be referred to the Board of Directors for approval, on the tax consequences thereof, when they represent a relevant factor.”*

Finally, section 15 addresses other powers entrusted to the Committee:

*“Additionally, the Committee has the following duties:*

- (a) To oversee the strategy of communication and relations with shareholders and investors, including small and medium shareholders;*
- (b) To oversee and evaluate the relations systems with the different stakeholders of the Company;*
- (c) To inform the Board of Directors on such transactions that the Company or the companies comprising the corporate Group intend to carry out with the directors or with shareholders who hold a significant stake or who have proposed the appointment of any director of the Company, or with their respective related parties, from an arm’s length perspective and the principle of equal treatment to shareholders;*
- (d) To issue a report on such transactions which entail structural and corporate changes that the Company*

*intends to carry out, reviewing the economic terms and the accounting impact thereof, and namely, where appropriate, the proposed exchange ratio; and*

*(e) To prepare an annual report on its own activities.”*

## C. Composition

Since the initial composition of the Audit and Control Committee, which was agreed by Inditex’s Executive Committee on 27 October 2000, its members and structure have been subject to change in order to comply with the regulations and recommendations on good governance from time to time in force.

Members of the Audit and Control Committee, and especially its Chair, have the required knowledge, qualifications and experience in the areas of accounting, audit or risks management.

The Board of Directors resolved on 14 July 2015, following report of the Nomination and Remuneration Committee, to appoint Mr José Luis Durán Schulz (non-executive independent director) member of the Board of Directors and of the Audit and Control Committee, upon expiry of the term of office of Mr Nils Smedegaard Andersen.

As at 31 January 2016, the Audit and Control Committee was made up of the following members:

<b>Chair</b>	Ms. Irene Ruth Miller
<b>Ordinary members</b>	Mr. José Arnau Sierra
	Mr. Rodrigo Echenique Gordillo
	Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós
	Mr. Emilio Saracho Rodríguez de Torres
	Mr. José Luis Durán Schulz
<b>Secretary (non-member)</b>	Mr. Antonio Abril Abadín

Four of the members sitting on the Audit and Control Committee are non-executive independent directors.

The résumé of all Committee members is available at the corporate website: ([www.inditex.com](http://www.inditex.com)).

## D. Proceedings

The Committee shall meet, at least on a quarterly basis, for the purposes of reviewing the periodic financial information to be submitted to the market

authorities as well as the information that the Board of Directors must approve and include within its annual public documentation. Likewise, it shall meet each time that its Chair calls it. The Chair must call the Audit and Control Committee whenever the Board of Directors or the Chairman thereof would request the issue of a report or the submission of motions and, at any rate, whenever it is appropriate for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the notice shall be signed by the Chair or the Secretary. A quorum for Committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. Likewise, The Committee may also pass resolutions in writing, without holding a meeting pursuant to the provisions of statute.

### 3. Activities of the Audit and Control Committee: Sessions held, business transacted, reports and attendees

During financial year 2015, the Audit and Control Committee has met five times.

The main activities of the Audit and Control Committee are summarized below:

Date of meeting	Main business transacted	Reports and motions submitted to the Board of Directors	Inditex's attendees
03/16/2015	<ul style="list-style-type: none"> <li>– Review of the financial statements of the company. Review of the annual financial report to be disclosed by the Board of Directors to the market and its supervisory boards.</li> <li>– Meeting with the external auditors of the company.</li> <li>– Motion on the re-election of financial auditors.</li> <li>– Internal Audit topics.</li> <li>– Report on the Independence of auditors.</li> <li>– Granting of powers of attorney.</li> <li>– 2014 Annual Corporate Governance Report.</li> <li>– Report of the Committee of Ethics: summary of proceedings and implementation of the Corporate Compliance system of the Inditex Group.</li> <li>– Half-yearly report (August 2014 - January 2015) of the Code Compliance Supervisory Board</li> <li>– Report on tax policies followed in the financial year (Code of Good Tax Practices).</li> </ul>	<ul style="list-style-type: none"> <li>– Annual financial information (FY2014).</li> <li>– Report on the Independence of the external auditors.</li> <li>– 2014 Annual Corporate Governance Report.</li> <li>– Annual Report of the Committee of Ethics regarding the enforcement of the regulations on the Corporate Compliance system of the Inditex Group and regarding its activities.</li> <li>– Half-yearly report (August 2014 - January 2015) of the Code Compliance Supervisory Board (CCSB).</li> <li>– Report on the re-election of the auditors.</li> <li>– Powers of attorney.</li> </ul>	<ul style="list-style-type: none"> <li>– Mr Pablo Isla Álvarez de Tejera, Executive Chairman.</li> <li>– Mr Ignacio Fernández Fernández, Chief Financial Officer.</li> <li>– Mr Carlos Crespo González, Chief Audit Officer.</li> <li>– Mr Andrés Sánchez Iglesias, Tax Director.</li> <li>– Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.</li> <li>– Mr Santiago Martínez-Lage Sobredo, Deputy Secretary of the Board of Directors.</li> </ul>
06/08/2015	<ul style="list-style-type: none"> <li>– Review of the periodic financial information that the Board of Directors must provide to the market and to the supervisory bodies.</li> <li>– Internal Audit: analytical review FY2015 first quarter results.</li> <li>– Internal Audit: work done during FY2015 first quarter.</li> <li>– Review of External Audit issues.</li> <li>– Review of the internal regulations of the Company: proposed amendment of the Articles of Association and of Regulations of the General Meeting of Shareholders to be tabled by the Board of Directors to the Annual General Meeting of Shareholders. Proposed amendment of the Board of Directors' Regulations. Proposal regarding a set of rules for the Audit and Control Committee (the Audit and Control Committee's Regulations).</li> <li>– Preparation of the Annual Report (Integrated Report).</li> <li>– Annual Activities Report of the Audit and Control Committee.</li> </ul>	<ul style="list-style-type: none"> <li>– 1QFY2015 financial information.</li> <li>– Triple Report on financial, social and environmental issues.</li> <li>– Annual activities Report of the Audit and Control Committee for FY2014.</li> <li>– Proposed wording of the Articles of Association.</li> <li>– Proposed wording of the Board of Directors' Regulations.</li> <li>– Proposed wording of the Audit and Control Committee's Regulations.</li> <li>– Proposed wording of the Nomination Committee's Regulations.</li> <li>– Proposed wording of the Remuneration Committee's Regulations.</li> </ul>	<ul style="list-style-type: none"> <li>– Mr Pablo Isla Álvarez de Tejera, Executive Chairman.</li> <li>– Mr Ignacio Fernández Fernández, Chief Financial Officer.</li> <li>– Mr Carlos Crespo González, Chief Audit Officer.</li> <li>– Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.</li> <li>– Mr Alberto Fernández Ferro, head of IT Internal Audit.</li> <li>– Mr Manuel Alonso Vila, from the Internal Audit Department</li> <li>– Mr José Manuel Romay de la Colina, Head of Financial Management.</li> <li>– Mr Fernando Nuñez Sanjurjo, Mr Fernando Bunes Ibarra and Mr Gorka García Tapia, members of the Financial Management Department.</li> </ul>
07/14/2015	<ul style="list-style-type: none"> <li>– Review of the internal regulations of the Company: proposed amendment of the Regulations of the Social Advisory Board and of the Internal Audit Charter.</li> </ul>	<ul style="list-style-type: none"> <li>– Proposed wording of the Regulations of the Social Advisory Board.</li> <li>– Proposed wording of the Internal Audit Charter.</li> </ul>	<ul style="list-style-type: none"> <li>– Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.</li> </ul>
09/14/2015	<ul style="list-style-type: none"> <li>– Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory bodies.</li> <li>– Meeting with the external auditors.</li> <li>– Risk Map: 2015 update</li> <li>– Procurement Policy.</li> <li>– Internal Audit: work done during FY2015 second quarter.</li> <li>– Report of the Committee of Ethics: summary of proceedings and implementation of the Corporate Compliance system of the Inditex Group.</li> <li>– Half-yearly report (February - July 2015) of the Code Compliance Supervisory Board (CCSB).</li> <li>– Communication of a potential conflict of interest situation.</li> </ul>	<ul style="list-style-type: none"> <li>– 1HFY2015 financial information.</li> <li>– Annual Report of the Committee of Ethics on the enforcement of the regulations on the Corporate Compliance system of the Inditex Group and activities report of the Committee for the 1HFY2015.</li> <li>– Risks Map.</li> <li>– Half-yearly report (February - July 2015) of the Code Compliance Supervisory Board (CCSB).</li> </ul>	<ul style="list-style-type: none"> <li>– Mr Pablo Isla Álvarez de Tejera, Executive Chairman.</li> <li>– Mr Ignacio Fernández Fernández, Chief Financial Officer.</li> <li>– Mr Carlos Crespo González, Chief Audit Officer.</li> <li>– Ms Paula Mouzo Lestón, Deputy CAO.</li> <li>– Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.</li> <li>– Mr Antonio Trillo Prego, Product Diversion Control Director.</li> <li>– Ms Martina Fernández Porto, ERM Director.</li> </ul>
12/09/2015	<ul style="list-style-type: none"> <li>– Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory bodies.</li> <li>– Internal audit: analytical review of the 3Q2015 results.</li> <li>– External audit: 2016 audit Plan</li> <li>– Report on "Good Corporate Governance" Policies.</li> <li>– Internal audit: 3QFY2015 assignments.</li> <li>– Report on the evaluation of the Committee and the performance of its members.</li> <li>– Evaluation of the appropriateness of the corporate governance system.</li> <li>– Transactions with related-parties: lease agreement of business premises between Zara España, S.A. and Pontegadea Inmobiliaria, S.L.U.</li> </ul>	<ul style="list-style-type: none"> <li>– 3QFY2015 financial information.</li> <li>– External Financing Policy.</li> <li>– Financial Risk Management Policy.</li> <li>– ERM Policy.</li> <li>– Policy on communication and contact with shareholders, institutional investors and proxy advisors.</li> <li>– Corporate Social Responsibility Policy.</li> <li>– Environmental Sustainability Policy.</li> <li>– Tax Strategy and Policy.</li> <li>– Report on the evaluation of the Committee and the performance of its members</li> <li>– Report on the related-party transaction between Zara España, S.A. and Pontegadea Inmobiliaria, S.L.U.</li> </ul>	<ul style="list-style-type: none"> <li>– Mr Pablo Isla Álvarez de Tejera, Executive Chairman.</li> <li>– Mr Ignacio Fernández Fernández, Chief Financial Officer.</li> <li>– Mr Carlos Crespo González, Chief Audit Officer.</li> <li>– Ms Paula Mouzo Lestón, Deputy CAO.</li> <li>– Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.</li> </ul>

## 4. Main lines of action

As for the lines of action of the Audit and Control Committee during FY2015, they have revolved around the following aspects:

### A. Periodic financial information, financial statements and audit report

The Audit and Control Committee reviews the economic and financial information of Inditex prior to the approval thereof by the Board of Directors.

To this end, before drafting the quarterly, half-yearly or annual financial statements, the Audit and Control Committee also meets with the Management of the Company to review the application of the accounting principles, the estimates made while preparing the financial statements, etc.,

Likewise, the Committee, fully comprised of non-executive directors, meets with the external auditors, before they meet the Board of Directors does, in order to review the financial statements of the Company and certain periodic financial information, ensuring that the legal requirements are met and that the generally accepted accounting standards are correctly applied.

The Audit and Control Committee reviewed the results for the full financial year 2014 in the meeting held on 16 March 2015, and in the meetings held on 8 June, 14 September and 9 December 2015, the results for the first three quarters of financial year 2015 that the Board of Directors must provide quarterly to the market and to its supervisory bodies, in accordance with the format of the Public Periodic Information ("PPI"), and the pertaining Results Release and Press Release.

Likewise, the individual and consolidated Annual Accounts and Management Report and the Auditors' Report for FY2014 were reviewed, it being verified by the Committee that the latter was unqualified.

### B. Effectiveness and Independence of the Financial Auditors

The Audit and Control Committee reviewed the financial audit carried out during FY2014 in its meeting held on 16 March 2015. External auditors attended such meeting, having previously been called to do so.

The work carried out by the external auditors consisted of auditing the consolidated financial statements of the

Group as at 31 January 2015 and the individual financial statements of certain Group companies, also as at 31 January 2015.

Additionally, different main issues were reviewed: international, domestic levels, accounting issues and other less important subjects.

The Audit and Control Committee approved on 16 March 2015 the report on the Independence of the external auditors of the Company, which also covered the provision of additional services other than auditing.

### C. Internal Audit

The Chief Audit Officer attended the meetings of the Audit and Control Committee held throughout FY2015, where he took an active part.

Internal Audit apprised the Committee in its different meetings about different issues within its remit, and it supervised the work plan of the Internal Audit Department, approved its Budget as well as the activities report of the Internal Audit Department.

### D. External auditors

Following best practices on corporate governance, the members of the Audit and Control Committee met on 16 March, 8 June and 14 September 2015 with the external auditors, in the absence of the management of the Company, to transact different issues of its remit.

Additionally, external auditors attended the meeting held on 9 December 2015, upon special invitation of the Audit and Control Committee, to address in detail the audit plan for financial year 2016.

### E. Good corporate governance

The Audit and Control Committee held on 9 December 2015 gave a favourable report to a number of policies, to meet the recommendations of CBG, other regulatory developments, and other recommendations in the regulatory scopes of reference, and to the internal regulations of Inditex.

