**STATEMENT MADE BY THE DIRECTORS OF INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) ABOUT THE CONTENTS OF THE FINANCIAL ANNUAL REPORT**

We, the members of the Board of Directors of the company, do hereby state and represent that, to the best of our knowledge and belief, the annual accounts for fiscal year 2019 (1 February 2019 – 31 January 2020), both individual and consolidated, stated by the Board of Directors in the meeting held on 17 March 2020, drafted pursuant to the applicable accounting principles, give the true and fair view of the assets, the financial situation and the results of Industria de Diseño Textil, S.A. (Inditex, S.A.) and of the undertakings consolidated taken as a whole, and that both the individual and consolidated financial reports, include a true review of the evolution and the corporate results, as well as of the position of Industria de Diseño Textil, S.A. (Inditex, S.A.) and of the undertakings consolidated taken as a whole, together with the description of the main risks and uncertainties they face up to.

In Arteixo (A Coruña), on 17 March 2020.

Mr Pablo Isla Álvarez de Tejera
Executive Chairman

Mr Amancio Ortega Gaona
Ordinary Member

Mr José Arnau Sierra
Deputy Chairman

Mr Carlos Crespo González
CEO

Pontegadea Inversiones, S.L
Ordinary Member
Ms Flora Pérez Marcote

Bns Denise Patricia Kingsmill
Ordinary Member

Ms Pilar López Álvarez
Ordinary Member

Ms Anne Lange
Ordinary Member

Mr José Luis Durán Schulz
Ordinary Member

Mr Rodrigo Echenique Gordillo
Ordinary Member

Mr Emilio Saracho Rodríguez de Torres
Ordinary Member

# INDUSTRIA DE DISEÑO TEXTIL, S.A.

# ANNUAL ACCOUNTS AND DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2020

*Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.*

Deloitte.

Deloitte, S.L.
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15004 A Coruña
España

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

# INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENTS

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

## Report on the Financial Statements

### Opinion

We have audited the financial statements of Industria de Diseño Textil, S.A. ("the Company"), which comprise the balance sheet as at 31 January 2020, and the statement of profit or loss, statement of changes in equity, statement of cash flows and notes to the financial statements for the year then ended ("2019").

In our opinion, the accompanying financial statements present fairly, in all material respects, the equity and financial position of the Company as at 31 January 2020, and its results and its cash flows for the year then ended in accordance with the regulatory financial reporting framework applicable to the Company (identified in Note 2-a to the accompanying financial statements) and, in particular, with the accounting principles and rules contained therein.

### Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Company in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

| Measurement of inventories | |
|---|---|
| **Description** | **Procedures applied in the audit** |
| The Company's inventories had a carrying amount of EUR 660 million at 31 January 2020, representing 2.8% of its total assets.<br><br>These inventories relate mainly to finished goods, are distributed among the distribution centres managed by the Company and are measured as described in Note 4.g to the accompanying financial statements. The business model of the Inditex Group headed by the Company is based on offering fashion products according to customer demand by means of an integrated and centralised model, to which end new stock-keeping units (SKUs) are continuously designed, purchased and distributed to the points of sale.<br><br>The fast-moving nature of fashion, the effects that the Covid-19 pandemic is having on the realization of the inventory for the spring-summer 2020 campaign (see Note 20) and the complexity of the goods measurement process, which requires significant estimates to be made in order to determine the acquisition cost and recoverable amount of each SKU, lead us to consider this matter to be a key matter in our audit. | In response to this key matter, our audit included, among others, the following procedures:<br><br>- An evaluation of the consistency of the accounting policies and practices applied by the Company to measure its inventories at 31 January 2020 with the regulatory financial reporting framework applicable to it and with the accounting policies and practices applied in the previous year.<br><br>- For a representative sample, verification that the finished goods inventories were correctly measured, calculating the measurement of those inventories on the basis of the acquisition cost and considering the costs attributable to such goods, for which we involved our IT experts.<br><br>- An evaluation of the key estimates used by Company management to determine the net realisable value and the consistency thereof with Company policies and historical and other available information, such as sales and returns after the reporting date, for which we involved our IT experts.<br><br>- An evaluation of whether the disclosures included in the notes to the financial statements are in conformity with the applicable regulatory framework.<br><br>The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Company, to the performance of specific substantive tests and to the disclosures included in the notes to the financial statements were satisfactory in relation to the objectives pursued. |

| Measurement of investments in Group companies | |
|---|---|
| **Description** | **Procedures applied in the audit** |
| As indicated in Note 8 to the accompanying financial statements, the Company has equity interests in the share capital of Group companies that are not listed on regulated markets the carrying amount of which at 31 January 2020 was EUR 9.180 million and which accounted for 39,6% of the total assets. As indicated in the aforementioned Note, a significant portion of those equity interests was acquired in 2019 from other Group companies at their fair value, determined by an external expert engaged by the Company.<br><br>Whenever there are indications that the Company's investments might have become impaired, the Company carries out an impairment test in order to estimate whether their recoverable amount is lower than their carrying amount. Determining the fair value of the equity interests acquired and performing the impairment tests require the use of significant judgements and estimates.<br><br>As a result of the foregoing, this matter is considered to be a key matter in our audit. | In response to this key matter, our audit included, among others, the following procedures:<br><br>- Obtainment of the valuation reports of the aforementioned experts engaged by the Company, and an evaluation of the competence, capability and objectivity of the experts and the appropriateness of their work to be taken into consideration as part of the audit evidence. An analysis of the reasonableness of the valuation methodology and main assumptions used (discount and perpetuity growth rates, revenue performance, evolution of costs and changes in gross margins).<br><br>- Obtainment of the impairment tests performed so that the following could be conducted thereon:<br><br>o An analysis of the reasonableness of the impairment indicators established by the Company.<br><br>o Verification of the clerical accuracy of the calculations performed and of the appropriateness of the valuation method used.<br><br>o An analysis of the reasonableness of the valuation methodology and main assumptions used (discount and perpetuity growth rates, revenue performance, evolution of costs and changes in gross margins).<br><br>o A review of the consistency of the assumptions used with other analyses performed by the Company and the performance of a sensitivity analysis thereon.<br><br>o A review of the achievement in 2019 of the most significant assumptions used by management in the previous year's impairment tests.<br><br>- An evaluation of whether the disclosures included in the notes to the financial |

| Measurement of investments in Group companies | |
|---|---|
| **Description** | **Procedures applied in the audit** |
| | statements are in conformity with the applicable regulatory framework.<br><br>The results of the procedures performed as regards the determination of the applicable valuation method and the analysis of the criteria and assumptions used by the Company in its estimates, and of the disclosures included in the notes to the financial statements, were satisfactory in relation to the objectives pursued. |

| IT systems | |
|---|---|
| **Description** | **Procedures applied in the audit** |
| The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Company to a high dependency on its IT system and its correct functioning.<br><br>In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing.<br><br>Due to their importance and the audit effort required, knowledge, evaluation, analysis of operating effectiveness and validation of the general, and certain automatic, financial reporting system controls, including controls relating to software maintenance and development, physical and logical security and system operations, were considered to constitute a key matter in our audit. | In response to this key matter, our work included, among others, the following procedures in which our audit team IT specialists were involved:<br><br>- Identification of relevant IT items and software in the financial information preparation process.<br><br>- Obtainment of the required understanding of the IT systems involved in the financial information preparation process and evaluation of the level of internal control over the systems. Our understanding focused, among others, on the existence of an IT systems security policy and written procedures in relation to IT processes; on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT software.<br><br>- An evaluation of the design, implementation and operating effectiveness of general IT controls relating to security, management of changes and operations and maintenance of the software we considered relevant.<br><br>- An evaluation of the design, implementation and operating effectiveness of the key automatic controls operating in certain especially significant business cycles, such as sales and accounting closing.<br><br>- A review of the cybersecurity risk management model for the main IT systems.<br><br>The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the accompanying financial statements. |

## Other Information: Directors' Report

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

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

a) A specific level that applies to the non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the directors' report, or, as the case may be, that the directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the financial statements, based on the knowledge of the entity obtained in the audit of those financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

Based on the work performed, as described above, we observed that the directors' report included a reference to the fact that the non-financial information described in section a) above was presented in the consolidated directors' report of the Inditex Group headed by the Company, that the information in the Annual Corporate Governance Report mentioned in that section was included in the directors' report, and that the other information in the directors' report was consistent with that contained in the financial statements for 2019 and its content and presentation were in conformity with the applicable regulations.

## Responsibilities of the Directors and of the Audit and Compliance Committee for the Financial Statements

The directors are responsible for preparing the accompanying financial statements so that they present fairly the Company's equity, financial position and results in accordance with the regulatory financial reporting framework applicable to the Company in Spain, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The audit and compliance committee is responsible for overseeing the process involved in the preparation and presentation of the financial statements.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

**Report on Other Legal and Regulatory Requirements**

## Additional Report to the Audit and Compliance Committee

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

## Engagement Period

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

Previously, we were designated pursuant to a resolution of the General Meeting for a period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 January 2013.

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

Germán de la Fuente
Registered in ROAC under no. 15.976

17 March 2020

# Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the financial statements.

## Auditor's Responsibilities for the Audit of the Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the use by the directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the entity's audit and compliance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the entity's audit and compliance committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

From the matters communicated with the entity's audit and compliance committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

# Index

**INDUSTRIA DE DISEÑO TEXTIL, S.A.**

BALANCE SHEET AS AT 31 JANUARY 2020 AND 2019

| (Amounts in millions of euros) | Notes | 31/01/2020 | 31/01/2019 |
|---|---|---|---|
| **ASSETS** | | | |
| **NON-CURRENT ASSETS** | | **10,745** | **5,787** |
| **Intangible assets** | (5) | **170** | **136** |
| Patents and similar intangibles | | 4 | 4 |
| Computer software | | 145 | 110 |
| Intangible assets in progress and advances | | 21 | 22 |
| **Property, plant and equipment** | (6) | **516** | **497** |
| Land and buildings | | 200 | 199 |
| Plant and other items of property, plant and equipment | | 258 | 260 |
| Property, plant and equipment in the course of construction and advances | | 58 | 38 |
| **Investment property** | (7) | **538** | **552** |
| Land | | 101 | 101 |
| Buildings | | 437 | 451 |
| **Current investments in Group companies, jointly controlled entities and associates** | (8) | **9,180** | **4,352** |
| Equity instruments | | 9,180 | 3,957 |
| Loans to companies | (15) | - | 395 |
| **Non-current financial assets** | (8) | **163** | **197** |
| Equity instruments | | 2 | 2 |
| Other financial assets | | 161 | 195 |
| **Deferred tax assets** | (16) | **174** | **53** |
| **Non-current prepayments and accrued income** | | **4** | **-** |
| **CURRENT ASSETS** | | **12,429** | **9,433** |
| **Inventories** | (10) | **660** | **855** |
| Goods held for resale | | 584 | 784 |
| Raw materials and other supplies | | 76 | 71 |
| **Trade and other receivables** | | **483** | **497** |
| Trade receivables for sales and services | | 131 | 127 |
| Trade receivables from Group companies and associates | (15) | 192 | 296 |
| Current tax assets | | 76 | - |
| Other accounts receivable from public authorities | | 84 | 74 |
| **Current investments in Group companies, jointly controlled entities and associates** | (8 & 15) | **6,243** | **3,899** |
| Loans to companies | | 6,243 | 3,899 |
| **Current financial assets** | (8) | **5** | **9** |
| Derivatives | | 5 | 9 |
| **Current prepayments and accrued income** | | **12** | **14** |
| **Cash and cash equivalents** | (9) | **5,026** | **4,159** |
| Cash | | 5,026 | 4,159 |
| **TOTAL ASSETS** | | **23,174** | **15,220** |

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the balance sheet as at 31 January 2020.

## INDUSTRIA DE DISEÑO TEXTIL, S.A.

BALANCE SHEET AS AT 31 JANUARY 2020 AND 2019

| (Amounts in millions of euros) | Notes | 31/01/2020 | 31/01/2019 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **EQUITY** | | **19,903** | **12,162** |
| **SHAREHOLDERS' EQUITY** | (11) | **19,905** | **12,167** |
| **Share capital** | | **94** | **94** |
| Share capital | | 94 | 94 |
| **Share premium** | | **20** | **20** |
| **Reserves** | | **9,433** | **1,749** |
| Legal and bylaw reserves | | 19 | 19 |
| Other reserves | | 9,414 | 1,730 |
| **Treasury shares** | | **(60)** | **(77)** |
| **Profit for the year** | | **10,418** | **10,381** |
| ***VALUATION ADJUSTMENTS*** | | **(3)** | **(6)** |
| Hedges | | (3) | (6) |
| **GRANTS, DONATIONS AND BEQUESTS RECEIVED** | | **1** | **1** |
| **NON-CURRENT LIABILITIES** | | **523** | **655** |
| **Long-term provisions** | (12) | **4** | **14** |
| Other provisions | | 4 | 14 |
| **Non-current payables** | (14) | **6** | **5** |
| Obligations under finance leases | | 6 | 5 |
| **Non-current payables to Group companies, jointly controlled entities and associates** | (15) | **6** | **6** |
| **Deferred tax liabilities** | (16) | **7** | **12** |
| **Non-current accruals and deferred income** | (13) | **500** | **618** |
| **CURRENT LIABILITIES** | | **2,748** | **2,403** |
| **Current payables** | (14) | **44** | **56** |
| Obligations under finance leases | | 6 | 3 |
| Derivatives | (8) | 5 | 12 |
| Other financial liabilities | | 33 | 41 |
| **Current payables to Group companies, jointly controlled entities and associates** | (15) | **698** | **513** |
| **Trade and other payables** | | **1,882** | **1,711** |
| Payable to suppliers | | 494 | 546 |
| Payable to suppliers - Group companies and associates | (15) | 1,125 | 928 |
| Sundry accounts payable | | 164 | 145 |
| Remuneration payable | | 71 | 62 |
| Other accounts payable to public authorities | | 28 | 30 |
| **Current accruals and deferred income** | (13) | **124** | **123** |
| **TOTAL EQUITY AND LIABILITIES** | | **23,174** | **15,220** |

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the balance sheet as at 31 January 2020.

**INDUSTRIA DE DISEÑO TEXTIL, S.A.**

INCOME STATEMENT FOR THE YEARS ENDED 31 JANUARY 2020 AND 2019

| (Amounts in millions of euros) | Notes | 2019 | 2018 |
|---|---|---|---|
| CONTINUING OPERATIONS | | | |
| **Revenue** | (18.1) | **18,261** | **16,692** |
| Sales | | 9,208 | 8,470 |
| Services | | 58 | 52 |
| Dividends | (15) | 8,995 | 8,170 |
| **In-house work on non-current assets** | | **7** | **7** |
| **Procurements** | (18.2) | **(7,349)** | **(6,616)** |
| Cost of goods held for resale sold | | (6,640) | (5,973) |
| Cost of raw materials and other consumables used | | (609) | (554) |
| Work performed by other companies | | (100) | (89) |
| **Other operating income** | | **238** | **231** |
| Non-core and other current operating income | (7, 13 & 15) | 237 | 230 |
| Income-related grants transferred to profit or loss | | 1 | 1 |
| **Personnel expenses** | | **(271)** | **(259)** |
| Wages, salaries and similar expenses | | (234) | (226) |
| Employee benefits | (18.3) | (37) | (33) |
| **Other operating expenses** | | **(1,559)** | **(1,392)** |
| Outsourced services | (18.4) | (1,541) | (1,380) |
| Taxes other than income tax | | (9) | (3) |
| Other current operating expenses | | (9) | (9) |
| **Amortisation and depreciation of non-current assets and investment property** | (5, 6 & 7) | **(115)** | **(92)** |
| **Impairment and gains or losses on disposals of fixed assets** | | **(2)** | **(3)** |
| **Impairment and gains or losses on disposals of Group investments** | (8) | **1,173** | **1,902** |
| **Other gains and losses** | | **6** | **1** |
| **INCOME FROM OPERATIONS** | | **10,389** | **10,471** |
| **Finance income** | | **15** | **7** |
| From marketable securities and other financial instruments | | 15 | 7 |
| Group companies and associates | (15) | 4 | - |
| Third parties | | 11 | 7 |
| **Finance costs** | | **(2)** | **(3)** |
| On debts to Group companies and associates | (15) | (2) | (3) |
| **Exchange differences** | | **2** | **(9)** |
| **FINANCIAL RESULTS** | | **15** | **(5)** |
| | | | |
| **INCOME BEFORE TAXES** | | **10,404** | **10,466** |
| Income tax | (16) | 14 | (85) |
| **INCOME FOR THE YEAR** | | **10,418** | **10,381** |

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the income statement for the year ended 31 January 2020.

**INDUSTRIA DE DISEÑO TEXTIL, S.A.**

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 JANUARY 2020 AND 2019

A) STATEMENT OF RECOGNISED INCOME AND EXPENSE

| (Amounts in millions of euros) | 2019 | 2018 |
|---|---|---|
| **PROFIT PER STATEMENT OF PROFIT OR LOSS (I)** | **10,418** | **10,381** |
| **Income and expense recognised directly in equity** | | |
| Cash flow hedges (Note 8) | (4) | (8) |
| Tax effect (Note 16) | 1 | 2 |
| **TOTAL INCOME AND EXPENSE RECOGNISED DIRECTLY IN EQUITY (II)** | **(3)** | **(6)** |
| **Transfers to profit or loss** | | |
| Cash flow hedges (Note 8) | 8 | 19 |
| Tax effect (Note 16) | (2) | (5) |
| **TOTAL TRANSFERS TO PROFIT OR LOSS (III)** | **6** | **14** |
| **TOTAL RECOGNISED INCOME AND EXPENSE (I+II+III)** | **10,421** | **10,389** |

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the statement of recognised income and expense for the year ended 31 January 2020.