Such policies, which will be explained in detail in the respective chapter of this Annual Report, are listed below:

- a) External Financing Policy.
- b) Financial Risk Management Policy.
- c) Enterprise Risk Management Policy.
- d) Policy on Communication and Contact with Shareholders, Institutional Investors and Proxy Advisors.
- e) Corporate Social Responsibility Policy.
- f) Environmental Sustainability Policy.
- g) Tax Strategy and Policy.

The Committee tabled such policies to the Board of Directors, which approved them in the meeting held on 9 December 2015.

## **F. Risk Map**

The Audit and Control Committee acknowledged the Risk Map in the meeting held on 14 September 2015.

## **G. Annual Corporate Governance Report**

The Audit and Control Committee held on 16 March 2015 approved the Annual Corporate Governance Report for FY2014, drawn up as regards its format, contents and structure, pursuant to the provisions of Circular 5/2013 of 12 June of CNMV.

Such report was submitted by the Committee to the Board of Directors, which approved it on 17 March 2015 and was subsequently sent to CNMV as a relevant fact.

## **H. Annual Report (Integrated Report)**

The Committee gave a favourable report to the Annual Report, also known as Integrated Report, for financial year 2014 in the meeting held on 8 June 2015. Such Report provides information about the activities of Inditex and its corporate Group over the last years and especially in financial year 2014, regarding three areas of the Group: financial, social and environmental.

The Annual Report has been drafted following the principles established in the G4 Guide to Sustainability Reporting of the Global Reporting Initiative ("GRI"), the principles established in the International Integrated Reporting Framework, and AA1000 Accountability Principles Standard 2008 (AA1000APS), and has been verified by SGS ICS Ibérica, SA, in accordance with ISO

19011. The results of such verification demonstrated that the application level (In Accordance – Exhaustive) declared for the GRI Guide (G4) is appropriate. Likewise, a number of relevant indicators has been reviewed by KMPG Asesores in accordance with ISAE 3000 standard.

## **I. Amendment of the internal regulations of the Company**

During the meeting held on 8 June 2015, the Audit and Control Committee gave a favourable report to the amendment of the Articles of Association, the Regulations of the General Meeting of Shareholders, and the Board of Directors' Regulations, and to the approval of the Audit and Control Committee's Regulations.

## **J. Review of the reports of the Committee of Ethics**

The Audit and Control Committee reviewed and approved the annual report of the Committee of Ethics for financial year 2014 in the meeting held on 16 March 2015, as well as the half-yearly report of the Committee of Ethics for the first half of financial year 2015, in the meeting held on 14 September 2015.

Such reports cover, among other things, the enforcement of the Code of Conduct and Responsible Practices and the Code for Manufacturers and Suppliers, with a breakdown of the reports received by the Committee of Ethics, the measures taken and the resolutions issued by said body; the outcome of the supervision of the Manual on Criminal Risks Prevention of the Inditex Group and the measures taken to implement the Corporate Compliance system, both at domestic and international level (disclosure and circulation of the Corporate Compliance system; proceedings regarding acceptance of the Code of Conduct and Responsible Practices and training in the area of the Corporate Compliance system).

## **K. Review of the reports of the Code Compliance Supervisory Board and the Code Compliance Office**

The Audit and Control Committee reviewed the quarterly reports issued by the Code Compliance Office regarding the incidences arisen in respect of compliance with the Internal Regulations of Conduct regarding Transactions in Securities (IRC) pursuant to the provisions of section 10.2.4 thereof, as well as

the half-yearly reports issued by the Code Compliance Supervisory Board regarding measures taken to promote knowledge and ensure compliance with the provisions of the IRC, pursuant to the provisions of section 10.1.4 thereof.

## **L. Related-party transaction**

On 9 December 2015, the Audit and Control Committee gave a favourable report to the related-party transaction consisting of the lease of business premises in a building located in Madrid, Paseo de la Castellana, the property of Pontegadea Inmobiliaria, S.L.U. (as Lessor) and Zara España, S.A. (as Lessee). Pontegadea Inmobiliaria, S.L.U. is a Spanish company, related to three of Inditex's directors.

This transaction was authorized by the Board of Directors in the meeting held on 9 December 2015.

## **M. Conflict of interest situation**

Pursuant to the provisions of section 229 of the Companies Act, which was amended by Act 31/2014, of 3 December, for the purposes of improving corporate governance, directors have not communicated any conflict of interest situation, either direct or indirect, in which they or any related party to them may be involved with the parent company. One director informed the Board of Directors of a potential conflict of interest situation, which was acknowledged by the Board. Such situation has not occurred during the year.

## **N. Report on its activities**

The Committee issued its annual activities report on 8 June 2015. Such report is included in the 2014 Annual Report and is available at [www.inditex.com](http://www.inditex.com).

# **5. Main relationships of the Audit and Control Committee**

## **A. With the General Meeting of Shareholders**

The Chair of the Audit and Control Committee is available to the shareholders at the Annual General

Meeting in order to address those questions therein raised by the same with regard to matters within its remit, pursuant to the provisions of statute, the Articles of Association, the Board of Directors' Regulations and the Audit and Control Committee's Regulations.

## **B. With the Board of Directors**

At the beginning of each meeting of the Board of Directors, the Chair of the Audit and Control Committee appries all Directors on the main business transacted in the last meeting of the Committee.

## **C. With the advisory Committees of the Board of Directors**

Directors sitting on the Audit and Control Committee also sit on the Nomination Committee and on the Remuneration Committee.

## **D. With the Executive Chairman and the Senior Executives**

For the purposes of permitting the Audit and Control Committee to be directly apprised of the major business concerns, the Committee encourages the appearance in its sessions of the Executive Chairman and of the executives and officers of the Company to explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent

Additionally, the Committee may call any employee or officer of the Company and even arrange for their attendance without any other officer being present.

## **E. With the General Counsel's Office**

The General Counsel and Secretary of the Board, in his capacity as Code Compliance Officer regularly informs the Audit and Control Committee on the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities and in general, on the degree of enforcement of the rules of the company on corporate governance.

Additionally, the General Counsel and Secretary of the Board, in his capacity as Chair of the Committee of Ethics regularly advises the Audit and Control Committee on the enforcement of the Code of Conduct and Responsible Practices and the Code

of Conduct for Manufacturers and Suppliers; the outcome of the supervision of the Manual on Criminal Risks Prevention of the Inditex Group and the proceedings undertaken to implement the Corporate Compliance system.

## **F. With the Internal Audit Department**

The Internal Audit Department, ensures, under the supervision of the Audit and Control Committee, the effectiveness of risk management, control, and governance processes, thus contributing to the good running of the Organization.. Internal Audit is a centralized function included in the current organizational structure by means of a direct link to the Board of Directors, achieved through the functional reporting to the Chair of and the operational reporting to the Executive Chairman.

The Chief Audit Officer (CAO), being ultimately responsible for the Internal Audit function, regularly appraises the Audit and Control Committee of the annual Internal Audit work plan, as well as of the assignments carried out in the different auditing areas.

Meanwhile, the Audit and Control Committee oversees the Internal Audit Department, approving its budget, the Internal Audit Plan, the annual activities report and the resources of the Department to carry out its tasks as well as the contents of its proceedings

## **G. With the external auditors**

The relationship of the Board of Directors of the Company and the external auditors of the Group is channeled through the Audit and Control Committee.

Without prejudice to the annual meeting between external auditors and the Board of Directors, the former attends the meetings of the Committee wherein the Periodic Financial Information which the Board of Directors needs to approve and disclose on a half-yearly basis is subject to review.

In addition, the Committee tables to the Board of Directors, to be subsequently submitted to the Annual General Meeting, the motions on the appointment, re-election and replacement of the external auditors, as well as the terms for their engagement and the scope of their professional mandate. Likewise, the Committee oversees the enforcement of the audit contract; it evaluates the results of each audit and supervises the terms and enforcement of such contracts entered into with the auditors for the

performance of assignments other than those covered by the audit contract, all of which pursuant to the provisions of section 15 of the Board of Directors' Regulations and sections 8 and 30 of the Audit and Control Committee's Regulations.

## **H. With the external advisors**

In order to receive assistance in the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the Company's expenses. The assignment entrusted to such external advisors must necessarily address specific issues of certain weight and complexity that the above referred directors might face in the discharge of their duties.

Uría & Menéndez law firm advised Inditex on the review of the internal regulations and namely, on the Audit and Control Committee's Regulations, in order to adjust them to the latest regulatory requirements as well as to the latest recommendations and trends in the field of corporate governance.



Pull&Bear designers in Narón (A Coruña).

## Proceedings and Activities

# Report of the Nomination Committee

### 1. Preliminary

The Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) (hereinafter, "Inditex" or the "Company") has been amending its rules on corporate governance in line with the most demanding trends on the subject and in accordance with the good governance codes and regulations approved.

The latest amendment in this area took place during FY2015 and further to the passing of Act 31/2014, of 3 December, amending the Spanish Companies Act for the improvement of corporate governance (hereinafter, "Act 31/2014"), and to the release of the new Good Governance Code of Listed Companies, approved further to a resolution of the Board of Directors of Comisión Nacional del Mercado de Valores [Spanish SEC] dated 18 February 2015 (hereinafter, "CBG" [Spanish acronym], Inditex has carried out a review of its internal regulations, updating them to meet the latest regulatory requirements, the latest recommendations in the area of good governance and the latest trends in the field of corporate governance.

Following recommendation 48 of CGB, it was resolved by the Board of Directors in the meeting held on 9 June 2015 that the Nomination and Remuneration Committee should split into two separate Committees: the Nomination Committee and the Remuneration Committee. Such resolution would become effective upon the approval of the Annual General Meeting.

This document has been drawn up by the Nomination Committee in the meeting held on 13 June 2016 and it represents the annual activities report and report on the proceedings of such Committee, issued following

recommendation 6 of CBG. Further to the split of the r Nomination and Remuneration Committee and to the assumption by the Nomination Committee of part of the duties of the former, the fashion in which this report sets out the activities of the Committee is shown below:

(a) For the description of the activities carried out from the beginning of the financial year (1 February 2015) to the date when the above referred split into two Committees was completed (15 July 2015), the activities carried out by the former Nomination and Remuneration Committee and which correspond to the duties and competences presently discharged by the Nomination Committee pursuant to Inditex' internal regulations, are described.

(b) For the activities carried out from 15 July 2015 through 31 January 2016, FY2015 year-end, all the activities carried out by the Nomination Committee are described.

### 2. The Nomination Committee: origin and evolution, regulations and composition

#### a. Origin and evolution

The Board of Directors resolved in the meeting held on 9 June 2015, following recommendation 48 of CBG, to split the Nomination and Remuneration Committee into two new committees: the Nomination Committee and



Uterqüe's commercial team in Tordera (Barcelona).

the Remuneration Committee. Such split was conditional upon the approval by the Annual General Meeting of the amendment of the Articles of Association.

Subsequently, the Annual General Meeting held on 14 July 2015 approved the amendment of the Articles of Association in order to meet the latest regulatory development and to follow the recommendations of CBG, and consequently (i) the split of the Nomination and Remuneration Committee into two separate committees: the Nomination Committee and the Remuneration Committee; (ii) the composition of such new committees; and (iii) the regulations of each of them, were finally approved.

## b. Regulations

Further to the update of Inditex's internal regulations, approved by the Board of Directors on 9 June 2015 and by the Annual General Meeting on 14 July 2015, the Nomination Committee's regulations are provided in article 29 of the Articles of Association, section 16 of the Board of Directors' Regulations and more specifically, in the Nomination Committee's Regulations.

More specifically, section 5 of the latter addresses the mission of the Nomination Committee:

*"Without prejudice to other tasks it may be entrusted by the Board of Directors, and to other powers it may be reserved by these Regulations, the Nomination Committee shall have the following basic responsibilities:*

- (a) To evaluate the responsibilities, knowledge and experience required on the Board of Directors. For such purposes, it shall define the functions and qualifications required of candidates who must fill each vacancy, and evaluate the time and contribution required for them to effectively discharge their duties;
- (b) To set a representation target for the least represented gender on the Board of Directors and to provide guidance on how to reach such target;
- (c) To ensure that upon filling new vacancies or appointing new directors, selection procedures ensure the nonexistence of any manner of discrimination;
- (d) To table to the Board of Directors the motions on the election of independent directors to be appointed through the co-option procedure, or to be submitted to the General Meeting of

Shareholders, as well as the motion for the re-election or removal of said directors by the General Meeting of Shareholders;

(e) To issue a report regarding the motions to elect the remaining directors prior to their appointment through the co-option procedure or to be submitted to the General Meeting of Shareholders, as well as the motions for their re-election or removal by the General Meeting of Shareholder;

(f) To issue a report regarding the motions to appoint and to remove senior executives;

(g) Without prejudice to the responsibilities of the Lead Independent Director, should there be any, to review and arrange for the succession of the Chairman of the Board of Directors and of the chief executive of the Company and, where appropriate, to raise motions to the Board of Directors in order for such succession to take place in an orderly and planned manner."

Meanwhile, section 6 describes the powers of the Nomination Committee regarding selection of prospective directors:

*"With regard to the selection of directors, the Committee shall have the following main duties:*

- (a) To issue a report on the directors' selection policy approved by the Board of Directors and verify on an annual basis compliance thereof;
- (b) To set up and review the criteria that must be adhered to regarding the composition of the Board or Directors and to select the prospective candidates. For such purposes, the Committee shall define the duties and qualifications required of candidates that must fill each vacancy, based upon the requirements of the Board of Directors and the areas that need to be reinforced;
- (c) To ensure that, upon filling new vacancies or appointing new directors, selection procedures shall ensure the absence of any manner of discrimination. Namely, to set a representation target for the least represented gender on the Board of Directors and to provide guidance on how to reach such target;
- (d) To select the prospective candidates to be appointed, where appropriate, directors of the Company, assessing their required ability, qualifications, knowledge and experience and establishing the absence of any disqualifications or prohibitions and the circumstances required for them to qualify as a given class of directors and submit,

*therefore, its motions or reports, where appropriate, to the Board of Directors for their appointment through the co-option method or to be submitted to the decision of the General Meeting of shareholders;*

*(e) To issue a report on the motions that corporate directors may submit regarding the appointment of their representatives natural persons;*

*(f) To report on the appointment of internal offices of the Board of Directors and its Committees (Chairman, Deputy Chairman/Chairmen, Chief Executive Officer, Lead Independent Director, Secretary and Deputy-Secretary(ies));*

*(g) To propose to the Board of Directors such members that must sit on each Committee;*

*(h) To verify, where appropriate, the information provided in the Annual Corporate Governance Report about the reasons why certain proprietary directors may have been appointed, at the behest of any shareholders whose stake is lesser to the minimum stake that qualifies as significant under the prevailing regulations in force or why certain formal requests of presence in the Board of Directors made by shareholders whose stake is the same or higher than others at whose request proprietary directors may have been appointed, have not been attended; and*

*(i) Without prejudice to the responsibilities of the Lead Independent Director, should there be any, to review and arrange for the succession of the Chairman of the Board of Directors and of the chief executive of the Company and, to table, where appropriate, proposals to the Board of Directors for such succession to take place in an orderly and planned manner.*

The powers regarding assessment and re-election of directors are included in section 7:

*"With regard to the assessment and re-election of directors, the Committee shall have the following main duties:*

*(a) To establish and oversee an annual program for evaluating the performance of the Board of Directors, its Chairman, its delegated bodies and its supervisory and control committees. For such purposes, the Committee may gather such information and/or documentation as it may deem necessary or expedient;*

*(b) To take part in the annual process of evaluation of performance of the Chairman of the Board of Directors pursuant to the provisions of the Company's corporate governance system;*

*(c) To report on an annual basis to the Board of Directors on the evaluation of the Board of Directors itself, the Committee, the directors, and of the performance of the chief executive of the Company;*

*(d) To verify, where appropriate, the independence of the advisor which assists the Board of Directors with the evaluation process;*

*(e) To examine, prior to the end of the term for which a director has been appointed, the advisability of the director's re-election, as well as the director's continuance, if applicable, on the committees of the Board of Directors of which such director is a member;*

*(f) To verify that the director to be re-elected continues to comply with the general requirements applicable to all directors of the Company pursuant to law and the Company's corporate governance rules, as well as assess the quality of work, the dedication to office and the availability of the director in question during the preceding term of office; and*

*(g) To submit to the Board of Directors its motion (in the case of independent directors) or report (in the case of the remaining directors) regarding the re-election of directors by the General Meeting of Shareholders."*

Section 8 of the Regulations refers to the powers regarding removal and dismissal of directors:

*"With regard to the removal and dismissal of directors, the Committee shall have the main duties of submitting to the Board of Directors the motion regarding the removal or, where appropriate, issuing a report on the motion of removal of directors by the General Meeting of Shareholders on account of the existence of grounds for resignation or dismissal pursuant to Statute or the corporate governance rules of the Company."*

Finally, section 9 addresses other powers entrusted to the Nomination Committee:

*"Additionally, the Committee shall have the following main duties:*

*(a) To issue a report on the appointment and removal of the Internal Audit Director, after report of the Audit and Control Committee;*

*(b) To issue a report on the motions to appoint and remove senior executives;*

*(c) To issue such reports and carry out such proceedings that fall within its remit, pursuant to the corporate governance system of the Company, or which are required by the Board of Directors or its Chairman; and;*

*(d) To issue a report before the authorization or release by the Board of Directors of the obligations arising from the duty of loyalty of directors, when this does not fall within the remit of the General Meeting of shareholders.”*

### c. Composition

Pursuant to its Regulations, the Nomination Committee shall be made up of a number of non-executive directors no lesser than three nor higher than seven, the majority of whom shall be independent.

Members of the Nomination Committee, and namely its Chair, shall have the appropriate expertise, qualifications and experience to discharge the duties they are called upon to perform.

As at 31 January 2016, the Nomination Committee was made up of the following members:

<b>Chair</b>	Mr. Emilio Saracho Rodríguez de Torres
<b>Ordinary members</b>	Ms. Irene Ruth Miller
	Mr. José Arnau Sierra
	Mr. José Luis Durán Schulz
	Mr. Rodrigo Echenique Gordillo
	Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós
<b>Secretary (non-member):</b>	Mr. Antonio Abril Abadín

Four of the members sitting on the Nomination Committee are non-executive independent directors.

The résumé of all Committee members is available at the corporate website: ([www.inditex.com](http://www.inditex.com)).

Detailed information on the Nomination Committee is provided in section A.2 of the Annual Report on Remuneration of Directors, available at [www.inditex.com](http://www.inditex.com).

### d. Proceedings

The Committee shall meet, at least once a year and every time its Chair calls it. The Chair of the Nomination Committee shall call a meeting thereof whenever the Board of Directors or the Chairman thereof would request the issue of a report be issued or the passing of motions, and, at any rate, whenever

it is appropriate for the successful performance of its functions.

Ordinary meetings shall be called by letter, fax, telegram or e-mail and the notice shall be signed by the Chair or the Secretary. A quorum for Committee meetings shall be declared when at least half plus one of its members, present or represented are in attendance. Likewise, The Committee may also pass resolutions in writing, without holding a meeting pursuant to the provisions of statute.

## 3. Activities of the Nomination Committee: Sessions held, business transacted, reports and attendees

As stated in section 1 above, the former Nomination and Remuneration Committee was split on 9 June 2015 into two separate committees: the Nomination Committee and the Remuneration Committee. To be consistent with the rest of the report, and for a better understanding thereof, two tables are shown below: the first one, with an overview of the main business transacted by the Nomination and Remuneration Committee from 1 February through 8 June 2015, regarding the duties and powers currently incumbent on the Nomination Committee; and the second, with an overview of the main business transacted by the Nomination Committee since its establishment last 8 June 2015 until FY2015 year-end.

The main activities of the Nomination Committee and the Remuneration Committee from 1 February through 15 July 2015 regarding the duties and powers currently incumbent on the Nomination Committee are summarized below:

Date of meeting	Main business transacted	Reports and motions submitted to the Board of Directors	Inditex's attendees
06/08/2015	<ul style="list-style-type: none"> <li>- Reports on the re-election of Mr Pablo Isla Álvarez de Tejera, executive director and Mr Amancio Ortega Gaona, proprietary director, proposed re-election of Mr Emilio Saracho Rodríguez de Torres, and proposed appointment of Mr José Luis Durán Schulz.</li> </ul>	<ul style="list-style-type: none"> <li>- Report on the re-election of Mr Pablo Isla Álvarez de Tejera.</li> <li>- Report on the re-election of Mr Amancio Ortega Gaona.</li> <li>- Proposed re-election of Mr Emilio Saracho de Torres.</li> <li>- Proposed appointment of Mr José Luis Durán Schulz.</li> </ul>	<ul style="list-style-type: none"> <li>- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.</li> </ul>
07/14/2015	<ul style="list-style-type: none"> <li>- Report on the election of a Chair and a Secretary of the Nomination Committee.</li> <li>- Report on the election of a Chair and a Secretary of the Remuneration Committee.</li> <li>- Acknowledgment of removal of a director on account of expiry of the term of office.</li> <li>- Report on the election and re-election of members of the Executive Committee.</li> <li>- Acknowledgement of removal and report on the appointment of a new Lead Independent Director.</li> </ul>	<ul style="list-style-type: none"> <li>- Report on the election of a Chair and a Secretary of the Nomination Committee.</li> <li>- Report on the election of a Chair and a Secretary of the Remuneration Committee</li> <li>- Report on the election and re-election of members of the Executive Committee.</li> <li>- Report on the appointment of a new Lead Independent Director.</li> </ul>	<ul style="list-style-type: none"> <li>- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.</li> </ul>

The main activities of the Nomination Committee, from its establishment to FY2015 year-end (31 January 2016) are summarized in the table below:

Date of meeting	Main business transacted	Reports and motions submitted to the Board of Directors	Inditex's attendees
12/02/2015	<ul style="list-style-type: none"> <li>- Annual program for evaluating the performance of the Board of Directors, its Chairman, its delegated bodies and its supervision and control committees.</li> <li>- Report on the evaluation of the proceedings of the Board of Directors, the Directors, the Nomination Committee and of the performance of its members and the Executive Chairman.</li> <li>- Report on the "Director Selection Policy". Setting a representation target for the least represented gender on the Board of Directors and provision of guidance on how to reach such target and criteria to be followed regarding composition of the Board.</li> <li>- Acknowledgement of resignation of a proprietary director; report on the motion to appoint a member of the Board of Directors through the co-option procedure (Pontegadea Inversiones S.L.) and report on the motion to appoint a legal representative of a corporate director.</li> <li>- Report on the succession Plan for senior executives and key employees of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>- Annual program for evaluating the performance of the Board of Directors, its Chairman, its delegated bodies and its supervision and control committees.</li> <li>- Report on the evaluation of the proceedings of the Board of Directors, the Directors, the Nomination Committee and of the performance of its members and the Executive Chairman.</li> <li>- Report on the "Director Selection Policy".</li> <li>- Report on the appointment of Pontegadea Inversiones, S.L. as director.</li> <li>- Report on the Succession Plan for senior executives and key employees of the Company.</li> </ul>	<ul style="list-style-type: none"> <li>- Mr Pablo Isla Álvarez de Tejera, Executive Chairman.</li> <li>- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.</li> <li>- Ms Begoña López-Cano Ibarreche, Human Resources Director.</li> <li>- Ms Belén Montenegro Borrás, member of the HHRR Department.</li> </ul>

## 4. Main action lines

As for the lines of action of the Nomination Committee during FY2015, they have revolved around the following aspects:

### A. Appointment

During the meeting held on 2 December 2015, the Nomination Committee gave a favourable report to the motion of the Board of Directors regarding the appointment through the co-option procedure of Pontegadea Inversiones, S.L. as proprietary director, to fill the vacancy on the Board, following the resignation of Gartler, S.L. (single shareholder company) until its ratification at the following Annual General Meeting. It also gave a favourable report to the motion to appoint Ms Flora Pérez Marcote as legal representative of Pontegadea Inversiones, S.L. on the Company's Board of Directors.

The above referred reports issued by the Nomination Committee had been made available to the shareholders on the corporate website ([www.inditex.com](http://www.inditex.com)) since the Annual General Meeting was called.

### B. Assessment

Pursuant to the provisions of the Board of Directors' Regulations and the Nomination Committee's Regulations, and in line with the recommendations of the Good Governance Code of Listed Companies, approved by CNMV (hereinafter, "CBG" (Spanish acronym)), the Nomination Committee proposed in the meeting held on 2 December 2015 the "Program for evaluating the performance of the Board of Directors, the Directors, the Committees and the Executive Chairman", to be submitted to the Board of Directors. Such program covers the establishment and supervision of an annual evaluation of the performance of the delegated bodies and the supervision and control committees of the Board of Directors.

Likewise, in accordance with Inditex's internal regulations and with best practices in the field of corporate governance, the Nomination Committee approved in the above referred meeting of 2 December 2015 the report on the evaluation of the proceedings of the Board of Directors, the Directors, the Nomination Committee and of the performance of its members and the Executive Chairman. This report went on to be approved by the Board of Directors in the meeting held on 9 December 2015.

The outcome of the evaluation conducted during FY2015 has been very positive as regards the issues assessed, including the qualification and structure, the duties, the effectiveness and the proceedings, planning and organization of the meetings of the Board of Directors, the Audit and Control Committee, the Nomination Committee, the Remuneration Committee, as well as the contributions and performance of Independent Directors and of the Executive Chairman.

### C. Director Selection.

In furtherance of recommendation 14 of CBG, the Committee gave a favourable report to the Director Selection Policy in the meeting held on 2 December 2015. Such Policy, which was approved by the Board of Directors on the following 9

December, complies with best practices in the field of corporate governance, as it specific and ascertainable, ensures that the appointment or reelection proposals are based on a prior analysis of the board's needs, and favours a diversity of knowledge, experience and gender.

## 5. Main relationships of the Nomination Committee

### A. With the Board of Directors

At the beginning of each meeting of the Board of Directors, the Chair of the Nomination Committee reports on the main business transacted in the last meeting of the Committee.

### B. With the advisory Committees of the Board of Directors

Directors sitting on the Nomination Committee also sit on the Audit and Control Committee and on the Remuneration Committee.

### C. With the Executive Chairman and with Senior Executives

For the purposes of allowing the Nomination Committee to be directly apprised of the major business concerns, the Committee encourages the

presence in its meetings of the Executive Chairman and of the different officers and supervisors of the business areas of the Company, so that they would explain their view on certain issues directly linked with the remit of the Committee and which are recurrent in its meetings.

#### **D. With the Lead Independent Director**

Mr Rodrigo Echenique Gordillo, the Lead Independent Director as well as a member of the Nomination Committee.

#### **E. With the Human Resources Department**

In order to keep the Nomination Committee duly and permanently informed, the Human Resources Department regularly appraises the Committee of the changes, if any, in the global talent management and career development programs, and of the succession plans.

#### **F. With the external advisors**

In order to receive assistance in the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the Company's expenses. The assignment entrusted to such external advisors must necessarily address specific issues of certain weight and complexity that the above referred directors might face in the discharge of their duties.