**INDUSTRIA DE DISEÑO TEXTIL, S.A.**

STATEMENT OF CHANGES IN EQUITY FOR THE YEARS ENDED 31 JANUARY 2020 AND 2019

B) STATEMENT OF CHANGES IN TOTAL EQUITY

**(Amounts in millions of euros)**

| | Share capital | Share premium | Reserves | Treasury shares | Profit for the year | Valuation adjustments | Grants, donations and bequests received | Total |
|---|---|---|---|---|---|---|---|---|
| **2018 ADJUSTED OPENING BALANCE** | **94** | **20** | **1,543** | **(77)** | **2,375** | **(14)** | **1** | **3,942** |
| **Total recognised income and expense** | - | - | - | - | 10,381 | 8 | - | **10,389** |
| **Transactions with shareholders or owners** | | | | | | | | |
| Transfers | - | - | 40 | - | (40) | - | - | **-** |
| Dividends paid | - | - | - | - | (2,335) | - | - | **(2,335)** |
| Other changes | - | - | 166 | - | - | - | - | **166** |
| **2018 CLOSING BALANCE** | **94** | **20** | **1,749** | **(77)** | **10,381** | **(6)** | **1** | **12,162** |
| **2019 ADJUSTED OPENING BALANCE** | **94** | **20** | **1,749** | **(77)** | **10,381** | **(6)** | **1** | **12,162** |
| **Total recognised income and expense** | - | - | - | - | 10,418 | 3 | - | **10,421** |
| **Transactions with shareholders or owners** | | | | | | | | |
| Transfers | - | - | 7,640 | - | (7,640) | - | - | - |
| Dividends paid | - | - | - | - | (2,741) | - | - | **(2,741)** |
| Other changes | - | - | 44 | - | - | - | - | **44** |
| Treasury shares | - | - | - | 17 | - | - | - | **17** |
| **2019 CLOSING BALANCE** | **94** | **20** | **9,433** | **(60)** | **10,418** | **(3)** | **1** | **19,903** |

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the statement of changes in total equity for the year ended 31 January 2020.

## INDUSTRIA DE DISEÑO TEXTIL, S.A.

STATEMENT OF CASH FLOWS FOR THE YEARS ENDED 31 JANUARY 2020 AND 2019

| (Amounts in millions of euros) | Notes | 2019 | 2018 |
|---|---|---|---|
| CASH FLOWS FROM OPERATING ACTIVITIES (I) | | | |
| INCOME BEFORE TAXES | | 10,404 | 10,466 |
| **Adjustments to profit** | | | |
| Amortisation and depreciation | (5, 6 & 7) | 115 | 92 |
| Impairment losses | (8) | 22 | (8) |
| Changes in provisions | | 19 | 20 |
| Gains/Losses on derecognition and disposal of fixed assets | (5, 6 & 7) | 2 | 3 |
| Gains/Losses on derecognition and disposal of financial instruments | (8) | (1,183) | (1,894) |
| Finance income | | (15) | (7) |
| Finance costs | | 2 | 3 |
| Exchange differences | | 2 | 18 |
| Other income and expenses | | (107) | (106) |
| Dividends from investments in equity instruments of Group companies | (15) | (8,995) | (8,170) |
| **Changes in working capital** | | | |
| Inventories | | 195 | (15) |
| Trade and other receivables | | (293) | (437) |
| Trade and other payables | | 259 | 270 |
| Other current liabilities | | (9) | (44) |
| **Other cash flows from operating activities** | | | |
| Interest paid | | (2) | (3) |
| Dividends received | | 8,981 | 8,181 |
| Interest received | | 15 | 7 |
| Income tax paid | | (120) | (105) |
| Other collections (payments) | | (3) | 7 |
| TOTAL CASH FLOWS FROM OPERATING ACTIVITIES | | 9,289 | 8,278 |
| CASH FLOWS FROM INVESTING ACTIVITIES (II) | | | |
| **Payments relating to investment** | | | |
| Group companies and associates | | (6,107) | (2,449) |
| Intangible assets | (5) | (66) | (53) |
| Property, plant and equipment | (6) | (69) | (197) |
| Investment property | (7) | (10) | (10) |
| **Collections relating to divestments** | | | |
| Group companies and associates | | 395 | - |
| Property, plant and equipment | | - | 6 |
| Other financial assets | (8) | - | 13 |
| TOTAL CASH FLOWS FROM INVESTING ACTIVITIES | | (5,857) | (2,690) |
| **Collections and payments relating to financial liability instruments** | | | |
| Repayment of borrowings from Group companies and associates | | 176 | (950) |
| Repayment of other borrowings | | - | (1) |
| **Dividends and returns on other equity instruments paid** | | | |
| Dividends | | (2,741) | (2,335) |
| TOTAL CASH FLOWS FROM FINANCING ACTIVITIES | | (2,565) | (3,286) |
| NET INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS (I+II+III) | | 867 | 2,302 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 4,159 | 1,857 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | | 5,026 | 4,159 |

The accompanying Notes 1 to 21 and Annex I and II are an integral part of the statement of cash flows for the year ended 31 January 2020.

*Translation of annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company in Spain (see Notes 2 and 21). In the event of a discrepancy, the Spanish-language version prevails.*

**INDUSTRIA DE DISEÑO TEXTIL, S.A.**

**NOTES TO THE ANNUAL ACCOUNTS FOR THE YEAR ENDED 31 JANUARY 2020**

## 1 Activity and description of the Company

Industria de Diseño Textil, S.A. ("Inditex" or "the Company") was incorporated as a public limited liability company on 12 June 1985. Its current registered office is located at Avenida Diputación, s/n "Edificio Inditex", in Arteixo, A Coruña.

Industria de Diseño Textil, S.A. is the parent of a group of companies, whose main activity is the distribution of fashion items, particularly clothing, footwear, accessories and household textile products. The Group carries out its activity through various retail concepts 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.

Each concept is carried out through a store and online integrated model, managed directly by companies over which Inditex exercises control through the ownership of the majority of the share capital and of the voting rights, with the exception of certain countries where, for various reasons, the activity is performed through franchises. Certain franchise agreements entered into by the Group include purchase options which, if exercised, would essentially enable the Group to have access to the lease rights over the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed from the signing of the franchise agreement.

The information relating to Inditex's ownership interests in Group companies and jointly controlled entities is detailed in Annex I hereto.

The Company engages mainly in:

a. The purchase and procurement of fashion items, particularly clothing and accessories, and the distribution and sale thereof to the companies that market the ZARA concept. Part of this activity is carried out through a permanent establishment in the Netherlands.

b. The provision of corporate services to the other Group companies.

c. Management of the ownership interests in its subsidiaries, from which it receives income in the form of dividends.

Pursuant to corporate law, the Company's Directors prepared separately consolidated annual accounts in accordance with International Financial Reporting Standards as adopted by the European Union, which reflected a consolidated profit attributable to the Parent of EUR 3,639 million (2018: EUR 3,444 million) and consolidated equity attributable to the Parent of EUR 14,913 million (2018: EUR 14,653 million).

The Group's consolidated annual accounts for 2018 were prepared by the Directors of Industria de Diseño Textil, S.A. at the Board of Directors meeting held on 12 March 2019 and were filed at the A Coruña Mercantile Registry, while the consolidated annual accounts of the Inditex Group for 2019 were prepared on 17 March 2020.

As indicated in Note 15, a significant portion of the Company's operations are carried on with companies in the Group to which it belongs.

The Company, together with other companies, belongs to a group which, in turn, is controlled by the same individual, who has control over other companies. The company with the most assets in this group of companies, Pontegadea Inversiones, S.L., files its annual accounts at the A Coruña Mercantile Registry. Industria de Diseño Textil, S.A. and Pontegadea Inversiones, S.L. are managed independently.

## 2 Basis of presentation of the annual accounts

### a) *Regulatory financial reporting framework applicable to the Company*

These annual accounts were formally prepared by the Directors in accordance with the regulatory financial reporting framework applicable to the Company, which consists of:

a. The Spanish Commercial Code and all other Spanish Corporate Law.

b. The Consolidated Spanish Companies Act.

c. The General Accounting Plan (*approved by Royal Decree 1514/2007, of 16 November*) and its subsequent amendments.

d. The mandatory rules approved by the Spanish Accounting and Auditing Institute in order to implement the General Accounting Plan and the relevant secondary legislation.

e. All other applicable Spanish accounting legislation.

### b) *Fair presentation*

The annual accounts for the year ended 31 January 2020 ("2019"), which were obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein (see Note 2-a) and, accordingly, present fairly the Company's equity, financial position, results of operations and cash flows for 2019.

These annual accounts, which were formally prepared by the Company's Directors, will be submitted for approval by the Annual General Shareholders´ Meeting, and it is considered that they will be approved without any changes. The annual accounts for the year ended 31 January 2019 ("2018") were approved by the Annual General Shareholders´ Meeting held on 16 July 2019.

Unless otherwise stated, the amounts shown in these annual accounts are expressed in millions of euros.

### c) *Accounting principles*

The Company's Directors formally prepared these annual accounts taking into account all the obligatory accounting principles and standards. In particular, the annual accounts for 2019 were prepared using the "*going concern basis of accounting*". All obligatory accounting principles were applied.

### d) *Key issues in relation to the measurement and estimation of uncertainty*

In preparing the accompanying annual accounts estimates were occasionally made in order to quantify certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

a. The assessment of possible impairment losses on certain assets.

b. The consideration of the online business in the model of the non-current asset impairment test.

c. The determination of inventory costs and its net realizable value.

d. The useful life of the property, plant and equipment, intangible assets and investment property.

e. The determination of the fair value of certain financial instruments.

f. The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.

g. The recovery of deferred tax assets.

These estimates were made using the best information available at the time of preparation of this annual accounts. However, events that take place in the future might make it necessary to change these estimates (upwards or downwards) in coming years. Changes in accounting estimates would be applied prospectively, recognising the effects of the change in estimates in the income statements for the years affected.

***e) Comparative information***

The information relating to 2018 included in these notes to the annual accounts is presented solely for comparison purposes with that relating to 2019.

***f) Grouping of items***

Certain items in the balance sheet, income statement, statement of changes in equity and statement of cash flows are grouped together to facilitate their understanding; however, whenever the amounts involved are material, the information is broken down in the related notes to the annual accounts.

***g) Correction of errors***

In preparing these annual accounts no significant errors were detected that would have made it necessary to restate the amounts included in the annual accounts for 2018.

***h) Changes in accounting policies***

In the year ended 31 January 2020 there were no significant changes in accounting policies with respect to those applied in 2018.

***i) Materiality***

In preparing these annual accounts the Company omitted any information or disclosure which, not requiring disclosure due to their qualitative importance, was considered not to be material.

## 3 Distribution of profit

The proposed allocation of the Company's profit for 2019, prepared by its directors, which will be submitted for approval by the shareholders at the Annual General Shareholders' Meeting, amounts to 10,418 million euros, which is the maximum amount to be distributed.

The Board of Directors of Inditex, following the proposal of the Audit and Compliance Committee, in view of the current uncertain situation due to the Covid-19 pandemic, considers that it is not the right moment to take the appropriate decision on the dividend, within the framework of the proposal for the application of the 2019 profits and it has decided to submit at a later Board Meeting prior to the Annual General Shareholders´ Meeting which will take place in July, the final proposal on dividends.

Consequently, the profits will be allocated to reserves (to voluntary reserves amounting to 10,228 million euros and to the capitalisation reserve amounting to 190 million euros).

At 31 January 2020 the restricted reserves amounted to EUR 83 million (2018: EUR 19 million).

## 4 Accounting policies

The principal accounting policies used by the Company in preparing these annual accounts for 2019 were as follows:

### *a) Intangible assets*

Intangible assets are recognised initially at acquisition or production cost and this initial measurement is subsequently adjusted for any accumulated amortisation and any accumulated impairment losses on the assets. Whenever there are signs of impairment, the Company tests the intangible assets for impairment (see Note 4-d) to determine whether the recoverable amount of the assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

In-house work performed by the Company to develop certain items of computer software that is capitalised to intangible assets is measured at accumulated cost (external costs plus in-house costs and, as the case may be, in-house personnel costs incurred in the development of this software).

Intangible assets with finite useful lives are amortised systematically over the years of useful life of the assets, as follows:

| | Useful life (years) |
|---|---|
| Patents and similar intangibles | 10 |
| Computer software | 5 |

### *b) Property, plant and equipment*

Property, plant and equipment are initially recognised at acquisition or production cost revalued pursuant to various laws (including Law 16/2012, of 27 December) (see Notes 6, 7 and 11) and this initial measurement is subsequently adjusted for any accumulated depreciation and any accumulated impairment losses on the assets. Whenever there are signs of impairment, the Company tests the property, plant and equipment for impairment (see Note 4-d) to determine whether the recoverable amount of the assets has been reduced to below their carrying amount.

Periodic maintenance, upkeep and repair expenses are recognised in profit or loss as they are incurred. However, the costs of expansion, modernisation or improvements leading to a lengthening of the useful lives of the assets are capitalised.

The balances of assets retired as a result of modernisation or for any other reason are derecognised from the related cost, accumulated depreciation and, if appropriate, impairment loss accounts.

The Company transfers items of property, plant and equipment in the course of construction to property, plant and equipment in use when they are ready for their intended use, at which time they start to be depreciated.

The property, plant and equipment in use is depreciated using the straight-line method, on the basis of the acquisition or production cost (revalued, if appropriate) of the assets less their residual value; the land on which the buildings and other structures stand has an indefinite useful life and, accordingly, is not depreciated.

The annual depreciation charge on property, plant and equipment is recognised under "Amortisation and Depreciation of Assets and Investment Property" in the income statement, based on the years of estimated useful life of the assets, except in the case of leased assets, in which case it is based on the shorter of the useful life of the asset and the lease term. The annual depreciation rates used correspond to the following years of estimated useful life:

| | **Useful life (years)** |
|---|---|
| Buildings | 25 to 50 |
| Plant and machinery | 7 to 20 |
| Other fixtures, tools and furniture | 10 to 20 |
| Other items of property, plant and equipment | 5 to 10 |

### c) *Investment property*

The assets included under "Investment Property" in the balance sheet correspond to assets leased, mainly, to Group companies. This investment property is measured as described in Note 4-b on "Property, Plant and Equipment".

### d) *Impairment of non-current assets*

The Company periodically assesses whether there are any indications that its non-current assets might have become impaired, for the purpose of determining whether their recoverable amount is lower than their carrying amount (impairment loss).

In this regard, whenever there are signs of impairment on intangible assets, property, plant and equipment and investment property, the Company tests these assets for impairment to determine whether the recoverable amount of the assets has been reduced to below their carrying amount. Recoverable amount is the higher of fair value less costs to sell and value in use.

Similarly, if there is an indication of a recovery in the value of an impaired item of property, plant and equipment, the Company recognises the reversal of the impairment loss recognised in prior periods, with a credit to the income statement, and adjusts the future depreciation charges accordingly. In no circumstances the reversal of an impairment loss on an asset may raise its carrying amount above that which it would have if no impairment losses had been recognised in prior years.

Also, the Company has developed a general, systematic procedure for carrying out these impairment tests, based on the monitoring of certain events or circumstances which indicate that the value of an asset may not be recovered in full. Non-current investments in Group companies and associates and non-current financial assets are reviewed at least once a year.

*Calculation of the recoverable amount*

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

Recoverable amount is determined for each individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs.

In the case of investments in Group companies, the Company has defined each of the investees as basic cash-generating units. The cash flows were based on the budgets and business plans of the various companies, which generally cover a three-year period. The key assumptions on which the budgets and business plans are based are estimated sales growth 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 Company operates and on the macroeconomic indicators that reflect the current and foreseeable economic situation for each market.

The estimated cash flows are extrapolated for the period not covered by the plan using a steady growth rate and an expense structure that is similar to that of the last year of the business plan. Where the growth rates exceed the industry or country rates, the latter reflect the Company's best estimates regarding the business performance, based on its understanding of each market.

The discount rate applied is usually a pre-tax measure based on the risk-free rate for ten-year bonds issued by the governments in the relevant markets (or similar bonds, if there are no ten-year bonds), adjusted to reflect the risk increase. The average discount rate applied to calculate the present value of the estimated cash flows was 5.15% for 2019 (2018: 5.39%).

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

- Increase of 100 basis points in the discount rate.

- 5% reduction in future cash flows.

These sensitivity analyses, performed separately for each of the aforementioned assumptions, did not disclose the potential existence of any additional impairment of the assets.

***e) Leases***

Leases are classified as *"finance leases",* whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased asset to the lessee. All other leases are classified as *"operating leases"*.

*Finance leases*

At the commencement of the lease term, the Company recognises an asset and a liability for the lower of the fair value of the leased asset or the present value of the minimum lease payments, including the price of the purchase option when it is reasonably certain that it will be exercised. The initial direct costs are added to the amount recognised as an asset. The minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability.

Contingent rents are recognised as an expense when it is probable that they will be incurred.

The accounting policies applied to the assets used by the Company under finance leases are the same as those described in Note 4-b (property, plant and equipment). However, if there is no reasonable certainty that the Company will obtain ownership of the assets at the end of the lease term, they are amortised over the shorter of their useful life and the lease term.

*Operating leases*

In operating leases, the ownership of the leased asset and substantially all the risks and rewards relating to the leased asset remain with the lessor.

Both when the Company acts as the lessor and when it acts as the lessee, lease income and expenses are recognised in the income statement in the year in which they accrue.

Fixed quotas derived from operating leases are recognised as an expense on a straight-line basis over the lease term. The effect of the difference between the recognition of the lease expense on a straight-line basis during the duration of the contracts and the lease payments made, is recognised in the balance in long-term and short-term accrual accounts.

### *f) Financial instruments*

A *"financial instrument"* -is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

An *"equity instrument"* -is a contract that evidences a residual interest in the assets of the issuing entity after deducting all of its liabilities.