During FY2015, the Committee has been advised by the firm Spencer Stuart, an independent external consultant, which has assisted it with the evaluation of the Board of Directors, its members and its Committees.

## Proceedings and Activities

# Report of the Remuneration Committee

### 1. Preliminary

The Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) (hereinafter, "Inditex" or the "Company") has been amending its rules on corporate governance in line with the most demanding trends on the subject and in accordance with the good governance codes and regulations approved.

The latest amendment in this area took place during FY2015 and further to the passing of Act 31/2014, of 3 December, amending the Spanish Companies Act for the improvement of corporate governance (hereinafter, "Act 31/2014"), and to the release of the new Good Governance Code of Listed Companies, approved further to a resolution of the Board of Directors of Comisión Nacional del Mercado de Valores [Spanish SEC] dated 18 February 2015 (hereinafter, "CBG" [Spanish acronym], Inditex has carried out a review of its internal regulations, updating them to meet the latest regulatory requirements, the latest recommendations in the area of good governance and the latest trends in the field of corporate governance.

Following recommendation 48 of CGB, it was resolved by the Board of Directors in the meeting held on 9 June 2015 that the Nomination and Remuneration Committee should split into two separate Committees: the Nomination Committee and the Remuneration Committee. Such resolution would become effective upon the approval of the Annual General Meeting.

This document has been drawn up by the Remuneration Committee in the meeting held on 13 June 2016 and it represents the annual activities report and report on the proceedings of such Committee, issued following recommendation 6 of

CBG. Further to the split of the r Nomination and Remuneration Committee and to the assumption by the Remuneration Committee of part of the duties of the former, the fashion in which this report sets out the activities of the Committee is shown below:

*(a) For the description of the activities carried out from the beginning of the financial year (1 February 2015) to the date when the above referred split into two Committees was completed (15 July 2015), the activities carried out by the former Nomination and Remuneration Committee and which correspond to the duties and competences presently discharged by the Remuneration Committee pursuant to Inditex' internal regulations, are described.*

*(b) For the activities carried out from 15 July 2015 through 31 January 2016, FY2015 year-end, all the activities carried out by the Remuneration Committee are described.*

### 2. The Remuneration Committee: origin and evolution, regulations and composition

#### a. Origin and evolution

The Board of Directors resolved in the meeting held on 9 June 2015, following recommendation 48 of CBG, to split the Nomination and Remuneration Committee into two new committees: the Nomination Committee and the Remuneration Committee. Such split was conditional upon the



A Zara designer at the brand's head office in Arteixo (A Coruña).

approval by the Annual General Meeting of the amendment of the Articles of Association.

Subsequently, the Annual General Meeting held on 14 July 2015 approved the amendment of the Articles of Association in order to meet the latest regulatory development and to follow the recommendations of CBG, and consequently (i) the split of the Nomination and Remuneration Committee into two separate committees: the Nomination Committee and the Remuneration Committee; (ii) the composition of such new committees; and (iii) the regulations of each of them, were finally approved.

## b. Regulations

Further to the update of Inditex's internal regulations, approved by the Board of Directors on 9 June 2015 and by the Annual General Meeting on 14 July 2015,, the Remuneration Committee's regulations are provided in article 30 of the Articles of Association, section 17 of the Board of Directors' Regulations and more specifically, in the Remuneration Committee's Regulations.

More specifically, section 5 of the latter addresses the mission of the Remuneration Committee:

"Without prejudice to other tasks it may be entrusted by the Board of Directors, and to other powers it may be reserved by these Regulations, the Remuneration Committee shall have the following basic responsibilities:

*(a) To propose to the Board of Directors the policies on remuneration of the directors and senior executives as well as the regular review and update thereof;*

*(b) To propose to the Board of Directors the system and amount of the annual remuneration of directors, to be submitted to the General Meeting of Shareholders, as well as the individual remuneration of executive directors and the remaining basic terms and conditions of their contracts, including the eventual compensation or indemnities which may be payable in the event of removal, pursuant to the provisions of the Company's corporate governance system and the remuneration policy for directors approved by the General Meeting of Shareholders;*

*(c) To propose to the Board of Directors the basic terms and conditions of the contracts of senior executives;*

*(d) To verify that the remuneration policy fixed by the Company is observed; and*

*(e) To ensure that no eventual conflict of interest situation would affect the independence of the external advice given to the Committee."*

Meanwhile, section 6 describes the powers of the Remuneration Committee regarding remuneration and remuneration policy for directors and senior executives.

*"With regard to remuneration, remuneration policy for directors and senior officers, the Committee shall have the following main duties:*

*(a) To regularly review the remuneration policy for directors and senior executives, including share based remuneration systems and the application thereof and to ensure that their individual remuneration is proportional to that of the remaining directors and senior executives of the Company.*

*(b) To propose the individual remuneration of executive directors and the remaining terms and conditions of their contracts, to be approved by the Board of Directors, including any eventual compensation or indemnity which may be payable in the event of early removal from office and the amounts to be paid by the Company as insurance premiums or contributions to savings schemes, pursuant to the provisions of the internal regulations of the Company and to the remuneration policy approved by the General Meeting of Shareholders;*

*(c) To prepare and submit to the Board of Directors, for approval, the Annual Report on Remuneration of Directors, and to verify the information on the remuneration of directors and senior executives provided in the corporate documents, the notes to the annual accounts and the interim financial statements of the Company; and*

*(d) To propose to the Board of Directors the cancellation of payment or, if appropriate, the refund of variable items which make up the remuneration of directors based upon results, where such items have been paid on the basis of information later shown clearly to be inaccurate; likewise, to propose the termination of the relation with the relevant supervisor(s) and the filing of the relevant claims."*

## c. Composition

Pursuant to its Regulations, the Remuneration Committee shall be made up of a number of non-executive directors no lesser than three nor higher than seven, the majority of whom shall be independent.

Members of the Remuneration Committee, and namely its Chair, have the appropriate expertise, qualifications and experience to discharge the duties they are called upon to perform.

As at 31 January 2016, the Remuneration Committee was made up of the following members:

<b>Chair</b>	Mr. Rodrigo Echenique Gordillo
<b>Ordinary members</b>	Ms. Irene Ruth Miller
	Mr. José Luis Durán Schulz
	Mr. José Arnau Sierra
	Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós
	Mr. Emilio Saracho Rodríguez de Torres
<b>Secretary (non member)</b>	Mr. Antonio Abril Abadín

Four of the members sitting on the Remuneration Committee are non-executive independent directors.

The résumé of all Committee members is available at the corporate website: ([www.inditex.com](http://www.inditex.com)).

Detailed information on the Remuneration Committee is provided in section A.2 of the Annual Report on Remuneration of Directors, available at [www.inditex.com](http://www.inditex.com).

### 3. Activities of the Remuneration Committee: Sessions held, business transacted, reports and attendees

As stated in section 1 above, the former Nomination and Remuneration Committee was split on 9 June 2015 into two separate committees: the Nomination Committee and the Remuneration Committee. To be consistent with the rest of the report, and for a better understanding thereof, two tables are shown below: the first one, with an overview of the main business transacted by the Nomination and Remuneration Committee from 1 February through 8 June 2015, regarding the duties and powers currently incumbent on the Remuneration Committee; and the second, with an overview of the main business transacted by the Remuneration Committee since its establishment until FY2015 year-end.

The main activities of the Nomination Committee and the Remuneration Committee from 1 February through 8 June 2015 regarding the duties and powers currently incumbent on the Remuneration Committee are summarized below:

Date of meeting	Main business transacted	Reports and motions submitted to the Board of Directors	Inditex's attendees
03/16/2015	<ul style="list-style-type: none"> <li>- Terms of the contractual relationship and the remuneration of the Executive Chairman.</li> <li>- Main terms and conditions of the contracts and Remuneration Policy for Senior Executives of the Inditex Group.</li> <li>- Annual Report on the Remuneration of Directors.</li> <li>- Report on the 2013-2016 Long-term Performance Cash Plan.</li> <li>- Extraordinary plan for employees participating in the economic benefits of the Inditex Group.</li> </ul>	<ul style="list-style-type: none"> <li>- Annual Report on the Remuneration of Directors.</li> <li>- Report on the transaction with related parties between Grupo Massimo Dutti, S.A. and Grilse, S.L.</li> <li>- Remuneration Policy for Senior Executives.</li> <li>- Report on the 2013-2016 Long-term Performance Cash Plan.</li> </ul>	<ul style="list-style-type: none"> <li>- Mr Pablo Isla Álvarez de Tejera, Executive Chairman.</li> <li>- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.</li> <li>- Mr Pablo Francesch Huidobro, Director of the Legal Labour Department.</li> <li>- Ms Begoña López-Cano Ibarreche, Human Resources Director.</li> <li>- Mr Ignacio Fernández Fernández, Chief Financial Officer.</li> </ul>
06/08/2015	<ul style="list-style-type: none"> <li>- Adaptation of the remuneration of directors as a result of the split of the Nomination and Remuneration Committee into two separate committees.</li> </ul>		<ul style="list-style-type: none"> <li>- Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.</li> </ul>

The main activities of the Remuneration Committee, from its establishment to FY2015 year-end (31 January 2016) are summarized in the table below:

Date of meeting	Main business transacted	Reports and motions submitted to the Board of Directors	Inditex's attendees
12/02/2015	<ul style="list-style-type: none"> <li>- Report on the evaluation of the Committee and the performance of its members.</li> <li>- Report of the Human Resources Department.</li> </ul>	<ul style="list-style-type: none"> <li>- Report on the evaluation of the Committee and the performance of its members.</li> </ul>	<ul style="list-style-type: none"> <li>- Mr Pablo Isla Álvarez de Tejera, Executive Chairman.</li> <li>- Ms Begoña López-Cano Ibarreche, Human Resources Director.</li> <li>- Ms Belén Montenegro Borrás, member of the Human Resources Department.</li> </ul>

Likewise, after expiry of FY2015, the Nomination Committee has carried out the following proceedings:

- Report on the 2016-2020 Long-Term Incentive Plan and on the 2013-2016 Long-Term Performance Cash Plan.
- Motion regarding the remuneration of the Executive Chairman for the discharge of executive duties that the Remuneration Committee submits to the Board of Directors.

Motion regarding the remuneration of Senior Executives for the discharge of executive duties that the Remuneration Committee submits to the Board of Directors.

- Extraordinary plan for employees participating in the economic benefits of the Inditex Group.
- 2015 Annual Report on the Remuneration of Directors.

## 4. Main lines of action

Further to the split of the Nomination and Remuneration Committee addressed in section 1 above during FY2015, the main lines of action of the former Committee regarding the duties and powers currently incumbent on the Remuneration Committee:

### 1. Contractual terms and remuneration of the Executive Chairman

Further to the amendment included in Act 31/2014, the Nomination and Remuneration Committee proposed in the meeting held on 16 March 2015 to submit to the Board of Directors the amendment of the contractual terms of the Executive Chairman for the purposes of adjusting them to the provisions of section 249, paragraphs 3 and 4, section, 529 quincecies paragraph 3 (g) and section 529 octodecies of the Companies Act.

Additionally, having assessed the achievement of the objectives for FY2014, the Remuneration committee submitted a motion to the Board of Directors on the determination of the annual variable remuneration of the Executive Chairman for FY2014.

Likewise, the Committee tabled to the Board of Directors a motion on the determination of the pluri-annual variable remuneration accrued during FY2014 in the scope of the 2013-2016 Long-Term Performance Cash Plan. Additionally, the remuneration of the Executive Chairman for FY2015 was also considered by the Committee. .

The above referred motions were approved by the Board of Directors in the meeting held on 17 March 2015.

### 2. Preparation of the 2014 Annual Report on the Remuneration of Directors

Pursuant to the regulations then in force and the Recommendations of the CBG, and on the advice of external consultant Towers Watson, the Committee approved on 16 March 2015 the Annual Report on the Remuneration of Directors for FY2015.

Such report was tabled to the Board of Directors, who approved it on 17 March 2015, and sent it to CNMV as a relevant fact. It was subsequently submitted to the advisory say-on-pay vote of the Annual General Meeting last 14 July 2015 and approved with a total 98.39% votes for.

### 3. Basic terms and conditions of the contracts with Senior Executives, and their remuneration policy

Pursuant to the provisions of sections 249 and 249 bis h) of the Companies Act, as amended by Act 31/2014, the Board of Directors shall approve the basic terms and conditions of the contracts with Senior Executives. During the meeting held on 16 March 2015, the Nomination and Remuneration Committee gave a favourable report to the new standard forms of contracts with Senior Executives of Inditex, pursuant to the provisions of section 529 quincecies e) and g) of the Companies Act.

The Board of Directors approved the basic terms and conditions of the contracts with Senior Executives on 17 March 2015.

### 4. Long-Term Incentive Plan

The Remuneration Committee acknowledged the 2013-2016 Long-Term Performance Cash Plan in the meeting held on 16 March 2015.

### 5. Extraordinary plan for employees participating in the economic benefits of the Inditex Group

In the meeting held on 16 March 2016, the Committee gave a favourable report to the goals, terms and, generally, the set of regulations of the Extraordinary Plan

for Employees Participating in the Economic Benefits of the Inditex Group and resolved to submit it to the Board of Directors, which approved such Plan on 17 March 2015.

## 5. Main relationships of the Remuneration Committee

### A. With the Board of Directors

At the beginning of each meeting of the Board of Directors, the Chair of the Remuneration Committee apprises all Directors on the main business transacted in the last meeting of the Committee.

### B. With the advisory Committees of the Board of Directors

Directors sitting on the Remuneration Committee also sit on the Audit and Control Committee and on the Nomination Committee.

### C. With the Executive Chairman and with Senior Executives

For the purposes of allowing the Remuneration Committee to be directly apprised of the major business concerns, the Committee encourages the presence in its meetings of the Executive Chairman and of the different officers and supervisors of the business areas of the Company, so that they would explain their view on certain issues directly linked with the remit of the Committee and which are recurrent in its meetings.

### D. With the Lead Independent Director

Mr Rodrigo Echenique Gordillo is the Lead Independent Director as well as the Chair of the Remuneration Committee.

### E. With the Human Resources Department

In order to keep the Remuneration Committee duly and permanently informed, the Human Resources Department regularly apprises the Committee of the changes, if any, in the global pay systems, researches

on the salary market of Senior Executives, annual pay review and review of the guidelines on salary increase per country, overview of annual increases carried out and global talent management programs.

### F. With the external advisors

In order to receive assistance in the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the Company's expenses. The assignment entrusted to such external advisors must necessarily address specific issues of certain weight and complexity that the above referred directors might face in the discharge of their duties.

During FY2015, the Committee has been advised by the firm Willis Towers Watson, an independent external consultant, which has assisted it with the drafting of the Annual Report on the Remuneration of Directors for FY2014.





# GRI Content Index

# GRI Content Verification



## INDEPENDENT VERIFICATION REPORT

### 1. SCOPE

SGS ICS Ibérica, S.A. (hereinafter, SGS) has carried out, at the request of INDITEX, S. A. (hereinafter, INDITEX), the Independent Verification of the information relating to practices regarding Human, Social and Environmental Resources corresponding to the financial year ending on 31<sup>st</sup> January 2016 and contained in the Annual Report 2015 (hereinafter, the Report).

The scope of the Independent Verification includes the text and data contained in the Report. Information and/or data referred to and not entered in the Report is not included.

### 2. INDEPENDENCE

The information contained in the Report as well as its preparation is the exclusive responsibility of INDITEX.

SGS has not participated in or advised INDITEX in the preparation of the Report. It has limited itself to acting as an independent verifier, confirming for this purpose the suitability of the contents.

The content of the present Independent Verification Report and the opinions contained therein are the exclusive responsibility of SGS.

### 3. VERIFICATION

For the independent verification of the Report, the SGS methodology has been used, which consists of auditing procedures according to ISO 19011 and following the principles established in the Guide for the Preparation of Sustainability Reports (G4) of Global Reporting Initiative (GRI) (hereinafter, the Guide).

Our work of independent verification has consisted of the formulation of questions to certain Departments of INDITEX involved in the drawing up of the Report, as well as the application of certain analytical procedures and review tests by sampling described below:

- Meetings with the staff of different departments of the Inditex Group so as to discover the management principles, systems and approaches applied.
- Verification of the indicators included in the Report, their correspondence with those recommended by the Guide and the applicability thereof.
- Verification, by means of review tests on the basis of the selection of a sample, of the quantitative and qualitative information corresponding to the GRI indicators and their proper compilation from the data supplied by the sources of information from the Inditex Group. These tests have been carried out at the central headquarters of the Inditex Group in Spain.
- Review of the information relative to the management approaches applied.
- The verification of the quantitative and qualitative information corresponding to the "indicators" mentioned in the foregoing point, from INDITEX' own management systems.
- INDITEX Consolidated Annual Accounts, corresponding to the financial year ending on 31<sup>st</sup> January 2016 have been audited by Deloitte, S.L.

### 4. TEAM

The SGS team responsible for the Independent Verification was made up of:

- Ms. Carlota Abalo Sende.
- Ms. Laura López Sanjurjo.



## INDEPENDENT VERIFICATION REPORT

### 5. AREAS OF IMPROVEMENT

We have additionally presented our recommendations relating to the areas of improvement to the Management of Inditex so as to consolidate the processes, programmes and systems linked with the management of the GRI Indicators. The most relevant recommendations refer to:

- ✓ Progress in the coverage of the GRI indicators information, focusing on Occupational Health and Safety area as most of the GRI indicators related to that area reflect mainly Inditex operations in Spain.
- ✓ Enforcement of the systematic for gathering GRI indicators on a yearly basis although it has to be highlighted a good progress in terms of systems.

### 6. STRONG POINTS

- Efforts made by all Inditex departments in order to align Annual Report to G4 requirements must be emphasized.
- The Human Resources dimension has been improved and developed in relation with previous year as well as significant improvements have been carried out.
- Sustainability Department has done important changes introducing new contents in the Annual Report.

### 7. CONCLUSIONS

From the scope, the methodology, the analytical procedures and the tests by review through sampling carried out, we can conclude that:

- The Report has been prepared in accordance with the demands of the G4 Guide.
- The conclusions which are derived from the tests carried out, with the scope described in sections 1 and 3 above, have not shown up any significant errors.
- The 'in accordance' option with the GRI (G4) Guidelines declared by Inditex (In accordance – comprehensive) is appropriated.

### 8. RESPONSIBILITIES

- The Management of the Inditex Group has been responsible for drawing up the Report, as well as for the definition of the contents.
- The responsibility of the verification team was to issue an Independent Verification Report in accordance with the rules of independence required.
- The scope of the Independent Verification is substantially less than that of an Audit. Therefore, we do not give any audit opinion on the Report.

14<sup>th</sup> JUNE 2016

Carlota Abalo Sordo



KPMG Asesores S.L.  
Paseo de la Castellana, 259 C  
28048 Madrid

### Independent Assurance Report for Industria de Diseño Textil, S.A.

(Free translation from the original in Spanish.  
In case of discrepancy, the Spanish language version prevails.)

In accordance with our engagement letter, Industria de Diseño Textil, S.A. (hereinafter Inditex) management has requested that we provide limited assurance on the non-financial information contained in the Annual Report of Industria de Diseño Textil, S.A. for the year ended 31 January 2016 (hereinafter "the Report"). The information reviewed corresponds to the economic, environmental and social indicators with the  symbol in the GRI Content Index of the Report: G4-10, G4-EC1, G4-EN3, G4-EN15, G4-EN16, G4-EN17, G4-EN23, G4-EN33, G4-LA3, G4-LA6, G4-LA12, G4-LA16, G4-HR10, G4-HR12, G4-PR1, AF7, AF8, AF14 and AF16.

Inditex management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 4.0 (G4) of the Global Reporting Initiative as described in point G4-32 of the GRI Content index of the Report and in accordance with *Content Index Service*, obtaining confirmation from the Global Reporting Initiative on the proper application of these. Management is also responsible for the information and assertions contained within the Report; for determining Inditex's objectives in respect of the selection and presentation of sustainable development performance, including the identification of stakeholders and material issues; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility is to carry out a limited assurance review on the preparation and presentation of the other indicators within the review scope, and to express a conclusion based on the work performed, referring exclusively to the information corresponding to 20XX. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) and with the Performance Guide on the revision of Corporate Responsibility Reports of the *Instituto de Censores Jurados de Cuentas de España* (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement.

KPMG applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the Internal Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our limited assurance engagement consisted of making enquiries of management and persons responsible for the preparation of information presented in the Report, and applying analytical and other evidence gathering procedures. These procedures included:

- Verification of Inditex's processes for determining the material issues, and the participation of stakeholder groups therein,
- Evaluation through interviews concerning the consistency of the description of the application of Inditex's policies and strategy on sustainability, governance, ethics and integrity.

- Analysis of the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.
- Review of the application of the Global Reporting Initiative's G4 Sustainability Reporting Guidelines requirements for the preparation of reports in accordance with comprehensive option.
- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Inditex.
- Verification that the financial information reflected in the Report was audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently the level of assurance obtained in a limited assurance engagement is lower than that of a reasonable assurance engagement. This report may not be taken as an auditor's report.

Our conclusion has been formed on the basis of, and is subject to, the matters outlined in this Independent Review Report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusions.

Based on the limited assurance procedures performed and the evidence obtained, as described above, nothing has come to our attention that causes us to believe that Annual Report of Industria de Diseño Textil, S.A. for the year ended 31 January 2016, have not in all material respects, been prepared and presented in accordance with the Sustainability Reporting Guidelines version 4.0 (G4) of the Global Reporting Initiative as described in point G4-32 of the GRI Content Index, including the reliability of data, adequacy of the information presented and the absence of significant deviations and omissions.

Under separate cover, we will provide Inditex management with an internal report outlining our complete findings and areas for improvement.

In accordance with the terms of our engagement, this Independent Assurance Report has been prepared for Inditex in relation to its Annual Report and for no other purpose or in any other context.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

14 June 2016

# GRI content index

This Annual Report has been defined and elaborated in accordance with the comprehensive option of the new G4 Guidelines from the Global Reporting Initiative (GRI).

For the elaboration of this report, Inditex has used the G4 principles for defining report content:

- Stakeholders participation: Inditex identifies and keeps a constant dialogue with its stakeholders. By doing this, the Group is able to describe its further response to its stakeholders' expectations and interests.
- Sustainability strategic context: Inditex contributes, or pretends to do so in the future, to the improvement of the economic, environmental and social trends, advances and conditions, at a local, regional or global level, all of them interconnected.
- Materiality: Inditex covers those aspects and indicators which best reflect the organisation's most significant social, environmental and economic impacts, or those which could be substantially influential on its stakeholders' evaluations and decisions.
- Exhaustiveness: the scope of the indicators Inditex is using and the definition of the information's scope must be enough to reflect the social, economic and environmental significant impacts and to allow that stakeholders are able to evaluate the Group's performance during the fiscal year.

In accordance with the principles established in the G4 Guide, this report's content has been determined from a materiality analysis, aimed at identifying the economic, environmental and social impacts of Inditex's value chain and their influence in its stakeholders' decisions. As a result of consulting its stakeholders, Inditex has identified 32 relevant issues which are the foundations of this Annual Report, as reflected in the G4 Guide indicators. In this way, Inditex responds to those issues that are of interest for the Group's different stakeholders.

In addition to the material main indicators, those indicators that are specific to the textile and footwear sector, which Inditex helped draft, have also been included and are identified as follows:

SPECIFIC INDICATOR FOR THE SECTOR

19 of the GRI indicators identified in the materiality analysis carried out by Inditex were analysed by KPMG auditors, pursuant to regulation ISAE 3000. These indicators can be found in the GRI index and are marked with this symbol:

## Global Compact Principles

Inditex adheres to the U.N. Global Compact. In the GRI index of this Report, which also doubles as a Report on Progress, the different parts of the document related to each of the Global Compact principles are indicated.

- **Principle 1.** Businesses should support and respect the protection of internationally proclaimed human rights.
- **Principle 2.** Businesses should make sure that they are not complicit in human rights abuses.
- **Principle 3.** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- **Principle 4.** Businesses should uphold the elimination of all forms of forced and compulsory labour.
- **Principle 5.** Businesses should uphold the effective abolition of child labour.
- **Principle 6.** Businesses should uphold the elimination of discrimination in respect of employment and occupation.
- **Principle 7.** Businesses should support a precautionary approach to environmental challenges.
- **Principle 8.** Businesses should undertake initiatives to promote greater environmental responsibility.
- **Principle 9.** Businesses should encourage the development and diffusion of environmentally friendly technologies.
- **Principle 10.** Businesses should work against corruption in all its forms, including extortion and bribery.



Workers of the Pull&Bear logistic platform in Cabanillas (Guadalajara).



## General standard disclosures

General Standard Disclosures	Page Number (or Link)	Identified Omission(s)	External Assurance	Description	Global Compact
<b>STRATEGY AND ANALYSIS</b>					
<b>G4-1</b>	8, 9		Yes, page 292	Statement from the most senior decision-maker	
<b>G4-2</b>	236, 239, 240, 241		Yes, page 292	Description of key impacts, risks, and opportunities	
<b>ORGANIZATIONAL PROFILE</b>					
<b>G4-3</b>	Inditex de Diseño Textil, S.A.		Yes, page 292	Name of the organization	
<b>G4-4</b>	15, 16, 17, 18		Yes, page 292	Primary brands, products, and services	
<b>G4-5</b>	Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña, Spain		Yes, page 292	Location of the organization's headquarters	
<b>G4-6</b>	13, 15 Retail formats, 233-235		Yes, page 292	Number of countries where the organization operates	
<b>G4-7</b>	116, 117		Yes, page 292	Nature of ownership and legal form.	
<b>G4-8</b>	13, 233-235		Yes, page 292	Markets served	
<b>G4-9</b>	2, 144		Yes, page 292	Scale of the organization	
<b>G4-10</b>	82, 83, 88, 144		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Employees and contractors data	Principle 6
<b>G4-11</b>	70% of Inditex employees are covered by a collective agreement (there were no significant changes to this indicator on a country level from 2014).		Yes, page 292	Percentage of total employees covered by collective bargaining agreements	Principle 3
<b>G4-12</b>	32- 34, 40, 144			Description of the organization's supply chain	
<b>G4-13</b>	2, 174, 224-226			Significant changes during the reporting period	
<b>G4-14</b>	236, 242 Response plans and supervision for the main risks		Yes, page 292	Precautionary approach	
<b>G4-15</b>	24, 48, 54, 64, 69		Yes, page 292	Externally developed economic, environmental and social principles, or other initiatives to which the organization subscribes or which it endorses	
<b>G4-16</b>	48, 49, 54, 56, 57		Yes, page 292	Memberships of associations	
<b>IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES</b>					
<b>G4-17</b>	212 Composition of the Inditex Group		Yes, page 292	Entities included in the organization's consolidated financial statements	
<b>G4-18</b>	5, 26, 27, 212 Composition of the Inditex Group		Yes, page 292	Process for defining the report content and the Aspect Boundaries	
<b>G4-19</b>	27, 160, 161		Yes, page 292	Material Aspects identified	
<b>G4-20</b>	26, 27, 160, 161 The contents of the Annual Report are defined based on the materiality analysis. This analysis takes into account the different stages of Inditex's value chain in order to identify the most relevant internal and external aspects. The Material Aspects identified within the organization by means of this focus are also material for all entities that form part of the Inditex Group.		Yes, page 292	Aspect Boundary within the organization	
<b>G4-21</b>	26, 27, 160, 161		Yes, page 292	Aspect Boundary outside the organization	
<b>G4-22</b>	There were no significant changes that led to a redrafting of the information. The details of any changes in information with a timescale or organizational scope different to that of previous years are described along with the data in question.		Yes, page 292	Restatements of information provided in previous reports	
<b>G4-23</b>	174, 224-226		Yes, page 292	Significant changes from previous reporting periods in the Scope and Aspect Boundaries	