A *"financial derivative"* -is a financial instrument whose value changes in response to the change in an observable market variable *(such as an interest rate, financial instrument price or market index)*, whose initial investment is very small compared with other financial instruments with a similar response to changes in market factors, and which is generally settled at a future date.

*Financial assets*

The financial assets held by the Company are classified in the following categories:

1. *"Loans, receivables and other financial assets".* These comprise financial assets arising from the sale of goods or the rendering of services in the ordinary course of the Company's business, or financial assets which, not having commercial substance, are not equity instruments or derivatives, have fixed or determinable payments and are not traded in an active market.

   These financial assets are measured at their nominal value since they do not have an established interest rate and are expected to be collected in the short term.

   The Company recognises the appropriate impairment losses on receivables if there is a reduction or delay in the estimated future cash flows as a result of debtor insolvency. The amount of the impairment loss is the difference between the carrying amount of the financial asset and the present value of the estimated future cash flows.

2. *"Equity investments in Group companies and jointly controlled entities". "Group companies"* are defined as companies over which the Company has the capacity to exercise control; control is, in general but not exclusively, presumed to exist when the Company directly or indirectly owns half or more of the voting power of the investee or, even if this percentage is lower or zero, when, as in the case of agreements with shareholders of the investee, the Company is granted control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Jointly controlled entities include companies over which, by virtue of an agreement, the Company exercises joint control with one or more other venturers.

   Investments in Group companies and jointly controlled entities are measured at acquisition cost net, where appropriate, of any accumulated impairment losses. These losses are calculated as the difference between the carrying amount of the investments and their recoverable amount. Recoverable amount is the higher of fair value less costs to sell and the present value of the future cash flows from the investment. Unless there is better evidence, the recoverable amount of the investment is taken to be the value of the equity of the investee, adjusted by the amount of the unrealised gains existing at the date of measurement *(including any goodwill)*. Impairment losses recognised and reversed are charged and credited, respectively, to the income statement.

The Company derecognises a financial asset when the rights to the cash flows from the financial asset expire or have been transferred and substantially all the risks and rewards of ownership of the financial asset have also been transferred.

*Financial liabilities*

Financial liabilities include those debits and accounts payable that have arisen from the purchase of goods or services in the normal course of the Company's business and those which, not having commercial substance, cannot be classified as derivative financial instruments.

Accounts payable are initially recognised at the fair value of the consideration received, adjusted by the directly attributable transaction costs. These liabilities are subsequently measured at amortised cost using the *"effective interest method"*, as described above. However, the financial liabilities with no set interest rate, and those which mature or are expected to be received in the short term, where the effect of discounting is not material, are measured at nominal value.

The Company derecognises financial liabilities when the obligations giving rise to them cease to exist.

*Equity instruments*

Equity instruments issued by the Company are recognised in "Equity" in the balance sheet at the proceeds received, net of issue costs.

Treasury shares acquired by the Company are presented separately at cost as a reduction of shareholders' equity in the balance sheet. No gain or loss is recognised in the income statement on treasury share transactions.

The related transaction costs are recognised as a reduction of reserves, after consideration of any tax effect.

*Derivative financial instruments*

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

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

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

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

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

- Level 1: fair value is calculated on the basis of quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

- Level 2: fair value is calculated on the basis of inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

- Level 3: Unobservable inputs for the asset or liability.

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

*Level 2 instruments*

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

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

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

*Foreign currency forwards*

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

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

*Options purchased*

The determination of the fair value of the (plain vanilla) options is based on a modified version of the Black-Scholes formula (Garman-Kohlhagen). Fair value is a function of the price of the underlying, the strike price, the time to maturity and the volatility of the underlying. The credit adjustment is carried out by direct discounting with credit spread method curves.

***g) Inventories***

Inventories are measured at the lower of acquisition cost and net realisable value.

The cost of inventories comprises all costs of purchase and costs of conversion, as well as design, logistics and transport costs and any directly allocable costs incurred in bringing the inventories to their present location and condition.

Cost is calculated on a FIFO basis.

The cost of inventories is adjusted through "Cost of Goods Held for Resale Sold" in the income statement when cost exceeds net realisable value. Net realisable value is understood to be:

- Raw materials and other supplies: replacement cost. However, raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be disposed of at or above production cost.

- Finished goods for sale: estimated selling price in the normal course of business.

***h) Grants, donations and bequests received***

Grants, donations and bequests received are recognised as income in equity when they are officially granted, as the case may be, and when the conditions attached to them have been complied with and there is reasonable assurance that they will be received.

Grants related to assets are recognised in profit or loss in proportion to the depreciation taken on the assets financed with them or, where applicable, when the assets are disposed of, derecognised or an impairment loss is recognised.

***i) Provisions and contingent liabilities***

Provisions are recognised when the Company has a present obligation (legal, contractual, constructive or tacit) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

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

If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, provisions are reversed.

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

Contingent liabilities are possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more future events not wholly within the Company's control. Unlike provisions, contingent liabilities are not recognised in the balance sheet, but are disclosed in the accompanying Notes to the annual accounts, unless the possibility of an outflow in settlement is considered to be remote.

***j) Employee benefits***

The provisions for long-term incentives are recognised at year-end at the present value of the estimated future payments to be made in order to meet the obligations acquired (see Note 20). The expense accrued during the year is determined based on the best estimate of the degree to which the conditions giving entitlement to payment have been met, with a charge to personnel costs and finance costs. Any change in the estimates made are recognised with a charge or credit to the income statement for the year, based on their nature.

***k) Income tax***

The Company files consolidated income tax returns as part of a tax group of which it is the parent.

Tax expense (tax income) comprises current tax expense (current tax income) and deferred tax expense (deferred tax income).

The current income tax expense is the amount payable by the Company as a result of income tax settlements for a given year. Tax credits and other tax benefits, excluding tax withholdings and pre-payments, and tax loss carryforwards from prior years effectively offset in the current year reduce the current income tax expense. These tax benefits are measured at face value unless the period for recovery is more than one year, in which case they are measured at present value, provided that this differs significantly from face value.

The deferred tax expense or income relates to the recognition and derecognition of deferred tax assets and liabilities. These include temporary differences measured at the amount expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and their tax bases, and tax loss and tax credit carryforwards. These amounts are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled.

Deferred tax liabilities are recognised for all taxable temporary differences, except for those arising from the initial recognition of goodwill or of other assets and liabilities in a transaction that is not a business combination and affects neither accounting profit (loss) nor taxable profit (tax loss).

Deferred tax assets are recognised to the extent that it is considered probable that the Company will have taxable profits in the future against which the deferred tax assets can be utilised, provided that they will be utilised within a maximum of ten years, unless there is clear evidence that they will be recovered within a period of more than ten years or there are deferred tax liabilities with an identical period of reversal.

Deferred tax assets and liabilities arising from transactions charged or credited directly to equity are also recognised in equity.

The deferred tax assets recognised are reassessed at the end of each reporting period and the appropriate adjustments are made to the extent that there are doubts as to their future recoverability. Also, unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that they will be recovered through future taxable profits.

As required by the Spanish Accounting and Auditing Institute, the Group's policies establish that for each of the companies that belongs to the consolidated tax group, the income tax expense or benefit for the year is calculated on the basis of accounting profit before tax, increased or decreased, as appropriate, by the permanent differences from the taxable profit, net of the tax relief and tax credits corresponding to each company in the tax group under the consolidated tax regime.

### ***l) Revenue and expense recognition***

Revenue and expenses are recognised when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenue from sales is recognised when the commitment obligations with the customer have been satisfied and which, in general, occurs when the goods are given to the customer and the customer pays for them. Revenue is recognised for the value of the consideration received. Refunds of sales, whether actual or forecast, are considered part of the total price of each sales transaction.

Sales to franchises are recognised following the same criteria.

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at the end of the reporting period, provided the outcome of the transaction can be estimated reliably.

Interest income from financial assets is recognised using the effective interest method and dividend income, which is recognised under "Revenue" since it forms part of the ordinary business of the Company, is recognised when the shareholders' right to receive payment has been established. Interest and dividends from financial assets accrued after the date of acquisition are recognised as income.

### ***m) Current / non-current classification***

The Company classifies assets and liabilities as current and non-current items in the balance sheet. Assets and liabilities are classified as current when they are expected to be realised or settled within twelve months of the balance sheet date, and are otherwise classified as non-current liabilities.

### n) *Foreign currency transactions*

The Company's functional currency is the euro. Assets whose acquisition cost is denominated in a foreign currency are translated to euros at the exchange rate prevailing at the date of each acquisition or at the date on which the related items are included in assets.

Accounts receivable and payable denominated in foreign currency are translated to euros at the exchange rates prevailing at the transaction date and are subsequently translated at the end of the reporting period using the closing exchange rates. Any resulting gains or losses are recognised directly in profit or loss in the year in which they arise.

### o) *Related party transactions*

The Company performs its transactions with Group companies and related parties on an arm's length basis. Also, the transfer pricings are adequately supported and, therefore, the Company's Directors consider that there are no material risks in this connection that might give rise to significant liabilities in the future.

### p) *Statement of cash flows*

The following terms are used in the statement of cash flows:

a. Cash flows: inflows and outflows of cash and cash equivalents, which are short-term, highly liquid investments that are subject to an insignificant risk of changes in value.

b. Operating activities: the principal revenue-producing activities of the Company and other activities that are not investing or financing activities.

c. Investing activities: the acquisition and disposal of long-term assets and other investments not included in cash and cash equivalents.

d. Financing activities: activities that result in changes in the size and composition of the equity and borrowings of the Company that are not operating activities.

### q) *Statement of changes in equity*

The statement of changes in equity presented in these annual accounts shows the total changes in equity in the year. This information is in turn presented in two statements: the statement of recognised income and expense and the statement of changes in total equity. The main characteristics of the information contained in the two parts of the statement are explained below:

*Statement of recognised income and expense*

This part of the statement of changes in equity presents the income and expenses generated by the Company as a result of its business activity in the year, and a distinction is made between the income and expenses recognised in the income statement for the year and the other income and expenses recognised, in accordance with current regulations, directly in equity.

Accordingly, this statement presents:

a. Profit for the year.

b. The net amount of income and expenses recognised directly in equity *(the income, net of the expenses arising during the year, recognised directly in equity, which remains under this line item even if in the same year it is transferred to profit or loss, to the initial carrying amount of other assets or liabilities, or is reclassified to another line item)*.

c. The amount transferred to profit or loss from equity *(the amount of the revaluation gains and losses and the asset-related grants previously recognised in equity, albeit in the same year, which are recognised in the income statement)*.

d. The total recognised income and expense, calculated as the sum of a) to c) above.

The amounts of these items are presented gross and the related tax effect is recognised under "Tax Effect" in this statement.

*Statement of changes in total equity*

This part of the statement of changes in equity presents all the changes in equity, including those arising from changes in accounting policies and from the correction of misstatements. Accordingly, this statement presents a reconciliation of the carrying amount at the beginning and end of the year of all the equity items, and the changes are grouped together on the basis of their nature into the following items:

a. Adjustments due to changes in accounting policies and to errors: include the changes in equity arising as a result of the retrospective restatement of the balances in the annual accounts due to changes in accounting policies or to the correction of misstatements.

b. Income and expense recognised in the year: includes, in aggregate form, the total of the aforementioned items recognised in the statement of recognised income and expense.

c. Other changes in equity: includes the remaining items recognised in equity, including, inter alia, increases and decreases in the Company's share capital, distribution of profit, transactions involving own equity instruments, share-based payments, transfers between equity items and any other increases or decreases in equity.

***r) Permanent establishment***

As indicated in Note 1, the Company carries out part of its business through a Permanent Establishment in the Netherlands.

The annual accounts include the effects of the integration of said Permanent Establishment, through the integration in the balance sheet and in the profit and loss account of the balances of the balance sheet items and the profit and loss account of the same. Said integration has been carried out eliminating the transactions carried out between the Company and the Permanent Establishment, as well as the reciprocal asset and liability balances.

The main effect revealed in 2019 by the integration of the Permanent Establishment has been the integration of assets amounting to EUR 91 million.

## 5 Intangible assets

The changes in 2019 and 2018 in the intangible asset accounts and in the related accumulated amortisation were as follows:

2019

| | Opening balance | Additions (charge for the year) | Disposals | Transfers | Closing balance |
|---|---|---|---|---|---|
| Patents and similar items intangibles | 15 | - | - | - | 15 |
| Computer software | 201 | 60 | (12) | 15 | 264 |
| Intangible assets in progress and advances | 22 | 14 | - | (15) | 21 |
| **Cost** | **238** | **74** | **(12)** | **-** | **300** |
| Patents and similar items intangibles | (11) | - | - | - | (11) |
| Computer software | (91) | (40) | 12 | - | (119) |
| **Accumulated amortisation** | **(102)** | **(40)** | **12** | **-** | **(130)** |
| **Net carrying amount** | **136** | | | | **170** |

2018

| | Opening balance | Additions (charge for the year) | Disposals | Transfers | Closing balance |
|---|---|---|---|---|---|
| Patents and similar items intangibles | 14 | 1 | - | - | 15 |
| Computer software | 137 | 42 | (1) | 23 | 201 |
| Intangible assets in progress and advances | 28 | 17 | - | (23) | 22 |
| **Cost** | **179** | **60** | **(1)** | **-** | **238** |
| Patents and similar items intangibles | (10) | (1) | - | - | (11) |
| Computer software | (65) | (27) | 1 | - | (91) |
| **Accumulated amortisation** | **(75)** | **(28)** | **1** | **-** | **(102)** |
| **Net carrying amount** | **104** | | | | **136** |

### Additions

The main additions in 2019 and in 2018 relate to the amount paid for the investment in new IT developments, which was recognised under "Computer Software" and "Intangible Assets in Progress and Advances".

### Fully amortised intangible assets

The Company's intangible assets include certain items which had been fully amortised at 31 January 2020 and 2019, the total cost and accumulated amortisation of which were as follows:

| | 31/01/2020 | 31/01/2019 |
|---|---|---|
| Patents and similar items intangibles | 7 | 6 |
| Computer software | 33 | 19 |
| **Total** | **40** | **25** |

## 6 Property, plant and equipment

The changes in 2019 and 2018 in the property, plant and equipment accounts and in the related accumulated depreciation were as follows:

2019

| | Opening balance | Additions (charge for the year) | Disposals | Transfers (Note 7) | Closing balance |
|---|---|---|---|---|---|
| Land | 23 | - | - | 4 | 27 |
| Buildings | 199 | 5 | (5) | 2 | 201 |
| Plant and machinery | 162 | 4 | (2) | 5 | 169 |
| Other fixtures, tools and furniture | 45 | 2 | - | - | 47 |
| Other items of property, plant and equipment | 216 | 31 | (23) | 1 | 225 |
| Property, plant and equipment in the course of construction and advances | 38 | 35 | - | (15) | 58 |
| **Cost** | **683** | **77** | **(30)** | **(3)** | **727** |
| Buildings | (23) | (5) | - | - | (28) |
| Plant and machinery | (58) | (13) | 1 | - | (70) |
| Other fixtures, tools and furniture | (26) | (3) | - | - | (29) |
| Other items of property, plant and equipment | (79) | (27) | 22 | - | (84) |
| **Accumulated depreciation** | **(186)** | **(48)** | **23** | **-** | **(211)** |
| **Net carrying amount** | **497** | | | | **516** |

2018

| | Opening balance | Additions (charge for the year) | Disposals | Transfers (Note 7) | Closing balance |
|---|---|---|---|---|---|
| Land | 11 | - | (1) | 13 | 23 |
| Buildings | 84 | 57 | (4) | 62 | 199 |
| Plant and machinery | 94 | 37 | (2) | 33 | 162 |
| Other fixtures, tools and furniture | 41 | 5 | (1) | - | 45 |
| Other items of property, plant and equipment | 200 | 19 | (8) | 5 | 216 |
| Property, plant and equipment in the course of construction and advances | 132 | 23 | - | (117) | 38 |
| **Cost** | **562** | **141** | **(16)** | **(4)** | **683** |
| Buildings | (21) | (3) | 1 | - | (23) |
| Plant and machinery | (49) | (9) | - | - | (58) |
| Other fixtures, tools and furniture | (25) | (2) | 1 | - | (26) |
| Other items of property, plant and equipment | (62) | (23) | 6 | - | (79) |
| **Accumulated depreciation** | **(157)** | **(37)** | **8** | **-** | **(186)** |
| **Net carrying amount** | **405** | | | | **497** |

**Additions**

The additions in 2019 relate mainly to expansion projects carried out at the Company's head office in Arteixo (A Coruña)

The additions in 2018 relate mainly to expansion projects carried out at the Company's head office in Arteixo (A Coruña) and with the new logistics centre in A Laracha (A Coruña).

**Asset revaluation**

On 1 February 2013, the items of investment property were revalued pursuant to Law 16/2012, of 27 December; this had an effect on equity, net of tax, of EUR 9 million. The impact of this revaluation on the depreciation charge for 2019 and 2018 was EUR 0.2 million in both years.