INDITEX  
GRI CONTENT INDEX

General Standard Disclosures	Page Number (or Link)	Identified Omission(s)	External Assurance	Description	Global Compact
<b>STAKEHOLDER ENGAGEMENT</b>					
<b>G4-24</b>	26		Yes, page 292	Stakeholder groups engaged by the organization	
<b>G4-25</b>	26, 139 Inditex performs a detailed analysis of its stakeholders with the aim of identifying the impact of its activities on stakeholders and developing a strategy aimed at attaining sustainability in its processes.		Yes, page 292	Basis for identification and selection of stakeholders	
<b>G4-26</b>	26, 35, 52 Training and capacity building for suppliers, 121, 161		Yes, page 292	Organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group	
<b>G4-27</b>	26, 27, 160, 161		Yes, page 292	Key topics and concerns that have been raised through stakeholder engagement	
<b>REPORT PROFILE</b>					
<b>G4-28</b>	175 The Annual Report reflects the Inditex Group's economic, social and environmental performance in the year 2015, which extends from 1 February 2015 to 31 January 2016.		Yes, page 292	Reporting period	
<b>G4-29</b>	June 2015		Yes, page 292	Date of most recent previous report	
<b>G4-30</b>	175		Yes, page 292	Reporting cycle	
<b>G4-31</b>	310		Yes, page 292	Contact point for questions regarding the report	
<b>G4-32</b>	5		Yes, page 292	'in accordance' option the organization has chosen and GRI Content Index	
<b>G4-33</b>	5		Yes, page 292	External assurance for the report	
<b>GOVERNANCE</b>					
<b>G4-34</b>	117 General Meeting of Shareholders, 121 Board of Directors, 131 Board of Directors committees		Yes, page 292	Governance structure of the organization	
<b>G4-35</b>	131 Board of Directors committees, 140, 226, 227		Yes, page 292	Process for delegating authority from the highest governance body to senior executives and other employees	
<b>G4-36</b>	135-137, 273, 274		Yes, page 292	Executive-level position or positions with responsibility for economic, environmental and social topics	
<b>G4-37</b>	26, 140		Yes, page 292	Processes for consultation between stakeholders and the highest governance body	
<b>G4-38</b>	124, 127, 131 Board of Directors committees		Yes, page 292	Composition of the highest governance body and its committees	
<b>G4-39</b>	126		Yes, page 292	Report whether the Chair of the highest governance body is also an executive officer	
<b>G4-40</b>	127, 128, 133		Yes, page 292	Nomination and selection processes for the highest governance body and its committees	
<b>G4-41</b>	137		Yes, page 292	Processes for the highest governance body to ensure conflicts of interest are avoided and managed	
<b>G4-42</b>	121 Board of Directors, 238 Additional information available on the Inditex website Our principles: <a href="http://www.inditex.com/en/our_group/our_approach">http://www.inditex.com/en/our_group/our_approach</a> Sustainable management: <a href="http://www.inditex.com/en/sustainability/managing_sustainability">http://www.inditex.com/en/sustainability/managing_sustainability</a>		Yes, page 292	Highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals	
<b>G4-43</b>	130		Yes, page 292	Measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics	
<b>G4-44</b>	130, 282		Yes, page 292	Evaluation of the highest governance body's performance	
<b>G4-45</b>	26, 27, 121 Authorities, 229, 238		Yes, page 292	Highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes and stakeholder consultation	
<b>G4-46</b>	238, 245		Yes, page 292	Highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	
<b>G4-47</b>	129, 269, 270		Yes, page 292	Frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities	

General Standard Disclosures	Page Number (or Link)	Identified Omission(s)	External Assurance	Description	Global Compact
<b>G4-48</b>	26 The Board of Directors is the body in charge of reviewing and approving the Annual Report		Yes, page 292	Highest committee or position that formally reviews and approves the organization's sustainability report	
<b>G4-49</b>	121, 245, 266		Yes, page 292	Process for communicating critical concerns to the highest governance body	
<b>G4-50</b>	270, 281, 287		Yes, page 292	Nature and total number of critical concerns that were communicated to the highest governance body	
<b>G4-51</b>	135 Remuneration, 200, 201, 284 Remuneration Committee For more information please consult the Annual Report on Board Member Remuneration (sections A.1.1., A.1.2., A.1.3. and A.1.4.) available at <a href="http://www.inditex.com">www.inditex.com</a>		Yes, page 292	Remuneration policies for the highest governance body and senior executives and how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives	
<b>G4-52</b>	288, 289 For more information please consult the Annual Report on Board Member Remuneration (sections A.2.1., A.2.3. and A3) available at <a href="http://www.inditex.com">www.inditex.com</a>		Yes, page 292	Process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management	
<b>G4-53</b>	288, 289 For more information please consult the Annual Report on Board Member Remuneration (sections A.1.3., A.3. and D.3) available at <a href="http://www.inditex.com">www.inditex.com</a>		Yes, page 292	Report how stakeholders' views are sought and taken into account regarding remuneration	
<b>G4-54</b>	89, 135, 136		Yes, page 292	Ratio of the annual total compensation	
<b>G4-55</b>	89, 135, 136		Yes, page 292	Ratio of percentage increase in annual total compensation	

## ETHICS AND INTEGRITY

<b>G4-56</b>	28 Creating economic and social value, 36, 38, 139 Code of Conduct and Responsible Practices and Committee of Ethics Code of Conduct and Responsible Practices: <a href="http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices">http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices</a>		Yes, page 292	Organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics	Principle 10
<b>G4-57</b>	139, 140, 254		Yes, page 292	Internal and external mechanisms for seeking advice on ethical and lawful behavior	Principle 10
<b>G4-58</b>	139, 140, 254		Yes, page 292	"Internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity,"	Principle 10

## Specific Standard Disclosures

DMA and Indicators	Page Number (or Link)	Identified Omission(s)	External Assurance	Description	Global Compact
<b>CATEGORY: ECONOMIC</b>					
<b>MATERIAL ASPECT: ECONOMIC PERFORMANCE</b>					
<b>G4-DMA</b>	80, 185 Net financial position, 188, 189, 190		Yes, page 292	Disclosures on management approach	
<b>G4-EC1</b>	100, 101, 150		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Direct economic value generated and distributed	
<b>G4-EC2</b>	24, 70 Inditex Sustainability Strategy: <a href="http://www.inditex.com/en/sustainability">http://www.inditex.com/en/sustainability</a> Despite the fact that its direct activity does not have a significant impact on climatic change, Inditex implements energy-efficient activities and measures to mitigate such a risk.		Yes, page 292	Financial implications and other risks and opportunities for the organization's activities due to climate change	
<b>G4-EC3</b>	89, 196, 197		Yes, page 292	Coverage of the organization's defined benefit plan obligations	
<b>G4-EC4</b>	188-190 During this reporting period no significant government assistance was received in the form of subsidies, awards, holiday entitlements or export credit assistance.		Yes, page 292	Financial assistance received from government	
<b>MATERIAL ASPECT: INDIRECT ECONOMIC IMPACTS</b>					
<b>G4-DMA</b>	98		Yes, page 292	Disclosures on management approach	

DMA and Indicators	Page Number (or Link)	Identified Omission(s)	External Assurance	Description	Global Compact
<b>G4-EC7</b>	100, 101, 145, 149, 150		Yes, page 292	Development and impact of infrastructure investments and services supported	
<b>G4-EC8</b>	100 Improving community welfare 2015		Yes, page 292	Significant indirect economic impacts, including the extent of impacts	

## CATEGORY: ENVIRONMENTAL

### MATERIAL ASPECT: MATERIALS

<b>G4-DMA</b>	58, 60 Towards a circular economy model, 62 More sustainable design and raw materials, 76, 155		Yes, page 292	Disclosures on management approach	
<b>G4-EN1</b>	62, 68 Inditex distributes the finished fashion items (clothing, footwear, accessories) and home textiles it purchases from its suppliers. Nevertheless, Inditex works hard to promote the efficient use of materials in its supply chain via the use of more sustainable fibres, packaging and distribution of its products in line with its standard, ZNormativa, and waste management by means of its Waste Reduction Plan.	This information is not currently accessible. Data related to volume or weight of used materials is not available. Inditex is presently improving its systems to provide data related to this indicator in 2017.	Yes, page 292	Materials used by weight or volume	Principles 7 and 8
<b>G4-EN2</b>	68, 73		Yes, page 292	Percentage of materials used that are recycled input materials	Principle 8

### MATERIAL ASPECT: ENERGY

<b>G4-DMA</b>	70, 72, 73, 76, 151 Energy consumption		Yes, page 292	Disclosures on management approach	
<b>G4-EN3</b>	144, 151-153		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Energy consumption within the organization	Principles 7 and 8
<b>G4-EN4</b>	154		Yes, page 292	Energy consumption outside of the organization	Principle 8
<b>G4-EN5</b>	144, 151-153		Yes, page 292	Energy intensity	Principle 8
<b>G4-EN6</b>	73, 76, 151-153		Yes, page 292	Reduction of energy consumption	Principles 8 and 9
<b>G4-EN7</b>	73, 76, 151-153		Yes, page 292	Reductions in energy requirements of products and services	Principles 8 and 9

### MATERIAL ASPECT: WATER

<b>G4-DMA</b>	70, 72, 73, 76, 157		Yes, page 292	Disclosures on management approach	
<b>G4-EN8</b>	157		Yes, page 292	Total water withdrawal by source	Principles 7 and 8
<b>G4-EN9</b>	157 Water supplied to all the centres for use both in processes and for consumption comes from public, authorised supply networks with the result that Inditex has no impact on protected habitats.		Yes, page 292	Water sources significantly affected by withdrawal of water	Principle 8
<b>G4-EN10</b>	76		Yes, page 292	Percentage and total volume of water recycled and reused	Principle 8

### MATERIAL ASPECT: BIODIVERSITY

<b>G4-DMA</b>	64, 70		Yes, page 292	Disclosures on management approach	
<b>G4-EN11</b>	Not reported	Not applicable. The lands owned by Inditex are not located adjacent to or within protected natural spaces or areas of high biodiversity, and therefore the Group does not generate significant impacts on biodiversity.	Yes, page 292	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Principle 8
<b>G4-EN12</b>	64, 70		Yes, page 292	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	Principle 8
<b>G4-EN13</b>	Not reported	Not applicable. Inditex distributes the finished fashion items (clothing, footwear, accessories) and home textiles it purchases from its suppliers, and therefore there are no protected or restored habitats related to the company's activity.	Yes, page 292	Habitats protected or restored	Principle 8
<b>G4-EN14</b>	Not reported	Not applicable. Inditex distributes the finished fashion items (clothing, footwear, accessories) and home textiles it purchases from its suppliers, and therefore there are no habitats that are affected by its operations.	Yes, page 292	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	Principle 8

DMA and Indicators	Page Number (or Link)	Identified Omission(s)	External Assurance	Description	Global Compact
<b>MATERIAL ASPECT: EMISSIONS</b>					
<b>G4-DMA</b>	70, 72, 73, 76, 153		Yes, page 292	Disclosures on management approach	
<b>G4-EN15</b>	153, 154		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Direct greenhouse gas (GHG) emissions (Scope 1)	Principles 7 and 8
<b>G4-EN16</b>	153, 154		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Energy indirect greenhouse gas (GHG) emissions (Scope 2)	Principles 7 and 8
<b>G4-EN17</b>	154		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Other indirect greenhouse gas (GHG) emissions (Scope 3)	Principles 7 and 8
<b>G4-EN18</b>	144, 154		Yes, page 292	Greenhouse gas (GHG) emissions intensity	Principle 8
<b>G4-EN19</b>	73, 76, 153, 154		Yes, page 292	Reduction of greenhouse gas (GHG) emissions	Principles 8 and 9
<b>G4-EN20</b>	76 Plans have been set up to replace air conditioning equipment in the already existing stores with the more efficient class A systems to ensure there are no gasses that are destructive to the ozone layer. Furthermore, eco efficient measures implemented in our stores resulted in significant power saving, in particular in air-conditioning, with an estimated average reduction of 40%. This implies an attendant cutting in the greenhouse gas emissions. Our goal is for all our stores to be eco efficient by 2020.		Yes, page 292	Reduction of greenhouse gas (GHG) emissions	Principles 7 and 8
<b>G4-EN21</b>		No relevant data on air emissions has been reported this year due to the specifications of the equipment and the frequency of revisions established according to the inforce legislation. Any particle emissions resulting from transport are generated by the transport companies themselves and not by Inditex. Nevertheless, Inditex promotes a better management and control of these emissions by means of a tool which enables such emissions to be calculated according to GHG Protocol. The Group also drafts improvement plans to reduce emissions.	Yes, page 292	NOX, SOX, and other significant air emissions	Principles 7 and 8
<b>MATERIAL ASPECT: EFFLUENTS AND WASTE</b>					
<b>G4-DMA</b>	65, 66, 70, 155		Yes, page 292	Disclosures on management approach	
<b>G4-EN22</b>	<a href="http://www.wateractionplan.com/">www.wateractionplan.com/</a> (section "Technical training to achieve zero discharge/results")		Yes, page 292	Total water discharge by quality and destination	Principle 8
<b>G4-EN23</b>	144, 155, 156 None of the waste generated is disposed of through deep-well injection or stored in-situ.		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Total weight of waste by type and disposal method	Principle 8
<b>G4-EN24</b>	During the reporting period no significant accidental discharges were recorded.		Yes, page 292	Total number and volume of significant spills	Principle 8
<b>G4-EN25</b>	Inditex does not transport, import or export any of the hazardous waste products included in the Basel Convention in any of the countries where it performs its activities.		Yes, page 292	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention2 Annex I, II, III, and VIII, and percentage of transported waste shipped internationally	Principle 8
<b>G4-EN26</b>	65 The water consumed by Inditex is discharged by means of sanitation networks, in all cases with the appropriate administrative authorization. In case of irregularities, Inditex analyses the causes and looks for pertinent solutions. Therefore, there are no water bodies or related habitats significantly affected by discharges or run-off generated by the organization. In relation to the Group's suppliers and due to the commitment undertaken in November 2012 towards "zero discharge" of hazardous chemicals in 2020, Inditex works with its suppliers within its Master Plan for Water Management in the Supply Chain. In 2015, we keep working on the Capacity Building project aimed at the supply chain. In this programme, our suppliers undergo an environmental evaluation and technical training in order to improve their environmental performance. This will lead to a more sustainable production and zero discharge by 2020. More information is available for consultation at <a href="http://www.wateractionplan.com/">http://www.wateractionplan.com/</a> (section "Technical training to achieve zero discharge/results").		Yes, page 292	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff	Principle 8
<b>MATERIAL ASPECT: PRODUCTS AND SERVICES</b>					
<b>G4-DMA</b>	58, 60, 61, 155		Yes, page 292	Disclosures on management approach	
<b>G4-EN27</b>	73, 76, 151 Environmental indicators		Yes, page 292	Extent of impact mitigation of environmental impacts of products and services	Principles 7, 8 and 9

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<b>G4-EN28</b>	155 Packaging materials on to the market are recovered at the end of its life cycle for recycling by authorized managers in those countries where there are Integrated Systems for Packaging Management.		Yes, page 292	Percentage of products sold and their packaging materials that are reclaimed by category	Principle 8
<b>MATERIAL ASPECT: COMPLIANCE</b>					
<b>G4-DMA</b>	Inditex's environmental policy: <a href="http://www.inditex.com/en/sustainability/environment">http://www.inditex.com/en/sustainability/environment</a>		Yes, page 292	Disclosures on management approach	
<b>G4-EN29</b>	Inditex recorded no significant fines or sanctions through the available channels in 2015.		Yes, page 292	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	Principle 8
<b>MATERIAL ASPECT: TRANSPORT</b>					
<b>G4-DMA</b>	73, 154		Yes, page 292	Disclosures on management approach	
<b>G4-EN30</b>	73, 154		Yes, page 292	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce	Principle 8
<b>MATERIAL ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT</b>					
<b>G4-DMA</b>	34, 35, 40 Identification of the supply chain, 42 Assessment of the supply chain		Yes, page 292	Disclosures on management approach	
<b>G4-EN32</b>	42, 43, 63, 65, 144		Yes, page 292	Percentage of new suppliers that were screened using environmental criteria	Principle 8
<b>G4-EN33</b>	65		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Significant actual and potential negative environmental impacts in the supply chain and actions taken	Principle 8
<b>MATERIAL ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS</b>					
<b>G4-DMA</b>	139, 140 In the Code of Conduct, Inditex undertakes to minimize environmental during the life cycle of its products. With a view to guaranteeing compliance with the Code, three channels for contact have been established (mail, e-mail and fax). <a href="http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices">http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices</a>		Yes, page 292	Disclosures on management approach	
<b>G4-EN34</b>	139, 140 All communications received by means of the website's customer services are passed on to the relevant department. Moreover, the Environmental Department receives any suggestions, queries or comments at the following address: <a href="mailto:medioambientel@inditex.com">medioambientel@inditex.com</a>		Yes, page 292	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms	Principle 8
<b>CATEGORY: SOCIAL</b>					
<b>SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK</b>					
<b>MATERIAL ASPECT: EMPLOYMENT</b>					
<b>G4-DMA</b>	80, 88, 89		Yes, page 292	Disclosures on management approach	
<b>G4-LA1</b>	82 During 2015, in Spain some 20,396 women left the organization, of which 78.9% were aged under 30, while 20.6% were aged 30-50 and 0.5% over 50. In the case of men, some 6,214 left the organization, of which 70.3% were aged under 30, while 28.7% were aged 30-50 and 1.1% over 50.	Data on the number of new employee hires broken down according to age, gender and region was not available at the time of writing of this Report. Inditex is presently improving its systems to provide data related to this indicator in 2017.	Yes, page 292	Total number and rates of new employee hires and employee turnover by age group, gender, and region	Principle 6
<b>G4-LA2</b>	88, 89 The Group provides the same social benefits for temporary workers as to part- and full-time employees.		Yes, page 292	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation	
<b>G4-LA3</b>	During 2015, in Spain 2,365 women took maternity leave. A total of 89.98% of these women returned to work following that leave. In the case of men, a total of 93.6% (375 men) returned to work following paternity leave.		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Return to work and retention rates after parental leave, by gender	Principle 6
<b>MATERIAL ASPECT: LABOR/MANAGEMENT RELATIONS</b>					
<b>G4-DMA</b>	88, 89		Yes, page 292	Disclosures on management approach	

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<b>G4-LA4</b>	The collective agreements in force do not set out a minimum period for the formal notification of any organizational changes that take place within Inditex. However, when relevant events take place, prior notice is given in line with the provisions of the law in force (art. 41 of the Workers' Statute).		Yes, page 292	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements	Principle 3
<b>MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY</b>					
<b>G4-DMA</b>	90, 91		Yes, page 292	Disclosures on management approach	
<b>G4-LA5</b>	The existing committees represent all workers on the same level (management and employees) and all agreements are confirmed by management.		Yes, page 292	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs	
<b>G4-LA6</b>	91		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of workrelated fatalities, by region and by gender	
<b>G4-LA7</b>	In general, no workers were identified as being involved in activities with a high accident rate or high risk of specific diseases.		Yes, page 292	Workers with high incidence or high risk of diseases related to their occupation	
<b>G4-LA8</b>	All committees have reached agreements related to worker health and safety. During 2014, Inditex had reached agreements in force on an international and national scale with trade unions which covered aspects such as personal protective equipment, periodic inspections, training and education, complaints mechanisms, and so on.		Yes, page 292	Health and safety topics covered in formal agreements with trade unions	
<b>MATERIAL ASPECT: TRAINING AND EDUCATION</b>					
<b>G4-DMA</b>	85, 86		Yes, page 292	Disclosures on management approach	
<b>G4-LA9</b>	86	Breakdown according to gender and employee type not available. Inditex is working to improve its systems in order to include this indicator by 2017.	Yes, page 292	Average hours of training per year per employee by gender, and by employee category	Principle 6
<b>G4-LA10</b>	41, 85 The average age of Inditex employees is 30 years, meaning that the Group is not facing the need to develop programmes to assist employees at the end of their professional careers in the near future.		Yes, page 292	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings	
<b>G4-LA11</b>	130, 131	Breakdown according to gender and employee type not available. Inditex is working to improve its systems in order to include this indicator by 2017.	Yes, page 292	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category	Principle 6
<b>MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY</b>					
<b>G4-DMA</b>	80, 90, 92		Yes, page 292	Disclosures on management approach	
<b>G4-LA12</b>	80, 88, 124, 127 Inditex reports data on members of its Board of Directors in the Corporate Governance Report submitted to the Spanish regulatory body, the CNMV.	Breakdown according to gender and age group not available. Inditex is working to include the breakdown of staff by age group by 2017.	Yes, pages 292 and 294	<input checked="" type="checkbox"/> Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity	Principle 6
<b>MATERIAL ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN</b>					
<b>G4-DMA</b>	89, 90		Yes, page 292	Disclosures on management approach	
<b>G4-LA13</b>	Not reported	Ratio between men and women's base salaries not available. At the time of writing Inditex was working to generate this indicator. This indicator is expected to be included by 2017.	Yes, page 292	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation	Principle 6
<b>MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES</b>					
<b>G4-DMA</b>	36, 38, 40 Identification of the supply chain, 42 Assessment of the supply chain		Yes, page 292	Disclosures on management approach	
<b>G4-LA14</b>	40, 41		Yes, page 292	Percentage of new suppliers that were screened using labor practices criteria	
<b>G4-LA15</b>	44, 45, 46, 48, 49		Yes, page 292	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken	

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DMA and Indicators	Page Number (or Link)	Identified Omission(s)	External Assurance	Description	Global Compact
<b>MATERIAL ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS</b>					
<b>G4-DMA</b>	36, 139, 140		Yes, page 292	Disclosures on management approach	
<b>G4-LA16</b>	139		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms	
<b>SUBCATEGORY: HUMAN RESOURCES</b>					
<b>MATERIAL ASPECT: INVESTMENT</b>					
<b>G4-DMA</b>	24, 36, 38, 253	Code of Conduct for Inditex Manufacturers and Suppliers	Yes, page 292	Disclosures on management approach	
<b>G4-HR1</b>	40	Identification of the supply chain, 42 Assessment of the supply chain, 144	Yes, page 292	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Principle 2
<b>G4-HR2</b>	41, 47, 52, 53	During 2015, over 1,800,000 hours were devoted to training, including 17,312 hours spent on training in human rights. The Inditex Code of Conduct and Responsible Practices applies to 100% of Inditex employees and the Inditex Code of Conduct for Manufacturers and Suppliers regulates all the Group's operations and suppliers. Both have been drafted based on Inditex business philosophy, which has the acknowledgement of human rights as a cornerstone.	Yes, page 292	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained	Principle 1
<b>MATERIAL ASPECT: NON-DISCRIMINATION</b>					
<b>G4-DMA</b>	24, 36, 38, 90		Yes, page 292	Disclosures on management approach	
<b>G4-HR3</b>	44, 139, 140	No incidents of discrimination were recorded among Inditex Group employees during 2015.	Yes, page 292	Total number of incidents of discrimination and corrective actions taken	Principle 6
<b>MATERIAL ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING</b>					
<b>G4-DMA</b>	36, 38, 46, 48	Worker participation	Yes, page 292	Disclosures on management approach	
<b>G4-HR4</b>	44, 45, 50, 51	Inditex's Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses the level of compliance with worker freedom of association, and is applicable to all of the Group's operators and suppliers. The table on page 44 shows percentage compliance in this area on the part of suppliers already subjected to audits that formed part of Inditex's supply chain in 2015.	Yes, page 292	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights	Principle 3
<b>MATERIAL ASPECT: CHILD LABOR</b>					
<b>G4-DMA</b>	24, 36, 38, 253	Inditex's Code of Conduct for Manufacturers and Suppliers	Yes, page 292	Disclosures on management approach	
<b>G4-HR5</b>	44, 45, 50, 51	Inditex's Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses the level of compliance with worker freedom of association, and is applicable to all of the Group's operators and suppliers. The table on page 44 shows percentage compliance in this area on the part of suppliers already subjected to audits that formed part of Inditex's supply chain in 2015.	Yes, page 292	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor	Principle 5
<b>MATERIAL ASPECT: FORCED OR COMPULSORY LABOR</b>					
<b>G4-DMA</b>	24, 36, 38, 253	Code of Conduct for Manufacturers and Suppliers	Yes, page 292	Disclosures on management approach	
<b>G4-HR6</b>	44, 45, 50, 51	Inditex's Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses the level of compliance with worker freedom of association, and is applicable to all of the Group's operators and suppliers. The table on page 44 shows percentage compliance in this area on the part of suppliers already subjected to audits that formed part of Inditex's supply chain in 2015.	Yes, page 292	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor	Principle 4
<b>MATERIAL ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT</b>					
<b>G4-DMA</b>	24, 36, 38, 253	Code of Conduct for Manufacturers and Suppliers	Yes, page 292	Disclosures on management approach	
<b>G4-HR10</b>	44		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Percentage of new suppliers that were screened using human rights criteria	Principle 2
<b>G4-HR11</b>	44, 45, 50, 51		Yes, page 292	Significant actual and potential negative human rights impacts in the supply chain and actions taken	Principle 2