**Fully depreciated property, plan and equipment**

At 31 January 2020 and 2019, the property, plant and equipment and the investment property described in Note 7 included certain fully depreciated assets still in operation, the total cost and accumulated depreciation of which were as follows:

| | 31/01/2020 | 31/01/2019 |
|---|---|---|
| Buildings | 110 | 95 |
| Plant and machinery | 26 | 25 |
| Other fixtures, tools and furniture | 11 | 11 |
| Other items of property, plant and equipment | 19 | 26 |
| **Total** | **166** | **157** |

**Property, plant and equipment acquired from the Group**

The detail of the property, plant and equipment and investment property acquired from Group companies at 31 January 2020 and 2019 is as follows:

At 31 January 2020

| | Cost | Accumulated depreciation | Total |
|---|---|---|---|
| Land and buildings | 899 | (305) | 594 |
| Plant and machinery | 157 | (55) | 102 |
| Other items of property, plant and equipment | 7 | (5) | 2 |
| **Total** | **1,063** | **(365)** | **698** |

At 31 January 2019

| | Cost | Accumulated depreciation | Total |
|---|---|---|---|
| Land and buildings | 826 | (262) | 564 |
| Plant and machinery | 140 | (43) | 97 |
| Other items of property, plant and equipment | 7 | (4) | 3 |
| **Total** | **973** | **(309)** | **664** |

**Insurance**

The Company takes out insurance policies to cover the possible risks to which its property, plant and equipment are exposed. The Company's Directors consider that the policies arranged at 31 January 2020 are sufficient to cover the risks inherent to its business activities.

## 7 Investment property

The changes in 2019 and 2018 in "Investment Property" were as follows:

2019

| | Opening balance | Additions (charge for the year) | Transfers (Note 6) | Closing balance |
|---|---|---|---|---|
| Land | 101 | - | - | 101 |
| Buildings | 756 | 10 | 3 | 769 |
| **Cost** | **857** | **10** | **3** | **870** |
| Buildings | (305) | (27) | - | (332) |
| **Accumulated depreciation** | **(305)** | **(27)** | **-** | **(332)** |
| **Net carrying amount** | **552** | | | **538** |

2018

| | Opening balance | Additions (charge for the year) | Disposals | Transfers (Note 6) | Closing balance |
|---|---|---|---|---|---|
| Land | 102 | - | (1) | - | 101 |
| Buildings | 744 | 10 | (2) | 4 | 756 |
| **Cost** | **846** | **10** | **(3)** | **4** | **857** |
| Buildings | (280) | (27) | 2 | - | (305) |
| **Accumulated depreciation** | **(280)** | **(27)** | **2** | **-** | **(305)** |
| **Net carrying amount** | **566** | | | | **552** |

Investment property relates mainly to land and buildings leased by the Company to Group companies whose corporate purpose is the provision of logistics services.

Revenues from leasing the Company's property investments for the financial year 2019 amounted to EUR 39 million (EUR 38 million in 2018) and are recorded under the heading "Other Operating Income - Non-Core and Other Current Operating Income" in the attached profit and loss account (see Note 15).

Operating expenses related to the investment properties owned by the Company amounted to EUR 2 million in 2019 and 2018.

**Additions**

The additions for the year correspond mainly to expansion and improvement projects carried out in the different logistics centres that the Company has in Arteixo (A Coruña).

The additions in 2018 correspond mainly to expansion projects carried out at the Narón (A Coruña) and Zaragoza logistics centres.

## Asset revaluation

On 1 February 2013, the items of investment property were revalued pursuant to Law 16/2012, of 27 December; this had an effect on equity, net of tax, of 35 million. The impact of this revaluation on the depreciation charge for 2019 and 2018 was EUR 1 million in both years.

## Insurance

The Company takes out insurance policies to cover the possible risks to which its investment property is exposed. The Company's Directors consider that the insurance coverage arranged is adequate.

## 8 Investments in Group companies and financial assets (current and non-current)

The detail of investments in Group companies and financial assets (current and non-current) at 31 January 2020 and 2019 is as follows:

| | 31/01/2020 | 31/01/2019 |
|---|---|---|
| **Non-current investments in Group companies, jointly controlled entities and associates** | | |
| Equity investments | 9,268 | 4,035 |
| Impairment losses | (88) | (78) |
| Loans to companies (Note 15) | - | 395 |
| **Total** | **9,180** | **4,352** |
| **Non-current financial assets** | | |
| Equity instruments | | |
| Cost | 14 | 14 |
| Impairment losses | (12) | (12) |
| Other financial assets | 161 | 195 |
| **Total** | **163** | **197** |
| **Current investments in Group companies, jointly controlled entities and associates (Note 15)** | | |
| Loans to companies | 6,243 | 3,899 |
| **Total** | **6,243** | **3,899** |
| **Current financial assets** | | |
| Derivatives | 5 | 9 |
| **Total** | **5** | **9** |

## Non-current investments in Group companies, jointly controlled entities and associates Equity instruments

The most significant information in relation to Group companies, jointly controlled entities and associates at 31 January 2020 is detailed in Annex I.

The main changes in investments in equity instruments correspond to the decisions taken by Group management regarding the management of operations. Thus, during the 2019 financial year, the Group's company acquisitions and capital increases in the amount of EUR 5,122 million (EUR 1,895 million in 2018), cash and non-cash contributions in the amount of EUR 183 million (EUR 352 million in 2018), capital reductions in the amount of EUR 4 million, returns of contributions amounting to EUR

6 million (EUR 215 million in 2018), and sales to other subsidiaries of certain investments in Group companies whose acquisition cost amounted to EUR 62 million (EUR 387 million in 2018). The impact of these transactions has led to a credit amounting to EUR 51 million (EUR 137 million in 2018) under the heading "Other Reserves" in the balance sheet, and a positive result of EUR 1,183 million (EUR 1,894 million in 2018) registered under the heading "Impairment and results from disposals of financial instruments of group companies and associates" of the profit and loss account.

Impairment losses totalling EUR 10 million based on the criteria detailed in Note 4-d, which were recognised under the same heading (2018: EUR 8 million were reversed).

None of the investees of Industria de Diseño Textil, S.A. are listed on the stock exchange.

**Current investments in Group companies, jointly controlled entities and associates**
**Loans to companies and other financial assets**

At the close of 2019 the loans to Group companies recognised under non-current assets in the balance sheet relate to the financing of their activities and the purchase of property, plant and equipment. These loans accrue a market rate of interest.

In order to optimise the financial resources generated, the Company has implemented a centralised cash system among certain Group companies by setting up current accounts, the balances of which can be receivable or payable, depending on the particular circumstances of each company and which, in practice, are settled depending on each company's needs. These balances bear interest at a market rate which is settled on an annual basis. In this connection, the balances receivable included under “Current Investments in Group Companies, Jointly Controlled Entities and Associates” correspond to these current accounts. When the related balances are payable, they are recognised under “Current Payables to Group Companies, Jointly Controlled Entities and Associates” (see Note 15).

The balances arising on tax consolidation are also recognised under this heading (see Notes 15 and 16).

**Non-current financial assets**

At 31 January 2020, the balance of “Non-Current Financial Assets - Other Financial Assets” included mainly advances made as a result of future payment obligations.

**Derivative financial instruments**

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers in US dollars. The Company, in accordance with prevailing foreign currency risk management policies established by the Inditex Group, uses derivative financial instruments (basically forwards) to hedge fluctuations in the cash flows related to these transactions and associated with the exchange rate.

The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In this connection, in 2019 and 2018 there were no highly probable forecast transactions to which hedge accounting was applied that did not ultimately occur.

At 31 January 2020 and 2019, the Company had open derivative positions (basically forward US dollar purchases), which are shown under “Current Financial Assets” or “Current Payables” in the accompanying balance sheet, depending on their balance. The detail of the fair value of these hedging instruments for 2019 and 2018 is as follows:

2019

| CURRENT FINANCIAL ASSETS | | | | | |
|---|---|---|---|---|---|
| Description | Level | Fair value at beginning of year | Amount taken to profit or loss | Gain or loss recognised directly in equity | Fair value at end of year |
| Foreign currency forwards | 2 | 9 | (5) | 1 | 5 |
| **Total** | | **9** | **(5)** | **1** | **5** |

| CURRENT PAYABLES | | | | | | |
|---|---|---|---|---|---|---|
| Description | Level | Fair value at beginning of year | Amount taken to profit or loss | Amount transferred to profit or loss from equity | Gain or loss recognised directly in equity | Fair value at end of year |
| Foreign currency forwards | 2 | 12 | (4) | (8) | - | - |
| Options | 2 | - | - | - | 5 | 5 |
| **Total** | | **12** | **(4)** | **(8)** | **5** | **5** |

2018

| CURRENT FINANCIAL ASSETS | | | | | |
|---|---|---|---|---|---|
| Description | Level | Fair value at beginning of year | Amount taken to profit or loss | Amount transferred to profit or loss from equity | Fair value at end of year |
| Foreign currency forwards | 2 | - | 17 | (8) | 9 |
| **Total** | | **-** | **17** | **(8)** | **9** |

| CURRENT PAYABLES | | | | | |
|---|---|---|---|---|---|
| Description | Level | Fair value at beginning of year | Amount taken to profit or loss | Gain or loss recognised directly in equity | Fair value at end of year |
| Foreign currency forwards | 2 | 57 | (26) | (19) | 12 |
| **Total** | | **57** | **(26)** | **(19)** | **12** |

There have been no transfers between the different levels.

The changes in the fair value of the hedging instruments detailed depend mainly on the changes in the US dollar contract rate and the changes in the short-term yield curves.

## 9 Cash and cash equivalents

The cash balances include cash in hand and demand deposits at banks.

All the balances under these line items are unrestricted as to their use and there are no guarantees or pledges attached to them.

## 10 Inventories

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

| | 31/01/2020 | 31/01/2019 |
|---|---|---|
| Goods held for resale | 584 | 784 |
| Raw materials and other supplies | 76 | 71 |
| **Total** | **660** | **855** |

The Company takes out insurance policies to cover the possible risks to which its inventories are exposed. The Company's Directors consider that the insurance coverage arranged is adequate.

Based on current information Inditex has booked an inventory provision of EUR 172 million to account for the impact that the Covid-19 pandemic might have on the net realisable value of the Spring/Summer inventory position at 31 January 2020.

## 11 Equity

### Shareholders' equity

***Share capital***

At 31 January 2020 and 2019, the Company's share capital was represented by 3,116,652,000 fully subscribed and paid-up shares of EUR 0.03 par value each, which confer identical voting rights upon their holders, and which are represented by book entries.

INDITEX shares are listed on the four Spanish stock exchanges. Although its shares are represented by book entries, pursuant to Article 497 of the Spanish Companies Act, Inditex has hired to Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) its services related to the provision of the daily share ownership notification.

As per the Company's Shareholder Register, as well as the public registers of the Spanish National Securities Market Commission (CNMV), the Company's significant shareholders at 31 January 2020 and 2019 were as follows:

| | 31/01/2020 | | 31/01/2019 | |
|---|---|---|---|---|
| **Shareholder** | **Number of shares** | **Percentage of ownership** | **Number of shares** | **Percentage of ownership** |
| Pontegadea Inversiones, S.L. | 1,558,637,990 | 50.01% | 1,558,637,990 | 50.01% |
| Partler 2006, S.L. | 289,362,325 | 9.28% | 289,362,325 | 9.28% |
| Rosp Corunna Participaciones Empresariales, S.L. | 157,474,030 | 5.05% | 157,474,030 | 5.05% |
| **Total** | **2,005,474,345** | **64.34%** | **2,005,474,345** | **64.34%** |

At 31 January 2020 and 2019, the members of the Board of Directors or their related companies controlled approximately 59.371% and 59.364%, respectively, of the Company's share capital, as detailed in Annex II.

***Legal reserve***

Under the Spanish Companies Act, the Company must transfer 10% of net profit for each year to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. At 31 January 2020 and 2019, the legal reserve had reached the legally required minimum.

The legal reserve can be used to increase capital provided that the remaining reserve balance does not fall below 10% of the increased share capital amount. Otherwise, until the legal reserve exceeds 20% of share capital, it can only be used to offset losses, provided that sufficient other reserves are not available for this purpose.

***Revaluation reserve***

Pursuant to Law 16/2012, of 27 December, in 2013 the Company revalued its property, plant and equipment and investment property assets. The amount of the revaluation, net of the 5% tax charge, was EUR 44 million (see Notes 6 and 7).

***Dividends***

The dividends paid by the Company in 2019 and 2018 amounted to EUR 2,741 million and EUR 2,335 million, respectively. These amounts correspond to payments of EUR 0.88 per share in 2019 and EUR 0.75 per share in 2018. The distribution of profit for 2019 proposed by the Board of Directors is shown in Note 3.

***Treasury shares***

The Annual General Shareholder' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 20) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this Plan. Likewise, the General Shareholders' Meeting, at its meeting held on 16 July 2019, approved a Long-Term Incentive Plan 2019-2023 and authorised the Board of Directors to derivatively acquire treasury shares, aimed at covering such plans, leaving the previous authorisation without effect.

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

Subsequently, during the financial year 2019, the first cycle (2016-2019) of the Long-Term Incentive Plan 2016-2020 took place, and the corresponding actions were handed over to the beneficiaries of the aforementioned first cycle of the Plan. As of 31 January 2020, the Company held a total of 2,125,384 own shares, representing 0.068% of the share capital.

## 12 Long-term provisions

The detail of "Long-Term Provisions" at 31 January 2020 and 2019 and of the changes therein in 2019 is as follows:

| | Balances at 31/01/2019 | Charge for the year and transfers to short term | Balances at 31/01/2020 |
|---|---|---|---|
| **Long-term provisions** | | | |
| Other provisions | | | |
| Provisions for third-party liability | 1 | 1 | 2 |
| Provision for pensions and similar obligations to personnel | 13 | (11) | 2 |
| **Total** | **14** | **(10)** | **4** |

***Provisions for third-party liability***

The balances of this line item relate to provisions recognised to cover any risks that might arise for the Company in the performance of its ordinary activities. An analysis is performed each year of the portion that will foreseeably have to be settled the following year, and the related amount is reclassified to current liabilities.

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

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

The Company's Directors consider that the provisions recognised in the balance sheet adequately cover the risks relating to litigation, arbitration and other contingencies and do not expect any liabilities additional to those recognised to arise therefrom.

***Provision for pensions and similar obligations to personnel***

The Company has undertaken to settle specific obligations to personnel. The Company has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2020. The estimated average payment period for the amounts provisioned is three years.

## 13 Non-current and current accruals and deferred income

These line items include mainly the amount not yet recognised in profit or loss of the income arising from transfers of assets between Group companies, which were paid in full in 2013. The amount transferred to profit or loss in 2019 and 2018 in this connection was EUR 123 million, which was recognised under "Other Operating Income - Non-Core and Other Current Operating Income" (See Note 15).

## 14 Non-current and current liabilities

The breakdown of the balances of "Non-Current Payables" and "Current Payables" in the accompanying balance sheets as at 31 January 2020 and 2019 is as follows:

| | 31/01/2020 | | | 31/01/2019 | | |
|---|---|---|---|---|---|---|
| | Current liabilities | Non-current liabilities | Total | Current liabilities | Non-current liabilities | Total |
| Obligations under finance leases | 6 | 6 | 12 | 3 | 5 | 8 |
| Derivatives (Note 8) | 5 | - | 5 | 12 | - | 12 |
| Other financial liabilities | | | | | | |
| Payable to non-current asset suppliers | 4 | - | 4 | 5 | - | 5 |
| Other payables | 29 | - | 29 | 36 | - | 36 |
| **Total** | **44** | **6** | **50** | **56** | **5** | **61** |

"Other Payables" includes mainly deposits received from franchises and other counterparties to secure the payment for the supply of finished goods and other transactions, as well as the debts recognised as a result of the existence of cross call and put options between the Company 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 variations in the option prices are due basically to the fact that the prices are linked to the number of stores operated and to the shareholders' equity and the profit or loss of these subsidiaries.

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

a) Subsidiary domiciled in Mexico

The Company 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 shareholders' share of the equity of the investee when the call option is exercised.

b) Subsidiary domiciled in South Korea

The Company 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 shareholders' share of the equity of the investee when the call option is exercised.

The Company had been granted credit facilities with a limit of EUR 721 million at 31 January 2020 (31 January 2019: EUR 698 million). At 31 January 2020 and 2019, no balances had been drawn down.

## 15 Balances and transactions with Group and related companies

### Balances

The detail of the Company's balances with Group entities, jointly controlled entities and related companies at 31 January 2020 and 2019 is as follows:

| | 31/01/2020 | | | 31/01/2019 | | |
|---|---|---|---|---|---|---|
| | Short term | Long term | Total | Short term | Long term | Total |
| Trade receivables | 192 | - | 192 | 296 | - | 296 |
| Loans (Note 8) | 6,001 | - | 6,001 | 3,675 | 395 | 4,070 |
| Receivables arising from filing of consolidated tax returns (Notes 8 & 16) | 242 | - | 242 | 224 | - | 224 |
| **Total** | **6,435** | **-** | **6,435** | **4,195** | **395** | **4,590** |
| Payables to suppliers | 1,125 | - | 1,125 | 928 | - | 928 |
| Payables | 693 | 6 | 699 | 509 | 6 | 515 |
| Payables arising from filing of consolidated tax returns (Note 16) | 5 | - | 5 | 4 | - | 4 |
| **Total** | **1,823** | **6** | **1,829** | **1,441** | **6** | **1,447** |

### Transactions

The detail of the transactions with Group and related companies in 2019 and 2018 is as follows:

2019

| | Group Companies | Jointly controlled entities | Other related parties | Total |
|---|---|---|---|---|
| **Expenses and Incomes** | | | | |
| Purchases | 5,103 | 1 | - | 5,104 |
| Other expenses | 1,082 | - | - | 1,082 |
| Finance costs | 2 | - | - | 2 |
| **Total Expenses** | **6,187** | **1** | **-** | **6,188** |
| Sales | 8,140 | - | - | 8,140 |
| Dividends | 8,935 | 60 | - | 8,995 |
| Operating lease income (Note 7) | 39 | - | - | 39 |
| Other income | 193 | 2 | 7 | 202 |
| Finance and other income | 4 | - | - | 4 |
| **Total Income** | **17,311** | **62** | **7** | **17,380** |
| **Other Transactions** | | | | |
| Disposals of Group investments (Note 8) | 1,245 | - | - | 1,245 |

2018

| | Group Companies | Jointly controlled entities | Other related parties | Total |
|---|---|---|---|---|
| **Expenses and Incomes** | | | | |
| Purchases | 4,318 | 1 | - | 4,319 |
| Other expenses | 980 | - | - | 980 |
| Finance costs | 2 | 1 | - | 3 |
| **Total Expenses** | **5,300** | **2** | **-** | **5,302** |
| Sales | 7,436 | - | - | 7,436 |
| Dividends | 8,150 | 20 | - | 8,170 |
| Operating lease income (Note 7) | 38 | - | - | 38 |
| Other income | 180 | 18 | - | 198 |
| **Total Income** | **15,804** | **38** | **-** | **15,842** |
| **Other Transactions** | | | | |
| Disposals of Group investments (Note 8) | 2,281 | - | - | 2,281 |
| Disposals of property, plant and equipment | 5 | - | 1 | 6 |

The main transactions relate to the sales of products to subsidiaries worldwide and the services provided thereto, such as those relating to franchise fees or rentals and the transfer of assets (see Note 13) -all of which are performed through the agreements entered into by the Company with the companies in its Group in order to carry on the activities described in Note 1, as well as the dividends received from subsidiaries and the sale of shares described in Note 8. "Other Expenses" includes mainly logistics and design services provided by Group companies. The finance costs and finance income arise from the financial balances held by the Company with the Group companies described above.

## 16 Taxes

### Income tax

Industria de Diseño Textil, S.A. files consolidated tax returns as the parent of a tax group formed by the following subsidiaries:

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

The reconciliation of the accounting profit for 2019 and 2018 to the taxable profit for income tax purposes is as follows:

2019

| | Increase | Decrease | Total |
|---|---|---|---|
| Income and expense for the year | - | - | 10,418 |
| Income tax | - | - | (14) |
| Profit before taxes | - | - | 10,404 |
| Permanent differences | | | |
| Individual company | 173 | (9,966) | (9,794) |
| Temporary differences | | | |
| Of the individual company arising in the year | 206 | - | 206 |
| Of the individual company arising in prior years | 18 | (44) | (26) |
| **Taxable profit** | | | **790** |

2018

| | Increase | Decrease | Total |
|---|---|---|---|
| Income and expense for the year | | | 10,381 |
| Income tax | | | 85 |
| Profit before taxes | | | 10,466 |
| Permanent differences | | | |
| Individual company | 19 | (10,071) | (10,052) |
| Temporary differences | | | |
| Of the individual company arising in the year | 37 | - | 37 |
| Of the individual company arising in prior years | 15 | (22) | (7) |
| Consolidation adjustments | 15 | (16) | (1) |
| **Taxable profit** | | | **443** |

The most significant permanent differences correspond to expenses which are not considered as tax deductible amounting to EUR 26 million of which EUR 16 million are donations (EUR 19 million in 2018), EUR 3,572 million due to the application of the exemption from international double taxation on dividends and capital gains (EUR 6,784 million in 2018), EUR 6,265 million due to the application of the exemption from internal double taxation on dividends, including that relating to dividends of companies in the tax group (EUR 3,280 million in 2018), EUR 128 million due to the application of the capitalization reserve and EUR 145 million due to the inclusion in the Spanish taxable income of the foreign Corporate Income Taxes corresponding to the profits which give rise to certain dividends distributed by the subsidiaries.

### Income tax expense

The calculation of the income tax expense for 2019 and 2018 is as follows:

2019

| | Profit or loss |
|---|---|
| Income and expense for the year before income tax | 10,404 |
| Tax charge at 25% | 2,601 |
| Non-deductible expenses | 7 |
| Exemption from double taxation on dividends and capital gains | (2,553) |
| Other reductions in taxable income | (32) |
| Tax relief and tax credits in the current year | (4) |
| Other adjustments | (33) |
| **Income tax expense** | **(14)** |

2018

| | Profit or loss |
|---|---|
| Income and expense for the year before income tax | 10,466 |
| Tax charge at 25% | 2,617 |
| Non-deductible expenses | 5 |
| Exemption from international double taxation on dividends | (2,516) |
| Tax relief and tax credits in the current year | (6) |
| Other adjustments | (15) |
| **Income tax expense** | **85** |

**Deferred taxes**

The detail of deferred tax assets and of the changes therein at 31 January 2020 and 2019 is as follows:

2019

| | 31/01/2019 | Profit or loss | Equity | 31/01/2020 |
|---|---|---|---|---|
| Valuation adjustments | 5 | - | - | 5 |
| Assets tax group | 27 | 56 | - | 83 |
| Provisions for obligations to personnel | 15 | (7) | - | 8 |
| Limitation on deductibility of depreciation and amortisation - Law 16/2012 | 3 | (1) | - | 2 |
| Tax credits pending to be applied | - | 28 | - | 28 |
| Provisions for long-term assets | - | 3 | - | 3 |
| Other provisions | - | 43 | - | 43 |
| Unused tax credits relating to the reversal of temporary measures - Law 16/2012 | 1 | - | - | 1 |
| Foreign currency hedges | 2 | - | (1) | 1 |
| **Total** | **53** | **122** | **(1)** | **174** |

2018

| | 31/01/2018 | Profit or loss | Equity | 31/01/2019 |
|---|---|---|---|---|
| Valuation adjustments | 5 | - | - | 5 |
| Assets tax group | - | 27 | - | 27 |
| Provisions for obligations to personnel | 12 | 3 | - | 15 |
| Limitation on deductibility of depreciation and amortisation - Law 16/2012 | 3 | - | - | 3 |
| Unused tax credits relating to the reversal of temporary measures - Law 16/2012 | 1 | - | - | 1 |
| Foreign currency hedges | 5 | - | (3) | 2 |
| **Total** | **26** | **30** | **(3)** | **53** |

The detail of deferred tax liabilities and of the changes therein at 31 January 2020 and 2019 is as follows:

2019

| | 31/01/2019 | Profit or loss | 31/01/2020 |
|---|---|---|---|
| Valuation adjustments | (8) | 5 | (3) |
| Inventories of companies in the tax group | (4) | - | (4) |
| **Total** | **(12)** | **5** | **(7)** |

2018

| | 31/01/2018 | Profit or loss | 31/01/2019 |
|---|---|---|---|
| Valuation adjustments | (11) | 3 | (8) |
| Inventories of companies in the tax group | (4) | - | (4) |
| **Total** | **(15)** | **3** | **(12)** |

The deferred tax liabilities include those corresponding to intra-Group transactions, as a result of the application of the consolidated tax regime.

Of the change in the net balance of deferred tax assets and liabilities, EUR 1 million were recognised with a debit to equity (EUR 3 million debited to equity in 2018) and EUR 127 million were credited to profit or loss (EUR 33 million credited to profit and loss in 2018).

Industria de Diseño Textil, S.A. generated tax credits amounting to EUR 4 million in relation to donations (EUR 6 million in 2018).

The income tax expense for the year includes withholdings borne abroad and not deducted in the Spanish taxable income relating to income received from foreign subsidiaries, amounting to EUR 14 million (EUR 15 million in 2018). Such income tax expense also includes the applicaton of Spanish tax credits arisen from the international juridical double taxation (EUR 9 million) and the international economic double taxation (EUR 86 million).

As a result of the transactions described, the breakdown of the income tax expense for 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Current tax | 113 | 118 |
| Deferred tax | (127) | (33) |
| **Total income tax expense** | **(14)** | **85** |

**Other tax disclosures**

Pursuant to Transitional Provision 16 of Spanish Income Tax Law 27/2014, as amended by Royal Decree-Law 3/2016, the Company made a positive adjustment of EUR 24 million to the accounting profit in relation to the reversal of the impairment losses on certain investees. The impairment losses pending of reversal at 31 January 2020 amount to EUR 18 million.

Currently, there is a tax audit open in relation to the Corporate Income Tax of the tax group of which Inditex is the parent company for the fiscal years 2013, 2014, 2015 and 2016. The company does not expect that significant additional liabilities may arise as a result of such tax audit or other tax audits it has to face in the future.

At the date of preparation of the annual accounts, the statute-of-limitations period for Corporate Income Tax of 2013 and subsequent years had not expired, and neither had the other tax obligations relating to 2016 and subsequent tax periods.

## 17 Guarantee commitments to third parties

At 31 January 2020 and 2019, the Company had provided third parties with certain guarantees to various public authorities and entities, for the following amounts drawn down:

| | 31/01/2020 | 31/01/2019 |
|---|---|---|
| Customs authorities | 30 | 30 |
| Other public administrations | 18 | 10 |
| Other entities | 5 | 18 |
| **Total** | **53** | **58** |

The Company's Directors consider that any losses or liabilities not foreseen at 31 January 2020 that might arise from the aforementioned guarantees provided would not in any event be material.

## 18 Income and expenses

### 18.1 Revenue

The breakdown, by geographical markets, of the Company's revenue for 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| **Revenue from the sale of goods** | | |
| Spain | 1,476 | 1,398 |
| Rest of Europe | 4,296 | 3,854 |
| Americas | 1,334 | 1,224 |
| Asia and Rest of the world | 2,102 | 1,994 |
| **Revenue from the rendering of services** | | |
| Spain | 28 | 25 |
| Rest of Europe | 30 | 27 |
| **Dividends and other income** | | |
| Spain | 6,254 | 3,280 |
| Rest of Europe | 2,614 | 4,821 |
| Americas | 66 | 23 |
| Asia and Rest of the world | 61 | 46 |
| **Total** | **18,261** | **16,692** |

### 18.2 Procurements

The detail of "Procurements" in the accompanying Income Statements for 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Purchases of goods held for resale, raw materials and other supplies | 7,053 | 6,539 |
| Changes in inventories of raw materials, goods held for resale and other supplies | 24 | (1) |
| Changes in provisions | 172 | (11) |
| Work performed by other companies | 100 | 89 |
| **Total** | **7,349** | **6,616** |

The detail of the purchases made by the Company in 2019 and 2018 based on the geographical location of suppliers, is as follows:

| | 2019 | 2018 |
|---|---|---|
| **Purchases of goods held for resale** | | |
| Spain | 1,837 | 1,808 |
| Rest of Europe | 4,518 | 3,907 |
| Rest of the world | 83 | 257 |
| **Purchases of raw materials** | | |
| Spain | 207 | 213 |
| Rest of Europe | 338 | 308 |
| Rest of the world | 70 | 46 |
| **Total** | **7,053** | **6,539** |

### 18.3 Employee benefits

The detail of "Employee Benefits" in the statements of profit or loss for 2019 and 2018 is as follows:

| | 2019 | 2018 |
|---|---|---|
| Employer social security costs | 31 | 26 |
| Other employee benefit costs | 6 | 7 |
| **Total** | **37** | **33** |

The number of employees at 31 January 2020 and 2019, by professional category and gender, was as follows:

2019

| | Gender | | |
|---|---|---|---|
| | Men | Women | Total |
| Corporate central services | 428 | 527 | 955 |
| Commercial central services | 579 | 713 | 1,292 |
| **Total** | **1,007** | **1,240** | **2,247** |

2018

| | Gender | | |
|---|---|---|---|
| | Men | Women | Total |
| Corporate central services | 423 | 542 | 965 |
| Commercial central services | 489 | 625 | 1,114 |
| **Total** | **912** | **1,167** | **2,079** |

In 2019 the average number of employees at the Company was 946 in corporate central services and 1,231 in commercial central services. In 2018 the average number of employees was 948 in corporate central services and 1,054 in commercial central services.

At 31 January 2020 there were 25 employees with a disability greater than or equal to thirty three percent (2018: 15 such employees). The average number of such employees in 2019 was 22 (2018: 21 employees).

For its part, the Board of Directors has been formed during the 2019 financial year and on 31 January 2020, by 7 men and 4 women (6 men and 3 women in the 2018 financial year and on 31 January 2019).

### 18.4 Outsourced services

"Other Operating Expenses - Outsourced Services" includes mainly logistics and design services provided by other Group companies amounting to EUR 789 million (2018: EUR 692 million), and other indirect selling costs incurred on services provided by third parties amounting to EUR 544 million (2018: EUR 487 million). This line item also includes all the audit and consultancy services received, insurance premiums, travel expenses and utilities.

### 18.5 Foreign currency balances and transactions

The Company's revenue includes EUR 4,022 million (2018: EUR 3,777 million) relating mainly to sales in currencies other than the euro, including the US dollar, the pound sterling, the Japanese yen, the Mexican peso and other foreign currencies. "Procurements" includes purchases made mainly in US dollars amounting to EUR 2,155 million (2018: EUR 1,707 million). As a result of these transactions, the Company's balance sheet includes accounts receivable in currencies other than the euro, mainly in US dollars, amounting to EUR 97 million at 31 January 2020 (31 January 2019: EUR 60 million), and accounts payable amounting to EUR 712 million at 31 January 2020, mainly in US dollars (31 January 2019: EUR 415 million).

## 19 Information on the nature and level of risk

The Company's activities are exposed to various financial risks: market risk (including foreign currency risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's risk management focuses on uncertainty in the financial markets and aims to minimise the potential adverse effects on the profitability of its business.

This note provides information on the Company's exposure to each of the aforementioned risks, the Company'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 Company operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar and, to a lesser extent, the Mexican peso, Russian rouble, the Chinese yuan, the Japanese yen and the UK pound sterling. Foreign currency risk arises on future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed in line with the corporate risk management model guidelines, which establish the ongoing monitoring of exchange rate fluctuations and other measures designed to mitigate this risk, mainly through the optimisation of the Group's operations in order to minimise the impact, using natural hedges, the benefits of diversification and the arrangement of financial hedges.

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers in US dollars. In accordance with prevailing foreign currency risk management policies, the Company's management arranges derivatives, mainly foreign currency forwards (see Note 8), to hedge fluctuations in cash flows relating to the EUR-USD exchange rate. Occasionally the Company also uses non-derivative financial instruments as hedges (e.g. deposits held in currencies other than the euro).

The Company supplies its subsidiaries with goods for sale to the end customers. With a view to reducing the fluctuations in value of the expected foreign currency cash flows arising from these intercompany transactions (denominated in currencies other than the euro), the Company uses financial derivatives such as purchased options and, occasionally, foreign currency forwards.

As described in Note 4-f, the Company applies hedge accounting to mitigate the volatility that would arise in the income statement as a result of the existence of significant foreign currency transactions. Hedge accounting has been used because the Company complies with the requirements detailed in Note 4-f on accounting policies in order to be able to classify financial instruments as hedges for accounting purposes.

The Company applies the hedge accounting rules established in the applicable accounting standards. As a result, certain financial instruments were formally designated as hedging instruments and the Company verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In 2019, using hedge accounting, no significant amounts were recognised in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges.

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

The fair value of the hedging instruments was calculated as described in Note 4-f.

As part of its financial risk management policy, the Group to which the Company belongs uses the Cash-Flow-at-Risk (CFaR) methodology to estimate the potential impact of exchange rate changes on profit before tax and, if applicable, determine the relevant mitigation strategies. CFaR is methodology widely used in risk management. It is an evolution of the Value-at-Risk (VaR) method focused on the possible loss related to future cash flows. Given a portfolio, exposed to one or more risks, the CFaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The CFaR measures risk in aggregate terms, considering the potential diversification benefit resulting from the correlations between the components of the portfolio of exposures.

The underlying portfolio used in the CFaR calculation comprises future flows denominated in currencies other than the euro up to a period of one year. It is estimated that this portfolio represents substantially all of the Company's exposure to foreign currency risk and that the possible adverse changes in exchange rates would affect the profit of the following year. The main parameters and assumptions used in the CFaR calculation relate to the horizon of the estimated flows, the scenario simulation technique and the selected confidence interval. The cash flows considered have a duration of up to one year, taking as a time horizon the maturity date of each cash flow. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous three years. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous three years. It may also be the case that the estimated flows, i.e. the portfolio used for the calculation, differ from the actual flows. In addition, the Company uses the Value-at-Risk (VaR) method to manage foreign exchange risk in relation to the most relevant accounting items.

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate resulting from the CFaR calculation, could be EUR 160 million at 31 January 2020 (31 January 2019: EUR 140 million).

**Credit risk**

The Company´s main financial assets are trade and other receivables and loans to Group companies, which represent the Company's principal exposure to credit risk.

At 31 January 2020, the accounts receivable from franchises were secured by deposits and by guarantees provided by banks of recognised solvency of which Industria de Diseño Textil, S.A. is the beneficiary.

The Company adopts prudent criteria in its investment policy the main objectives of which are to mitigate the credit risk associated with investment products and the counterparty risk associated with banks by establishing highly detailed analysis criteria.

The rating of investment vehicles is done by considering credit assessments issued by the main rating agencies, solvency, liquidity, asset quality and prudence in the management of financial institutions. In addition, the Company uses value at risk methodologies to assess the credit risk of its investment portfolio.

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

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

In relation to credit risk arising from commercial transactions, impairment losses are recognised for trade receivables when objective evidence exists that the Company will be unable to recover all the outstanding amounts in accordance with the original contractual conditions of the receivables. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognised in the income statement. In 2019 there were no significant additions to or applications in this connection.

At 31 January 2020 and 2019, there were no material past-due balances. Furthermore, based on available historical data, the Company's Directors did not consider it necessary to make valuation adjustments to receivables.

**Liquidity risk**

The Company is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows required in its normal operations. If the Company has a specific financing requirement, either in euros or in other currencies, it resorts to loans, credit facilities or other types of financial instruments (see Note 14).

Note 14 contains a detail of the financial liabilities, along with their scheduled maturities.

**Interest rate risk**

The Company's exposure to interest rate risk, which in no case is significant, arises principally in relation to the following items:

- Cash and cash equivalents: given the Company's investment policy, any changes in interest rates at year-end would not significantly affect profits.

- Financial debt: given the amount of the Company's external financing, any change in interest rates at year-end would not significantly affect profits.

- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment, intangible assets and equity instruments) (see Note 4-d).

- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

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

**Country risk**

The international presence of the Company's subsidiaries and permanenet establishemnt exposes it to the country risk of numerous geographical regions, mainly in its supply activities. The Company adapts its administrative and business processes in order to minimise country risk and take advantage of the benefits of geographical diversification.

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

At 31 January 2020, there was no significant risk in relation to the repatriation of funds or any material cash surpluses not available for use by the Company or its subsidiaries. Similarly, there are no significant restrictions on the Company's ability to access the assets and settle the liabilities of its subsidiaries.

*Brexit-related Risks*

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

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

**Capital management**

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

The Company 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.

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

## 20 Other disclosures

**2016-2020 Long-Term Incentive Plan**

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the "2016-2020 Plan"). Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The 2016-2020 Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time and verified compliance with the specific objectives, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

The 2016-2020 Plan has a total duration of four years and is structured into two mutually independent time cycles. Both cycles have ended. The first cycle of the 2016-2020 Plan ran from 1 February 2016 to 31 January 2019. The second cycle ran from 1 February 2017 to 31 January 2020, although the liquidation of this second cycle will take place during the first half of the year 2020.

The 2016-2020 Plan is linked to critical business targets and the creation of shareholder value.

The 2016-2020 Plan does not expose the Company to any material risks.

The liability relating to the cash-settled component of the 2016-2020 Plan is recognised under "Remuneration payable" item in the balance sheet, and its annual allocation is included in the "Personnel expenses" item in the profit and loss account. The impact of these obligations on the income statement and the balance sheet is not significant.

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

To cater for this 2016-2020 Plan, the Company has, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 11).

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

**2019-2023 Long-Term Incentive Plan**

The Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the "2019-2023 Plan"). Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The 2019-2023 Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time and verified compliance with the specific objectives, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

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

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

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

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

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

To cater for this 2019-2023 Plan, the Company has, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see Note 11). And this, without prejudice to the possibility that the Company may proceed at a later time, and by virtue of the authorisation granted by the General Shareholders' Meeting of 16 July 2019, to derivatively acquire a greater volume of treasury shares to cover said 2019-2023 Plan.

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

## Annual Bonus

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

In 2019, the part corresponding to 2018 was paid, following the criteria set out in Note 20 of the 2018 Notes to the annual accounts.

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

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

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

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

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

**Remuneration and other benefits paid to the Company's Directors and Senior Management**

The amounts included in the following tables and paragraphs are expressed in thousands of euros.

The total remuneration earned by the Directors and Senior Management of Inditex in 2019 was as follows:

| | Thousands of euros | |
|---|---|---|
| | **Directors** | **Senior Management** |
| Remuneration | 9,458 | 16,229 |
| Termination benefits | - | - |
| **Total** | **9,458** | **16,229** |

The total remuneration earned by the Directors and Senior Management of Inditex in 2018 was as follows:

| | Thousands of euros | |
|---|---|---|
| | **Directors** | **Senior Management** |
| Remuneration | 11,419 | 22,682 |
| Termination benefits | - | - |
| **Total** | **11,419** | **22,682** |

According to the public registers of the Spanish National Securities Market Commission (CNMV), at 31 January 2020 the members of the Board of Directors held the direct and indirect ownership interests in the share capital of Inditex detailed in Annex II.

Remuneration for 2019 includes fixed remuneration, short-term variable remuneration and long-term variable remuneration accrued by Senior Management. Remuneration of Directors for 2019 includes fixed items of remuneration of Directors in their status as such, as well as fixed salary, short-term variable remuneration and long-term variable remuneration of Executive Directors.

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

Meanwhile, long-term variable remuneration includes the amount accrued for the second cycle (2017-2020) of the 2016-2020 Long-term Plan. The amount accrued in 2019 by the Executive Directors in terms of this incentive is EUR 1,483 thousand (EUR 1,412 thousand by the Executive Chairman and EUR 71 thousand by the CEO). In turn, the sum of EUR 4,452 thousand was accrued by Senior Management. This incentive materialised as follows:

- Executive Directors: (i) an incentive in cash in the gross amount of EUR 769 thousand for the Executive Chairman and EUR 46 thousand for the CEO; and, (ii) an incentive in shares materialised in 31,888 shares for the Executive Chairman, equivalent to the gross amount of EUR 643 thousand, and 1,259 shares for the CEO, equivalent to the gross amount of EUR 25 thousand.

- Senior Management (i) an incentive in cash in the gross amount of EUR 2,880 thousand and, (ii) an incentive in shares materialised in 77,948 shares, equivalent to the gross amount of EUR 1,572 thousand.

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

The incentive in cash and in shares will be delivered within the month following the publication of the annual accounts for 2019.

Remuneration for 2018 includes fixed remuneration, short-term variable remuneration and long-term variable remuneration accrued by Senior Management. Remuneration of Directors for 2018 includes fixed items of remuneration of Directors in their status as such, as well as fixed salary, short-term variable remuneration and long-term variable remuneration of the Executive Chairman.

Long-term variable remuneration includes the amount accrued in 2018 for the first cycle (2016-2019) of the 2016-2020 Long-term Plan, which was paid within the first half of 2019. The amount accrued in 2018 by the Executive Chairman in terms of this incentive was EUR 3,052 thousand and by Senior Management EUR 9,260 thousand. This incentive materialized as follows: (i) an incentive in cash in the gross amount of EUR 1,348 thousand for the Executive Chairman and EUR 5,064 thousand for the Senior Management; and, (ii) an incentive in shares materialised in 69,985 shares, equivalent to the gross amount of EUR 1,704 thousand for the Executive Chairman, and 172,322 shares, equivalent to the gross amount of EUR 4,196 thousand for the Senior Management.

The incentive in shares accrued by the Executive Chairman and the Senior Management regarding the first cycle (2016-2019) of the 2016-2020 Plan for 2018, shown in Note 20, has been adjusted in accordance with the share price as at the date of delivery of the above referred shares.

In 2019 and 2018 no contributions were made to the defined contribution benefit Plan.

The Company has taken out a third-party civil liability insurance policy that covers its Directors, Senior Management and other Officers and employees. The insurance premium for 2019 amounted to EUR 176 thousand in 2019 and 2018, respectively.

In 2019 and 2018 the Company did not pay any remuneration to natural persons representing it on the managing bodies of any other companies.

**Disclosures required pursuant to Article 229 of Legislative Royal Decree 1/2010, of 2 July, approving the Consolidated Text of the Spanish Companies Act**

As established in Article 229 of the Spanish Companies Act, amended by Law 31/2014, of 3 December, reforming that Law in order to improve corporate governance, it is hereby disclosed that the Directors did not report any situation of direct or indirect conflict of interest that they or persons related to them might have with the Company.

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

When the Board of Directors deliberated on the appointment or re-election of a director, on the acknowledgment and acceptance of his/her resignation, on the placement of his/her office at the disposal of the Board, on remuneration or on any other resolution involving a director or a person or company related to a director, the person concerned left the meeting room during the deliberation of and voting on the corresponding resolution.

**Disclosures on the average period of payment to suppliers**

Set out below are the disclosures required by Additional Provision Three of Law 15/2010, of 5 July (amended by Final Provision Two of Law 31/2014, of 3 December), prepared in accordance with the Spanish Accounting and Auditing Institute (ICAC) Resolution of 29 January 2016 on the disclosures to be included in notes to annual accounts in relation to the average period of payment to suppliers in commercial transactions.

| | 2019 | 2018 |
|---|---|---|
| | **Days** | |
| Average period of payment to suppliers | 48.43 | 46.76 |
| Ratio of transactions settled | 49.45 | 47.30 |
| Ratio of transactions not yet settled | 38.17 | 40.61 |
| | **Amount** | |
| Total payments made | 1,134 | 1,012 |
| Total payments outstanding | 113 | 88 |

These balances relate to suppliers that because of their nature are trade creditors for the supply of goods and services and, therefore, they include the figures relating to "Payable to Suppliers", "Payable to Suppliers - Group Companies and Associates" and "Sundry Accounts Payable" under "Current Liabilities" in the accompanying balance sheet at 31 January 2020 and 2019.

“Average period of payment to suppliers” is taken to be the period that elapses from the delivery of the goods or the provision of the services by the supplier to the effective payment of the transaction.

In addition, if for any reason the quality of the goods or services once received is lower than expected or agreed upon, it is the Company's policy not to make payments until the situation is rectified.

**Fees paid to auditors**

In 2019 and 2018 the fees for financial audit services provided by the auditor of the Company’s annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, amounted to EUR 0.3 million.

In addition, the auditor billed the Company for other services amounting to EUR 0.07 million in 2019 (2018: EUR 0.05 million).

**Information on environmental activities**

Inditex has developed a flexible and integrated business model, with a strong customer orientation and a clear sustainable approach. In this regard, Inditex's environmental strategy is reflected in its Environmental Sustainability Policy. Includes environmental commitments, of cross-cutting application in all its business areas and throughout its supply chain.

At the end of the fiscal year, Inditex has no environmental liabilities, expenses, assets, provisions or contingencies that could be significant in relation to the equity, the financial position and the results thereof.

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

**Events after the reporting period**

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

Taking into account the potential impact of the above described situation on the financial information of Inditex as of 31 January 2020, Directors and Management have assessed the situation based upon the best information available to date, and have booked a provision in the amount of 172 million euros, in the “Procurements – cost of goods held for resale sold” line of the income statement, to adjust the estimated net realizable value of inventories for the Spring/Summer campaign as of 31 January 2020 further to the COVID-19 pandemic impact.

## 21 Explanation added for translation to English

These annual accounts are presented on the basis of the regulatory financial reporting framework applicable to the Company in Spain (see Note 2-a). Certain accounting practices applied by the Company that conform with that regulatory framework may not conform with other generally accepted accounting principles and rules.

## Annex I

List of Company of investments in Group companies at 31 January 2020.

| Company | Effective % of ownership | Location | Reporting date | Line of business | Shareholders’ equity | Net investment |
|---|---|---|---|---|---|---|
| Comditel, S.A. | 100.00% | Barcelona - Spain | 31-jan | Buyer | 1 | 1 |
| Zara Asia, Ltd. | 100.00% | Hong Kong SAR | 31-jan | Retail sales | 100 | - |
| Choolet, S.A. | 100.00% | A Coruña - Spain | 31-jan | Textile Manufacturing | 1 | 1 |
| Confecciones Fíos, S.A. | 100.00% | A Coruña - Spain | 31-jan | Textile Manufacturing | 4 | 2 |
| Confecciones Goa, S.A. | 100.00% | A Coruña - Spain | 31-jan | Textile Manufacturing | 4 | 4 |
| Denllo, S.A. | 100.00% | A Coruña - Spain | 31-jan | Textile Manufacturing | 3 | - |
| Hampton, S.A. | 100.00% | A Coruña - Spain | 31-jan | Textile Manufacturing | 1 | - |
| Nikole, S.A. | 100.00% | A Coruña - Spain | 31-jan | Buyer | 3 | 1 |
| Samlor, S.A. | 100.00% | A Coruña - Spain | 31-jan | Textile Manufacturing | 1 | 5 |
| Stear, S.A. | 100.00% | A Coruña - Spain | 31-jan | Textile Manufacturing | 2 | - |
| Trisko, S.A. | 100.00% | A Coruña - Spain | 31-jan | Textile Manufacturing | 2 | 1 |
| Zintura, S.A. | 100.00% | A Coruña - Spain | 31-jan | Textile Manufacturing | 1 | - |
| Glencare, S.A. | 100.00% | A Coruña - Spain | 31-jan | Textile Manufacturing | 2 | - |
| Indipunt, S.L. | 100.00% | A Coruña - Spain | 31-jan | Logistics | 4 | 26 |
| Zara España, S.A. | 100.00% | A Coruña - Spain | 31-jan | Retail sales | 59 | 89 |
| Zara Argentina, S.A. | 100.00% | Buenos Aires - Argentina | 31-jan | Retail sales | 37 | 95 |
| Zara Belgique, S.A. | 100.00% | Brussels - Belgium | 31-jan | Retail sales | 30 | 66 |
| Zara Chile, S.A. | 100.00% | Santiago de Chile - Chile | 31-dec | Retail sales | 22 | 2 |
| Zara USA, Inc. | 100.00% | New York - USA | 31-jan | Retail sales | 824 | - |
| Zara France, S.A.R.L. | 100.00% | Paris - France | 31-jan | Retail sales | 245 | 230 |
| Zara UK, Ltd. | 100.00% | London - UK | 31-jan | Retail sales | 43 | - |
| Zara Mexico, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Holding company | 1,498 | - |
| Zara Hellas, S.A. | 100.00% | Athens - Greece | 31-jan | Retail sales | 42 | - |
| Zara México, S.A. de C.V. | 95.00% | Mexico City - Mexico | 31-dec | Retail sales | 15 | - |
| Zara Portugal- Confecçoes, S.A. | 100.00% | Lisbon - Portugal | 31-jan | Retail sales | 540 | - |
| G.Zara Uruguay, S.A. | 100.00% | Montevideo - Uruguay | 31-jan | Retail sales | 13 | 10 |
| Zara Financiën B.V. Ireland | 100.00% | Dublin - Ireland | 31-jan | Dormant | - | - |
| Zara Brasil, LTDA. | 100.00% | Sao Paulo - Brazil | 31-dec | Retail sales | 91 | 84 |
| Zara Nederland, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Retail sales | 17 | 17 |
| Zara Österreich Clothing, GmbH | 100.00% | Vienna - Austria | 31-jan | Retail sales | 11 | 8 |
| Zara Danmark, AS. | 100.00% | Copenhaguen - Denmark | 31-jan | Retail sales | 11 | 31 |
| Zara Sverige, AB. | 100.00% | Stockholm - Sweden | 31-jan | Retail sales | 7 | 34 |
| Zara Norge, AS. | 100.00% | Oslo - Norway | 31-jan | Retail sales | 8 | 7 |
| Zara Canada, Inc. | 100.00% | Montreal - Canada | 31-jan | Retail sales | 34 | - |
| Zara Suisse, S.A.R.L. | 100.00% | Fribourg - Switzerland | 31-jan | Retail sales | 34 | 6 |
| Zara Luxembourg, S.A. | 100.00% | Luxembourg - Luxembourg | 31-jan | Retail sales | 2 | 1 |
| Za Giyim Ithalat Ihracat Ve Ticaret Ltd. | 100.00% | Istanbul - Turkey | 31-jan | Retail sales | 25 | 44 |
| Zara Italia, S.R.L. | 100.00% | Milan - Italy | 31-jan | Retail sales | 381 | - |
| Zara Japan Corp. | 100.00% | Tokyo - Japan | 31-jan | Retail sales | 146 | - |
| Zara Ceská Republika, S.R.O. | 100.00% | Prague - Czech Republic | 31-jan | Retail sales | 6 | 13 |
| Zara Puerto Rico, Inc. | 100.00% | San Juan - Puerto Rico | 31-jan | Retail sales | 8 | 3 |
| Za Clothing Ireland, Ltd. | 100.00% | Dublin - Ireland | 31-jan | Retail sales | 15 | 15 |
| Zara Magyarorszag, KFT. | 100.00% | Budapest - Hungary | 31-jan | Retail sales | 10 | 7 |
| Zara Holding, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Holding company | 4,526 | 3,682 |
| Zara Monaco, SAM | 100.00% | Monte Carlo - Monaco | 31-jan | Retail sales | 18 | - |
| Zara Commercial (Shanghai), Co Ltd. | 100.00% | Shanghai - China | 31-dec | Retail sales | 114 | 26 |
| Zara Commercial (Beijing), Co Ltd. | 100.00% | Beijing - China | 31-dec | Retail sales | 24 | 8 |
| Zara Macau, Ltd. | 100.00% | Macao SAR | 31-dec | Retail sales | 17 | - |
| Zara Polska, Sp. Zo.o. | 100.00% | Warsaw - Poland | 31-jan | Retail sales | 2 | 40 |
| JSC "Zara CIS" | 100.00% | Moscow - Russia | 31-dec | Retail sales | 51 | 4 |
| Zara Deutschland, GmbH | 100.00% | Hamburg - Germany | 31-jan | Holding company | 120 | 114 |
| Zara Bucuresti, Srl | 100.00% | Bucharest - Romania | 31-dec | Retail sales | 38 | 7 |
| Zara Ukraine LLC | 100.00% | Kiev - Ukraine | 31-dec | Retail sales | 17 | - |
| Zara Slovakia, S.R.O. | 100.00% | Bratislava - Slovakia | 31-jan | Retail sales | 5 | 4 |
| ITX Taiwan B.V. Zara - Taiwan Branch | 100.00% | Taipei - Taiwan | 31-jan | Retail sales | 14 | - |
| Zara Croatia, Ltd. | 100.00% | Zagreb - Croatia | 31-jan | Retail sales | 11 | 9 |
| Zara Retail Korea, Co Ltd. | 80.00% | Seoul - South Korea | 31-jan | Retail sales | 121 | 45 |
| Zara Bulgaria Ltd | 100.00% | Sofia - Bulgaria | 31-dec | Retail sales | 7 | 3 |
| Zara Immobiliare Italia SRL | 100.00% | Milan - Italy | 31-jan | Real estate | 1 | - |