DMA and Indicators	Page Number (or Link)	Identified Omission(s)	External Assurance	Description	Global Compact
<b>MATERIAL ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS</b>					
<b>G4-DMA</b>	139, 140, 253- 255		Yes, page 292	Disclosures on management approach	
<b>G4-HR12</b>	139		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms	Principle 1
<b>SUB-CATEGORY: SOCIETY</b>					
<b>MATERIAL ASPECT: LOCAL COMMUNITIES</b>					
<b>G4-DMA</b>	98, 102, 104, 110		Yes, page 292	Disclosures on management approach	
<b>G4-S01</b>	48, 49, 100, 101		Yes, page 292	Percentage of operations with implemented local community engagement, impact assessments, and development programs	Principle 1
<b>G4-S02</b>	44, 45, 65		Yes, page 292	Operations with significant actual or potential negative impacts on local communities	Principle 1
<b>MATERIAL ASPECT: ANTI-CORRUPTION</b>					
<b>G4-DMA</b>	139, 140, 253, 254 The Inditex Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers deal with the prevention of all forms of corruption. These internal regulations are available on the website: <a href="http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices">http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices</a>		Yes, page 292	Disclosures on management approach	
<b>G4-S03</b>	44, 139, 140 Code of Conduct and Responsible Practices includes the prevention of all forms of corruption. This standard is applicable to 100% of the Group's business units and is available on the Inditex website at: <a href="http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices">http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices</a>		Yes, page 292	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified	Principle 10
<b>G4-S04</b>	139, 140, 253, 254 Inditex's Code of Conduct and Responsible Practices, applicable to 100% of the Group's employees, deals with the prevention of all forms of corruption and correct internal dissemination of the code among all employees. It is available on Inditex's website at: <a href="http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices">http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices</a>	Total figures and percentage of employees and board members that have received training on issues of corruption broken down according to region and employee type not available. At the time of writing Inditex was working to generate this indicator. This indicator is expect to be included by 2017.	Yes, page 292	Communication and training on anti-corruption policies and procedures	Principle 10
<b>G4-S05</b>	In the period covered by this report, no incidents of corruption were recorded in the organization.		Yes, page 292	Confirmed incidents of corruption and actions taken	Principle 10
<b>MATERIAL ASPECT: PUBLIC POLICY</b>					
<b>G4-DMA</b>	36, 38, 39		Yes, page 292	Información general sobre el enfoque de gestión	
<b>G4-S06</b>	The Code of Conduct and Responsible Practices expressly indicates that "Any relationship that the Inditex Group may have with any governments, authorities, institutions and political parties shall be based upon the principles of legality and neutrality. Contributions, whether in cash and/or in kind that might be made by the company, where applicable, to any political parties, institutions and public authorities, shall always be made in accordance with the current legislation in force and ensuring the transparency thereof; for such purposes, a previous report of the Legal Department evidencing that any such contributions are lawful, shall be required.		Yes, page 292	Total value of political contributions by country and recipient/beneficiary	Principle 10
<b>MATERIAL ASPECT: COMPLIANCE</b>					
<b>G4-DMA</b>	139, 140, 242		Yes, page 292	Disclosures on management approach	
<b>G4-S08</b>	During 2015, Inditex has not been notified through the available channels of any significant sanction for non-compliance with applicable laws and regulations.		Yes, page 292	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations	
<b>MATERIAL ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY</b>					
<b>G4-DMA</b>	36, 38, 39		Yes, page 292	Disclosures on management approach	
<b>G4-S09</b>	40, 43, 148		Yes, page 292	Percentage of new suppliers that were screened using criteria for impacts on society	
<b>G4-S010</b>	44, 45, 50, 51		Yes, page 292	Significant actual and potential negative impacts on society in the supply chain and actions taken	

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<b>MATERIAL ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY</b>					
<b>G4-DMA</b>	139, 140		Yes, page 292	Disclosures on management approach	
<b>G4-SO11</b>	139		Yes, page 292	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms	
<b>SUBCATEGORY: RESPONSIBILITY REGARDING PRODUCTS</b>					
<b>MATERIAL ASPECT: CUSTOMER HEALTH AND SAFETY</b>					
<b>G4-DMA</b>	58, 60, 61		Yes, page 292	Disclosures on management approach	
<b>G4-PR1</b>	63, 66, 67		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Percentage of significant product and service categories for which health and safety impacts are assessed for improvement	
<b>G4-PR2</b>	No significant incidents of non-compliance with standards related to the impact of products on customer health and safety were recorded in 2015.		Yes, page 292	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes	
<b>MATERIAL ASPECT: PRODUCT AND SERVICE LABELING</b>					
<b>G4-DMA</b>	35, 60, 61		Yes, page 292	Disclosures on management approach	
<b>G4-PR3</b>	35, 60, 61 Product health and safety standards are in general application and mandatory for the whole of the Group's production (100%).		Yes, page 292	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements	
<b>G4-PR4</b>	No significant incidents of non-compliance with standards related to product information or labelling or voluntary codes were recorded in 2015.		Yes, page 292	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes	
<b>G4-PR5</b>	97		Yes, page 292	Results of surveys measuring customer satisfaction	
<b>MATERIAL ASPECT: CUSTOMER PRIVACY</b>					
<b>G4-DMA</b>	96		Yes, page 292	Disclosures on management approach	
<b>G4-PR8</b>	96-97 During 2015, Inditex has not received through the available set channels any administrative sanction for the breach of the customer's privacy and personal data protection rules. Regarding significant customer complaints based on privacy legislation and received by Inditex through the appropriate available channels, those complaints related to the Fair and Accurate Credit Transactions (FACTA) must be highlighted. This Act requires retailers in the United States to limit the number of customer's credit card digits printed on the purchase receipt to those established by law.		Yes, page 292	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data	
<b>MATERIAL ASPECT: COMPLIANCE</b>					
<b>G4-DMA</b>	139, 140, 242		Yes, page 292	Disclosures on management approach	
<b>G4-PR9</b>	During 2015, Inditex has not been notified through the available channels of any significant sanction for non-compliance with regulations concerning supply and use of products and services.		Yes, page 292	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services	

## Specific contents for the sector

DMA and Indicators	Page Number (or Link)	Identified Omission(s)	External Assurance	Description	Global Compact
<b>CATEGORY: SUPPLY CHAIN STANDARDS</b>					
<b>MATERIAL ASPECT: CODE OF CONDUCT</b>					
<b>AF1</b>	44, 139, 140 Code of Conduct and Responsible Practices: <a href="http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices">http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices</a> Code of Conduct for Manufacturers and Suppliers: <a href="http://www.inditex.com/en/sustainability/suppliers/code_conduct">http://www.inditex.com/en/sustainability/suppliers/code_conduct</a> Compliance Programme: <a href="http://www.inditex.com/en/sustainability/suppliers/compliance_programme">http://www.inditex.com/en/sustainability/suppliers/compliance_programme</a>		Yes, page 292	Code of conduct content and coverage	
<b>AF7</b>	33, 40 The Code of Conduct for Manufacturers and Suppliers is applicable to each and every one of Inditex's suppliers and manufacturers. More information about the identification of the supply can be found on the Inditex website: <a href="http://www.inditex.com/en/sustainability/suppliers/code_conduct">http://www.inditex.com/en/sustainability/suppliers/code_conduct</a>		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Number and location of workplaces covered by code of conduct	
<b>MATERIAL ASPECT: AUDIT PROCESS</b>					
<b>AF2</b>	41, 52, 53, 139, 140 Compliance Programme: <a href="http://www.inditex.com/en/sustainability/suppliers/compliance_programme">http://www.inditex.com/en/sustainability/suppliers/compliance_programme</a>		Yes, page 292	Parties and personnel engaged in code of conduct compliance function	
<b>AF3</b>	34, 35, 44, 45 Social auditing process: <a href="http://www.inditex.com/en/sustainability/suppliers/csr_audits">http://www.inditex.com/en/sustainability/suppliers/csr_audits</a>		Yes, page 292	Compliance audit process	
<b>AF8</b>	41-44		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Number of audits conducted and percentage of workplaces audited	
<b>MATERIAL ASPECT: GRIEVANCE PROCEDURES</b>					
<b>AF4</b>	139, 140		Yes, page 292	Policy and procedures for receiving, investigating, and responding to grievances and complaints	
<b>MATERIAL ASPECT: CAPACITY BUILDING</b>					
<b>AF5</b>	35, 41, 48 Worker participation, 52, 85 Training for internal teams Inditex offers specific training courses on aspects of sustainability to its employees. The Group also provides training programmes for auditors and suppliers on aspects of the Code of Conduct and environmental issues.		Yes, page 292	Strategy and scope of efforts to strengthen capacity of management, workers and other staff to improve in social and environmental performance	
<b>MATERIAL ASPECT: BUSINESS INTEGRATION</b>					
<b>AF6</b>	35, 40 Identification of the supply chain, 44 Compliance programme, 50 Corrective Action Plans Inditex's Code of Conduct for Manufacturers and Suppliers includes the standards and requirements that suppliers must meet in order to form part of Inditex's supply chain. It is available on the website: <a href="http://www.inditex.com/en/sustainability/suppliers/code_conduct">http://www.inditex.com/en/sustainability/suppliers/code_conduct</a>		Yes, page 292	Supplier selection, management, and termination	
<b>AF17</b>	44, 45, 50, 51		Yes, page 292	Actions to identify and mitigate business practices that affect code compliance	
<b>MATERIAL ASPECT: NON-COMPLIANCE FINDINGS</b>					
<b>AF9</b>	44, 46		Yes, page 292	Incidents of non-compliance with legal requirements or collective bargaining agreements on wages	
<b>AF10</b>	44		Yes, page 292	Incidents of non-compliance with overtime standards	
<b>AF11</b>	44		Yes, page 292	Incidents of non-compliance with standards on pregnancy and maternity rights	
<b>AF12</b>	44		Yes, page 292	Incidents of the use of child labor	
<b>AF13</b>	44		Yes, page 292	Incidents of non-compliance with standards on genderdiscrimination	
<b>AF14</b>	44		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Incidents of non-compliance with code of conduct	
<b>AF15</b>	44, 45		Yes, page 292	Analysis of data from code compliance audits	
<b>MATERIAL ASPECT: REMEDIATION</b>					
<b>AF16</b>	50, 51		Yes, pages 292 and 294	<input checked="" type="checkbox"/> Remediation practices to address non-compliance findings	

DMA and Indicators	Page Number (or Link)	Identified Omission(s)	External Assurance	Description	Global Compact
<b>CATEGORY: ENVIRONMENTAL</b>					
<b>MATERIAL ASPECT: MATERIALS</b>					
<b>AF18</b>	63, 65, 66		Yes, page 292	Programs to replace organic-based adhesives and primers with water-based adhesives and primers	
<b>AF19</b>	63, 65, 66		Yes, page 292	Practices to source safer alternative substances to those on the restricted substances list, including description of associated management systems	
<b>AF20</b>	32, 62, 63, 64		Yes, page 292	List of environmentally preferable materials used in apparel and footwear products	
<b>MATERIAL ASPECT: ENERGY</b>					
<b>AF21</b>	152		Yes, page 292	Amount of energy consumed and percentage of the energy that is from renewable sources	
<b>CATEGORY: SOCIAL</b>					
<b>SUB-CATEGORY: LABOR PRACTICES AND DECENT WORK</b>					
<b>MATERIAL ASPECT: EMPLOYMENT</b>					
<b>AF22</b>	88		Yes, page 292	Policy and practices regarding the use of employees with non-permanent and non-fulltime status	
<b>AF23</b>	88		Yes, page 292	Policy regarding the use of home working	
<b>AF24</b>	36, 139, 140	Inditex carries out analysis and control of the level of compliance with its Sustainability Strategy achieved by suppliers by means of the Group's Code of Conduct for Manufacturers and Suppliers Compliance Programme.	Yes, page 292	Policy on the use and selection of labor brokers, including adherence to relevant ILO Conventions	
<b>MATERIAL ASPECT: WAGES AND HOURS</b>					
<b>AF25</b>		Inditex does not adhere to any wage deduction policy or practice beyond those stipulated by law.	Yes, page 292	Policy and practices on wage deductions that are not mandated by law	
<b>AF26</b>		The in force collective agreements do not contemplate any deadline to inform of the organizational changes undergone by Inditex. However, when a relevant fact is stated, this is duly notified according to the in force regulations (Act 41 of the Spanish Workers' Statute).	Yes, page 292	Policy on working hours, including definition of overtime, and actions to prevent excessive and forced overtime	
<b>MATERIAL ASPECT: WORKER-MANAGEMENT RELATIONS</b>					
<b>AF29</b>		Some 37% of Inditex's work centres have workers' representatives (There have been no significant changes in this indicator on a national level in comparison with 2014).	Yes, page 292	Percentage of workplaces where there is one or more independent trade union(s)	
<b>AF30</b>		The Group does not participate in representative bodies that do not involve the trade unions.	Yes, page 292	Percentage of workplaces where, in the absence of a trade union, there are worker-management committees	
<b>MATERIAL ASPECT: OCCUPATIONAL HEALTH AND SAFETY</b>					
<b>AF31</b>	91		Yes, page 292	Initiatives and programs to respond to, reduce, and prevent the occurrence of musculoskeletal disorders	
<b>MATERIAL ASPECT: DIVERSITY AND EQUAL OPPORTUNITY</b>					
<b>AF27</b>	90		Yes, page 292	Policy and action to protect the pregnancy and maternity rights of women workers	
<b>AF32</b>	90		Yes, page 292	Actions to address gender discrimination and to provide opportunities for the advancement of women workers	
<b>MATERIAL ASPECT: LOCAL COMMUNITIES</b>					
<b>AF33</b>	98, 101, 102	Emergency relief, 106 Education, 110 Social welfare	Yes, page 292	Priorities in community investment strategy	
<b>AF34</b>	101, 149		Yes, page 292	Amount of investment in worker communities broken down by location	

The **Annual Report 2015** provided information under the terms of the triple –economic, social and environmental- dimension.

The Annual Report 2015 is fully available on the corporate web site, **www.inditex.com**, where additional useful information may also be accessed.

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