| Company | Effective % of ownership | Location | Reporting date | Line of business | Shareholders' equity | Net investment |
|---|---|---|---|---|---|---|
| Zara Diseño, S.L. | 100.00% | A Coruña - Spain | 31-jan | Design | 50 | - |
| Zara Management, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Holding company | - | - |
| Zara Retail NZ Limited | 100.00% | Auckland - New Zealand | 31-jan | Retail sales | 4 | - |
| KG ZARA Deutschland B.V. & Co. | 100.00% | Hamburg - Germany | 31-jan | Retail sales | 121 | - |
| Zara Retail South Africa (Propietary), LTD. | 90.00% | Johannesburg - South Africa | 31-jan | Retail sales | 7 | - |
| Group Zara Australia Pty. Ltd. | 100.00% | Sydney - Australia | 31-jan | Retail sales | 31 | - |
| Limited Liability Company "ZARA BLR" | 100.00% | Minsk - Belarus | 31-dec | Retail sales | 2 | - |
| Zara S, TRGOVSKO PODJETJE D.O.O. | 100.00% | Ljubljana - Slovenia | 31-jan | Retail sales | 2 | - |
| ITX Financien, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Financial services | 262 | - |
| ITX Taiwan, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Holding company | 5 | - |
| Zara Vittorio 11 Italia S.R.L. | 100.00% | Milan - Italy | 31-jan | Real estate | 7 | - |
| Zara BH, D.O.O. | 100.00% | Sarajevo - Bosnia Herzegovina | 31-dec | Retail sales | 6 | 3 |
| Zara Serbia, D.O.O. Belgrade | 100.00% | Belgrade - Serbia | 31-jan | Retail sales | 4 | 6 |
| Nikole Diseño, S.L. | 100.00% | A Coruña - Spain | 31-jan | Design | 2 | 44 |
| Inditex Montenegro, D.O.O. Podgorica | 100.00% | Podgorica - Montenegro | 31-dec | Retail sales | 3 | - |
| Inditex Vastgoed Korea, Ltd. | 100.00% | Seoul - South Korea | 31-jan | Real estate | 1 | 1 |
| Inditex Trent Retail India Private Ltd | 51.00% | Gurgaon - India | 31-mar | Retail sales | 69 | 5 |
| Kiddy´s Class España, S.A. | 100.00% | A Coruña - Spain | 31-jan | Retail sales | 6 | 1 |
| Fibracolor, S.A. | 100.00% | Barcelona - Spain | 31-jan | Dormant | - | - |
| Zara Finland, OY | 100.00% | Helsinki - Finland | 31-jan | Retail sales | 3 | - |
| Retail Group Kazakhstan, LLP | 100.00% | Almaty - Kazakhstan | 31-dec | Retail sales | 13 | - |
| ITX Financien III, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Financial services | 536 | - |
| ITX Albania SHPK | 100.00% | Tirana - Albania | 31-dec | Retail sales | 9 | - |
| Zara Fashion (Shanghai) CO., Ltd. | 100.00% | Shanghai - China | 31-dec | Retail sales | 3 | - |
| Oysho España, S.A. | 100.00% | Barcelona - Spain | 31-jan | Retail sales | 48 | 30 |
| Oysho Portugal - Confecçoes, S.A. | 100.00% | Lisbon - Portugal | 31-jan | Retail sales | 5 | - |
| Oysho Mexico, S.A. de C.V. | 100.00% | Mexico City - Mexico | 31-dec | Retail sales | 13 | - |
| Oysho Italia, S.R.L. | 100.00% | Milan - Italy | 31-jan | Retail sales | 14 | - |
| Oysho Hellas, S.A. | 100.00% | Athens - Greece | 31-jan | Retail sales | 5 | - |
| Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd. | 100.00% | Istanbul - Turkey | 31-jan | Retail sales | 6 | 36 |
| Oysho Polska, Sp zo.o | 100.00% | Warsaw - Poland | 31-jan | Retail sales | 4 | 23 |
| Oysho CIS, Ltd. | 100.00% | Moscow - Russia | 31-dec | Retail sales | 7 | 17 |
| Oysho France, S.A.R.L. | 100.00% | Paris - France | 31-jan | Retail sales | 5 | - |
| Oysho MAGYARORSZAG, KFT | 100.00% | Budapest - Hungary | 31-jan | Retail sales | 1 | 7 |
| Oysho Ro, Srl | 100.00% | Bucharest - Romania | 31-dec | Retail sales | 2 | 28 |
| Oysho Ukraine, Llc | 100.00% | Kiev - Ukraine | 31-dec | Retail sales | 2 | - |
| Oysho Diseño, S.L. | 100.00% | Barcelona - Spain | 31-jan | Design | 2 | 41 |
| Oysho Bulgaria, Ltd | 100.00% | Sofia - Bulgaria | 31-dec | Retail sales | 1 | 16 |
| Oysho Commercial & Trading (Shangai) Co., Ltd. | 100.00% | Shanghai - China | 31-dec | Retail sales | 14 | - |
| Oysho Korea, Ltd | 100.00% | Seoul - South Korea | 31-jan | Retail sales | 2 | - |
| Oysho Croacia, Ltd | 100.00% | Zagreb - Croatia | 31-jan | Retail sales | - | 5 |
| Oysho Serbia, D.O.O. Belgrade | 100.00% | Belgrade - Serbia | 31-jan | Retail sales | - | 3 |
| Oysho Macau, Ltd | 100.00% | Macao SAR | 31-dec | Retail sales | 2 | - |
| Oysho Kazakhstan, LLP | 100.00% | Almaty - Kazakhstan | 31-dec | Retail sales | 2 | - |
| Oysho Hong Kong Ltd | 100.00% | Hong Kong SAR | 31-jan | Retail sales | (1) | - |
| Oysho Belgique, S.A. | 100.00% | Brussels - Belgium | 31-jan | Retail sales | 1 | 10 |
| Limited Liability Company "OYSHO BLR" | 100.00% | Minsk - Belarus | 31-dec | Retail sales | - | - |
| Oysho Suisse SÀRL | 100.00% | Fribourg - Switzerland | 31-jan | Retail sales | 1 | 7 |
| Oysho Ceska Republica, SRO | 100.00% | Prague - Czech Republic | 31-jan | Retail sales | - | 1 |
| Grupo Massimo Dutti, S.A. | 100.00% | Barcelona - Spain | 31-jan | Retail sales | 112 | 59 |
| Massimo Dutti Hellas, S.A. | 100.00% | Athens - Greece | 31-jan | Retail sales | 8 | - |
| Massimo Dutti Giyim Ithalat Ih.Ve.Tic. Ltd. | 100.00% | Istanbul - Turkey | 31-jan | Retail sales | 4 | 28 |
| Massimo Dutti France, S.A.R.L. | 100.00% | Paris - France | 31-jan | Retail sales | 35 | - |
| Massimo Dutti UK, Ltd. | 100.00% | London - UK | 31-jan | Retail sales | 12 | - |
| Massimo Dutti Suisse, S.A.R.L. | 100.00% | Fribourg - Switzerland | 31-jan | Retail sales | 4 | 7 |
| Massimo Dutti Sverige, AB | 100.00% | Stockholm - Sweden | 31-jan | Retail sales | 3 | 4 |
| Massimo Dutti Norge, AS. | 100.00% | Oslo - Norway | 31-jan | Retail sales | 3 | 4 |
| Massimo Dutti Italia, S.R.L. | 100.00% | Milan - Italy | 31-jan | Retail sales | 26 | - |
| Massimo Dutti Ireland., Ltd. | 100.00% | Dublin - Ireland | 31-jan | Retail sales | 2 | 7 |
| Massimo Dutti USA, INC. | 100.00% | New York - USA | 31-jan | Retail sales | - | - |
| Massimo Dutti Danmark AS | 100.00% | Copenhagen - Denmark | 31-jan | Retail sales | 1 | 2 |
| LLC Massimo Dutti | 100.00% | Moscow - Russia | 31-dec | Retail sales | 30 | 45 |
| Massimo Dutti Deutschland, GmbH | 100.00% | Hamburg - Germany | 31-jan | Holding company | 12 | 65 |

| Company | Effective % of ownership | Location | Reporting date | Line of business | Shareholders' equity | Net investment |
|---|---|---|---|---|---|---|
| Massimo Dutti Mexico, S.A. de C.V. | 100.00% | Mexico City - Mexico | 31-dec | Retail sales | 40 | - |
| Massimo Dutti, S.A. | 100.00% | A Coruña - Spain | 31-jan | Dormant | 1 | - |
| Massimo Dutti Hong Kong, Ltd. | 100.00% | Hong Kong SAR | 31-jan | Retail sales | 2 | - |
| Massimo Dutti Polska, Sp z.o.o. | 100.00% | Warsaw - Poland | 31-jan | Retail sales | 5 | 57 |
| Massimo Dutti Ro, Srl | 100.00% | Bucharest - Romania | 31-dec | Retail sales | 6 | 74 |
| Massimo Dutti Macau Ltd. | 100.00% | Macao SAR | 31-dec | Retail sales | 4 | - |
| Massimo Dutti Ukraine, Llc | 100.00% | Kiev - Ukraine | 31-dec | Retail sales | 5 | - |
| Massimo Dutti Ceská Republika, s.r.o. | 100.00% | Prague - Czech Republic | 31-jan | Retail sales | - | 2 |
| Massimo Dutti Commercial Beijing Co, Ltd. | 100.00% | Beijing - China | 31-dec | Retail sales | 6 | - |
| Massimo Dutti Bulgaria, Ltd | 100.00% | Sofia - Bulgaria | 31-dec | Retail sales | 2 | 32 |
| Massimo Dutti Croatia, Ltd | 100.00% | Zagreb - Croatia | 31-jan | Retail sales | 1 | 23 |
| Massimo Dutti Korea, Ltd | 100.00% | Seoul - South Korea | 31-jan | Retail sales | 6 | - |
| Massimo Dutti Diseño, S.L. | 100.00% | Barcelona - Spain | 31-jan | Design | 6 | 199 |
| Massimo Dutti Commercial Shangai CO, Ltd | 100.00% | Shanghai - China | 31-dec | Retail sales | 22 | - |
| Massimo Dutti Österreich Clothing, GMBH | 100.00% | Vienna - Austria | 31-jan | Retail sales | - | - |
| Massimo Dutti Nederland, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Retail sales | 1 | 29 |
| Massimo Dutti Canada, INC. | 100.00% | Montreal - Canada | 31-jan | Retail sales | (1) | - |
| Massimo Dutti Finland OY | 100.00% | Helsinki - Finland | 31-jan | Retail sales | 2 | - |
| Limited Liability Company "MASSIMO DUTTI BLR" | 100.00% | Minsk - Belarus | 31-dec | Retail sales | 1 | - |
| Massimo Dutti S, TRGOVSKO PODJETJE D.O.O. | 100.00% | Ljubljana - Slovenia | 31-jan | Retail sales | 1 | - |
| ITX Taiwan B.V. Massimo Dutti Taiwan Branch | 100.00% | Taipei - Taiwan | 31-jan | Retail sales | 1 | - |
| MD Benelux, SA | 100.00% | Bruges - Belgium | 31-jan | Retail sales | 8 | 31 |
| Italco Moda Italiana, SA | 100.00% | Lisbon - Portugal | 31-jan | Retail sales | 9 | - |
| KG Massimo Dutti Deutschland, B.V. & CO. | 100.00% | Hamburg - Germany | 31-jan | Retail sales | 3 | - |
| Massimo Dutti Serbia, D.O.O. Belgrade | 100.00% | Belgrade - Serbia | 31-jan | Retail sales | 2 | 18 |
| Massimo Dutti Magyarorxzág KFT | 100.00% | Budapest - Hungary | 31-jan | Retail sales | 1 | 12 |
| Master Retail Kazakhstan, LLP | 100.00% | Almaty - Kazakhstan | 31-dec | Retail sales | 5 | - |
| Massimo Dutti BH, D.O.O | 100.00% | Sarajevo - Bosnia Herzegovina | 31-dec | Retail sales | 1 | 6 |
| Massimo Duttil India Private Ltd | 51.00% | Gurgaon - India | 31-mar | Retail sales | 4 | - |
| Pull & Bear España, S.A. | 100.00% | A Coruña - Spain | 31-jan | Retail sales | 101 | 15 |
| Pull & Bear Hellas, S.A. | 100.00% | Athens - Greece | 31-jan | Retail sales | 12 | - |
| Pull & Bear Portugal Conf. SA | 100.00% | Lisbon - Portugal | 31-jan | Retail sales | 10 | - |
| Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd. | 100.00% | Istanbul - Turkey | 31-jan | Retail sales | 4 | 27 |
| Pull & Bear Mexico, S.A. de C.V. | 100.00% | Mexico City - Mexico | 31-dec | Retail sales | 26 | - |
| Pull & Bear Belgique, S.A. | 100.00% | Brussels - Belgium | 31-jan | Retail sales | 5 | 22 |
| Pull & Bear France, S.A.R.L. | 100.00% | Paris - France | 31-jan | Retail sales | 23 | - |
| Pull & Bear Italia, S.R.L. | 100.00% | Milan - Italy | 31-jan | Retail sales | 43 | - |
| Pull & Bear Ceska Republika, S.R.O. | 100.00% | Prague - Czech Republic | 31-jan | Retail sales | - | 7 |
| Pull & Bear Ireland, Ltd. | 100.00% | Dublin - Ireland | 31-jan | Retail sales | 6 | 14 |
| Pull & Bear Magyarország Kft. | 100.00% | Budapest - Hungary | 31-jan | Retail sales | 4 | 41 |
| Pull & Bear Polska, Sp zo.o | 100.00% | Warsaw - Poland | 31-jan | Retail sales | 6 | 67 |
| Pull & Bear CIS, Ltd. | 100.00% | Moscow - Russia | 31-dec | Retail sales | 5 | 19 |
| Pull & Bear Uk Limited | 100.00% | London - UK | 31-jan | Retail sales | 5 | - |
| Pull & Bear Ro, Srl | 100.00% | Bucharest - Romania | 31-dec | Retail sales | 10 | 140 |
| Pull & Bear Ukraine, Llc | 100.00% | Kiev - Ukraine | 31-dec | Retail sales | 6 | - |
| Pull & Bear Slovakia, S.R.O. | 100.00% | Bratislava - Slovakia | 31-jan | Retail sales | 1 | 13 |
| Pull & Bear Croatia, Ltd | 100.00% | Zagreb - Croatia | 31-jan | Retail sales | 2 | 23 |
| Pull & Bear Commercial Beijing Co, Ltd. | 100.00% | Beijing - China | 31-dec | Retail sales | 26 | - |
| Pull & Bear Bulgaria, Ltd | 100.00% | Sofia - Bulgaria | 31-dec | Retail sales | 2 | 12 |
| Pull & Bear Hong Kong Ltd | 100.00% | Hong Kong SAR | 31-jan | Retail sales | 2 | - |
| Pull & Bear Diseño, S.L. | 100.00% | A Coruña - Spain | 31-jan | Design | 6 | 284 |
| Pull & Bear Macau, Ltd | 100.00% | Macao SAR | 31-dec | Retail sales | 3 | - |
| Pull & Bear Nederland, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Retail sales | 5 | 47 |
| Pull & Bear Österreich Clothing, Gmbh | 100.00% | Vienna - Austria | 31-jan | Retail sales | 1 | 1 |
| Pull & Bear Korea, Ltd | 100.00% | Seoul - South Korea | 31-jan | Retail sales | - | - |
| Pull & Bear Serbia, D.O.O. Belgrade | 100.00% | Belgrade - Serbia | 31-jan | Retail sales | 1 | 9 |
| Pull & Bear BH, D.O.O. | 100.00% | Sarajevo - Bosnia Herzegovina | 31-dec | Retail sales | 1 | 12 |
| Limited Liability Company "PULL AND BEAR BLR" | 100.00% | Minsk - Belarus | 31-dec | Retail sales | 1 | - |
| Pull&Bear S, TRGOVSKO PODJETJE D.O.O. | 100.00% | Ljubljana - Slovenia | 31-jan | Retail sales | 1 | - |
| ITX Taiwan B.V. Pull & Bear Taiwan Branch | 100.00% | Taipei - Taiwan | 31-jan | Retail sales | 1 | - |
| Plataforma Cabanillas, S.A. | 100.00% | A Coruña - Spain | 31-jan | Logistics | 1 | - |

| Company | Effective % of ownership | Location | Reporting date | Line of business | Shareholders' equity | Net investment |
|---|---|---|---|---|---|---|
| P&B Gmbh | 100.00% | Hamburg - Germany | 31-jan | Holding company | 5 | 26 |
| Pull & Bear Deutschland BV& CO | 100.00% | Hamburg - Germany | 31-jan | Retail sales | 4 | - |
| Pro Retail Kazakhstan, LLP | 100.00% | Almaty - Kazakhstan | 31-dec | Retail sales | 1 | - |
| Pull & Bear Sverige, AB | 100.00% | Stockholm - Sweden | 31-jan | Retail sales | 1 | 5 |
| Pull & Bear Suisse, SÁRL | 100.00% | Fribourg - Switzerland | 31-jan | Retail sales | 4 | 32 |
| Uterqüe, S.A. | 100.00% | A Coruña - Spain | 31-jan | Buyer | 29 | 46 |
| Uterqüe España, S.A. | 100.00% | A Coruña - Spain | 31-jan | Retail sales | 18 | - |
| Uterqüe Hellas | 100.00% | Athens - Greece | 31-jan | Retail sales | - | - |
| Gruputerqüe Portugal Conf. SA | 100.00% | Lisbon - Portugal | 31-jan | Retail sales | 3 | - |
| Uterqüe Cis, Ltd | 100.00% | Moscow - Russia | 31-dec | Retail sales | 3 | 2 |
| Uterqüe Giyim Limited | 100.00% | Istanbul - Turkey | 31-jan | Retail sales | - | - |
| Uterqüe México S.A. de C.V. | 100.00% | Mexico City - Mexico | 31-dec | Retail sales | 7 | - |
| Uterqüe Diseño, S.L. | 100.00% | A Coruña - Spain | 31-jan | Design | - | 1 |
| "ITX KOSOVO" L.L.C. | 100.00% | Pristina | 31-dec | Retail sales | 3 | - |
| ITX Italia, Srl. | 100.00% | Milan - Italy | 31-jan | Retail sales | 1 | - |
| ITX Finance Asia, LTD | 100.00% | Hong Kong SAR | 31-jan | Financial services | (1) | - |
| Inditex USA, LLC | 100.00% | New York - USA | 31-jan | Holding company | 572 | 542 |
| Uterqüe Commercial & Trading (Shangai) Co., Ltd. | 100.00% | Shanghai - China | 31-dec | Retail sales | (1) | - |
| Uterqüe Polska SP. Z O.O. | 100.00% | Warsaw - Poland | 31-jan | Retail sales | 1 | 1 |
| Uterqüe Kazakhstan LLP | 100.00% | Almaty - Kazakhstan | 31-dec | Retail sales | - | - |
| Uterqüe Ukraine, LLC | 100.00% | Kiev - Ukraine | 31-jan | Retail sales | - | - |
| Bershka BSK España, S.A. | 100.00% | Barcelona - Spain | 31-jan | Retail sales | 88 | 47 |
| Bershka Portugal Conf. Soc. Unip. SA | 100.00% | Lisbon - Portugal | 31-jan | Retail sales | 9 | - |
| Bershka Hellas, S.A. | 100.00% | Athens - Greece | 31-jan | Retail sales | 13 | - |
| Bershka Mexico, S.A. de CV | 100.00% | Mexico City - Mexico | 31-dec | Retail sales | 24 | - |
| Bershka Giyim Ithalat Ihracat Ve Tic.Ltd. | 100.00% | Istanbul - Turkey | 31-jan | Retail sales | 4 | 36 |
| Bershka Belgique, S.A. | 100.00% | Brussels - Belgium | 31-jan | Retail sales | 11 | 34 |
| Bershka France, S.A.R.L. | 100.00% | Paris - France | 31-jan | Retail sales | 51 | - |
| Bershka Suisse, S.A.R.L. | 100.00% | Fribourg - Switzerland | 31-jan | Retail sales | 4 | 30 |
| Bershka Nederland, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Retail sales | 11 | 73 |
| Bershka Italia, S.R.L. | 100.00% | Milan - Italy | 31-jan | Retail sales | 48 | - |
| Bershka U.K., Ltd. | 100.00% | London - UK | 31-jan | Retail sales | 5 | - |
| Bershka Ireland., Ltd. | 100.00% | Dublin - Ireland | 31-jan | Retail sales | 7 | 20 |
| Bershka Ceska Republica, S.R.O. | 100.00% | Prague - Czech Republic | 31-jan | Retail sales | 1 | 15 |
| Bershka Croatia, Ltd. | 100.00% | Zagreb - Croatia | 31-jan | Retail sales | 2 | 17 |
| Bershka Polska Sp Z O.O. | 100.00% | Warsaw - Poland | 31-jan | Retail sales | 10 | 94 |
| Bershka Slovakia, S.R.O. | 100.00% | Bratislava - Slovakia | 31-jan | Retail sales | 2 | 9 |
| Bershka Carpati, Srl | 100.00% | Bucharest - Romania | 31-dec | Retail sales | 8 | 121 |
| Bershka Ukraine, Llc | 100.00% | Kiev - Ukraine | 31-dec | Retail sales | 6 | - |
| Bershka Magyaroszag Kft. | 100.00% | Budapest - Hungary | 31-jan | Retail sales | 3 | 26 |
| Bershka Cis, Ltd | 100.00% | Moscow - Russia | 31-dec | Retail sales | 18 | 26 |
| Bershka Osterreich Clothing GmbH | 100.00% | Vienna - Austria | 31-jan | Retail sales | 1 | 5 |
| Bershka Hong Kong Limited | 100.00% | Hong Kong SAR | 31-jan | Retail sales | (2) | - |
| Bershka Commercial Beijing Co, Ltd | 100.00% | Beijing - China | 31-dec | Retail sales | 22 | - |
| Bershka Bulgaria, Ltd | 100.00% | Sofia - Bulgaria | 31-dec | Retail sales | 2 | 18 |
| Bershka Korea, Ltd | 100.00% | Seoul - South Korea | 31-jan | Retail sales | (6) | - |
| Bershka Diseño, S.L. | 100.00% | Barcelona - Spain | 31-jan | Design | 7 | 359 |
| Bershka Macau, Ltd | 100.00% | Macao SAR | 31-dec | Retail sales | 1 | - |
| Bershka Japan, Co | 100.00% | Tokyo - Japan | 31-jan | Retail sales | 13 | - |
| BSKE, GMBH | 100.00% | Hamburg - Germany | 31-jan | Holding company | 18 | 97 |
| Bershka BH, D.O.O. | 100.00% | Sarajevo - Bosnia Herzegovina | 31-dec | Retail sales | 1 | 12 |
| Bershka Deutschland B.V. & CO. KG | 100.00% | Hamburg - Germany | 31-jan | Retail sales | 8 | - |
| Bershka Serbia, D.O.O. Belgrade | 100.00% | Belgrade - Serbia | 31-jan | Retail sales | - | 5 |
| Best Retail Kazakhstan, LLP | 100.00% | Almaty - Kazakhstan | 31-dec | Retail sales | 3 | - |
| Bershka Commercial (Shanghai) Co, Ltd | 100.00% | Shanghai - China | 31-dec | Retail sales | 2 | - |
| Bershka USA INC | 100.00% | New York - USA | 31-jan | Retail sales | - | - |
| Limited Liability Company "BK GARMENTS BLR" | 100.00% | Minsk - Belarus | 31-dec | Retail sales | 1 | - |
| Bershka S, TRGOVSKO PODJETJE D.O.O. | 100.00% | Ljubljana - Slovenia | 31-jan | Retail sales | - | - |
| ITX Taiwan B.V. Bershka Taiwan Branch | 100.00% | Taipei - Taiwan | 31-jan | Retail sales | - | - |
| Stradivarius España, S.A. | 100.00% | Barcelona - Spain | 31-jan | Retail sales | 100 | 120 |
| Stradivarius Hellas, S.A. | 100.00% | Athens - Greece | 31-jan | Retail sales | 15 | - |
| ITX RE DAC | 100.00% | Dublin - Ireland | 31-jan | Insurance | 132 | - |
| Stradivarius Portugal, Conf. Unip. SA | 100.00% | Lisbon - Portugal | 31-jan | Retail sales | 14 | - |
| Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd. | 100.00% | Istanbul - Turkey | 31-jan | Retail sales | 2 | 29 |
| Stradivarius Polska, Sp zo.o | 100.00% | Warsaw - Poland | 31-jan | Retail sales | 6 | 79 |

| Company | Effective % of ownership | Location | Reporting date | Line of business | Shareholders' equity | Net investment |
|---|---|---|---|---|---|---|
| Stradivarius Ireland Limited | 100.00% | Dublin - Ireland | 31-jan | Retail sales | 3 | 11 |
| Stradivarius Italia SRL | 100.00% | Milan - Italy | 31-jan | Retail sales | 37 | - |
| Stradivarius CIS, Ltd. | 100.00% | Moscow - Russia | 31-dec | Retail sales | 8 | 10 |
| Stradivarius France, S.A.R.L. | 100.00% | Paris - France | 31-jan | Retail sales | 20 | - |
| Stradivarius Magyaroszag Kft. | 100.00% | Budapest - Hungary | 31-jan | Retail sales | 4 | 17 |
| Stradivarius Croatia, Ltd. | 100.00% | Zagreb - Croatia | 31-jan | Retail sales | 3 | 20 |
| Stradivarius Slovakia, S.R.O. | 100.00% | Bratislava - Slovakia | 31-jan | Retail sales | 2 | 9 |
| Stradivarius Ro, Srl | 100.00% | Bucharest - Romania | 31-dec | Retail sales | 7 | 53 |
| Stradivarius Ukraine, Llc | 100.00% | Kiev - Ukraine | 31-dec | Retail sales | 4 | - |
| Stradivarius Ceská Republika, s.r.o. | 100.00% | Prague - Czech Republic | 31-jan | Retail sales | - | 8 |
| Stradivarius Commercial Shangai CO, Ltd | 100.00% | Shanghai - China | 31-dec | Retail sales | 20 | - |
| Stradivarius Bulgaria, Ltd | 100.00% | Sofia - Bulgaria | 31-dec | Retail sales | 1 | 6 |
| Stradivarius Diseño, S.L. | 100.00% | Barcelona - Spain | 31-jan | Design | 6 | 224 |
| Stradivarius Macau, Ltd | 100.00% | Macao SAR | 31-dec | Retail sales | 1 | - |
| Stradivarius Korea, Ltd | 100.00% | Seoul - South Korea | 31-jan | Retail sales | - | - |
| Stradivarius Hong Kong, Ltd | 100.00% | Hong Kong SAR | 31-jan | Retail sales | (1) | - |
| Stradivarius México, S.A. de C.V. | 100.00% | Mexico City - Mexico | 31-dec | Retail sales | 25 | - |
| Stradivarius BH, D.O.O. | 100.00% | Sarajevo - Bosnia Herzegovina | 31-dec | Retail sales | 1 | 11 |
| Stradivarius Serbia, D.O.O. Belgrade | 100.00% | Belgrade - Serbia | 31-jan | Retail sales | 1 | 6 |
| Stradivarius UK LIMITED | 100.00% | London - UK | 31-jan | Retail sales | 2 | - |
| Stradivarius Nederland, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Retail sales | 1 | 47 |
| Stradivarius Belgique, S.A. | 100.00% | Brussels - Belgium | 31-jan | Retail sales | 1 | 17 |
| Limited Liability Company "STRADIVARIUS BLR" | 100.00% | Minsk - Belarus | 31-dec | Retail sales | 1 | - |
| Stradivarius S, TRGOVSKO PODJETJE D.O.O. | 100.00% | Ljubljana - Slovenia | 31-jan | Retail sales | 1 | - |
| Spanish Retail Kazakhstan, LLP | 100.00% | Almaty - Kazakhstan | 31-dec | Retail sales | - | - |
| Stradivarius Japan Corporation | 100.00% | Tokyo - Japan | 31-jan | Retail sales | 3 | - |
| ITX Trading, S.A. | 100.00% | Fribourg - Switzerland | 31-jan | Buyer | 1,377 | - |
| Zara Home España, S.A. | 100.00% | A Coruña - Spain | 31-jan | Retail sales | 38 | 34 |
| Zara Home Portugal, Conf. SA | 100.00% | Lisbon - Portugal | 31-jan | Retail sales | 13 | - |
| Zara Home U.K., Ltd. | 100.00% | London - UK | 31-jan | Retail sales | 4 | - |
| Zara Home Hellas, S.A. | 100.00% | Athens - Greece | 31-jan | Retail sales | 4 | - |
| Zara Home Nederland, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Retail sales | 2 | 18 |
| Zara Home Mexico, S.A. de C.V. | 100.00% | Mexico City - Mexico | 31-dec | Retail sales | 12 | - |
| Zara Home Italia, S.R.L. | 100.00% | Milan - Italy | 31-jan | Retail sales | 24 | - |
| Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd. | 100.00% | Istanbul - Turkey | 31-jan | Retail sales | 1 | 16 |
| Zara Home Francia, S.A.R.L. | 100.00% | Paris - France | 31-jan | Retail sales | 21 | - |
| Zara Home Ro, Srl | 100.00% | Bucharest - Romania | 31-dec | Retail sales | 2 | 20 |
| Zara Home CIS, Ltd. | 100.00% | Moscow - Russia | 31-dec | Retail sales | 8 | 13 |
| Zara Home Ukraine, Llc | 100.00% | Kiev - Ukraine | 31-dec | Retail sales | 1 | - |
| Zara Home Polska, Sp zo.o | 100.00% | Warsaw - Poland | 31-jan | Retail sales | 1 | 13 |
| Zara Home Diseño, S.L. | 100.00% | A Coruña - Spain | 31-jan | Design | 3 | 43 |
| Zara Home Deutschland B.V. & Co. KG | 100.00% | Hamburg - Germany | 31-jan | Retail sales | 2 | - |
| ZHE, Gmbh | 100.00% | Hamburg - Germany | 31-jan | Holding company | 17 | 16 |
| Zara Home Brasil Produtos para o Lar, Ltda. | 100.00% | Sao Paulo - Brazil | 31-dec | Retail sales | (1) | 2 |
| Zara Home Croatia, Ltd | 100.00% | Zagreb - Croatia | 31-jan | Retail sales | 1 | 7 |
| Zara Home Belgique, S.A. | 100.00% | Brussels - Belgium | 31-jan | Retail sales | 5 | 18 |
| Zara Home Commercial & Trading (Shangai) Co., Ltd. | 100.00% | Shanghai - China | 31-dec | Retail sales | 9 | - |
| Zara Home Japan Corp. | 100.00% | Tokyo - Japan | 31-jan | Retail sales | 9 | - |
| Zara Home Canada, Inc | 100.00% | Montreal - Canada | 31-jan | Retail sales | - | - |
| Zara Home Macao SUL | 100.00% | Macao SAR | 31-dec | Retail sales | (1) | - |
| Zara Home Sverige AB | 100.00% | Stockholm - Sweden | 31-jan | Retail sales | 1 | 4 |
| Zara Home Kazakhstan, LLP | 100.00% | Almaty - Kazakhstan | 31-dec | Retail sales | 2 | - |
| Zara Home Hong Kong Ltd | 100.00% | Hong Kong SAR | 31-jan | Retail sales | - | - |
| G. Zara Home Uruguay, S.A. | 100.00% | Montevideo - Uruguay | 31-jan | Retail sales | 2 | 8 |
| Zara Home Suisse SÀRL | 100.00% | Fribourg - Switzerland | 31-jan | Retail sales | 7 | 8 |
| Zara Home Chile SPA | 100.00% | Santiago de Chile - Chile | 31-dec | Retail sales | 2 | - |
| Zara Home Australia Pty Ltd | 100.00% | Sydney - Australia | 31-jan | Retail sales | (3) | - |
| Zara Home Magyarorszag KFT. | 100.00% | Budapest - Hungary | 31-jan | Retail sales | 1 | 6 |
| Zara Home Korea LIMITED | 100.00% | Seoul - South Korea | 31-jan | Retail sales | (1) | - |
| Zara Home Danmark A/S | 100.00% | Copenhagen - Denmark | 31-jan | Retail sales | 1 | - |
| Zara Home SRB DOO Beograd | 100.00% | Belgrade - Serbia | 31-dec | Retail sales | 1 | 7 |
| Zara Home Bulgaria EOOD | 100.00% | Sofia - Bulgaria | 31-dec | Retail sales | 1 | 11 |
| Zara Home Ireland Limited | 100.00% | Dublin - Ireland | 31-jan | Dormant | - | - |
| Limited Liability Company "ZARA HOME BLR" | 100.00% | Minsk - Belarus | 31-dec | Retail sales | 1 | - |
| Zara Home Ceska Republica, SRO | 100.00% | Prague - Czech Republic | 31-jan | Retail sales | - | 5 |
| ITX Taiwan B.V. Zara Home Taiwan Branch | 100.00% | Taipei - Taiwan | 31-jan | Retail sales | - | - |
| Zara Logística, S.A. | 100.00% | A Coruña - Spain | 31-jan | Logistics | 2 | 1 |

| Company | Effective % of ownership | Location | Reporting date | Line of business | Shareholders' equity | Net investment |
|---|---|---|---|---|---|---|
| Plataforma Europa, S.A. | 100.00% | Zaragoza - Spain | 31-jan | Logistics | 3 | 2 |
| Plataforma Logística León, S.A. | 100.00% | León - Spain | 31-jan | Logistics | 9 | 6 |
| Plataforma Logística Meco, S.A. | 100.00% | Madrid - Spain | 31-jan | Logistics | 2 | - |
| Pull & Bear Logística, S.A. | 100.00% | A Coruña - Spain | 31-jan | Logistics | 1 | 2 |
| Massimo Dutti Logística, S.A. | 100.00% | Barcelona - Spain | 31-jan | Logistics | 1 | 1 |
| Bershka Logística, S.A. | 100.00% | Barcelona - Spain | 31-jan | Logistics | 3 | 4 |
| Oysho Logística, S.A. | 100.00% | Barcelona - Spain | 31-jan | Logistics | 1 | 1 |
| Stradivarius Logística, S.A. | 100.00% | Barcelona - Spain | 31-jan | Logistics | 1 | 1 |
| Zara Home Logística, S.A. | 100.00% | A Coruña - Spain | 31-jan | Logistics | 2 | 1 |
| Uterqüe Logística, S.A. | 100.00% | A Coruña - Spain | 31-jan | Logistics | 1 | 1 |
| Uterque Fashion RO S.R.L. | 100.00% | Bucharest - Romania | 31-dec | Retail sales | - | 4 |
| Lefties Logística, S.A. | 100.00% | A Coruña - Spain | 31-jan | Logistics | 1 | 4 |
| Inditex Logística, S.A. | 100.00% | A Coruña - Spain | 31-jan | Logistics | 1 | - |
| Tordera Logística, S.L. | 100.00% | A Coruña - Spain | 31-jan | Logistics | - | - |
| Nueva comercializadora global XXI, S.A. DE C.V. | 100.00% | Mexico City - Mexico | 31-dec | Logistics | - | - |
| Corporación de Servicios XXI, S.A. de C.V. | 100.00% | Mexico City - Mexico | 31-dec | Services | 6 | - |
| Goa-Invest, S.A. | 100.00% | A Coruña - Spain | 31-jan | Construction | 3 | 3 |
| Goa-Invest Deutschland GMBH | 100.00% | Hamburg - Germany | 31-jan | Construction | 11 | - |
| Zara Vastgoed, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Real estate | 70 | - |
| ITX Global Solutions LIMITED | 100.00% | Hong Kong SAR | 31-jan | Services | 11 | - |
| SNC Zara France Immobiliere | 100.00% | Paris - France | 31-dec | Real estate | (6) | - |
| SCI Vastgoed Ferreol P03302 | 100.00% | Paris - France | 31-dec | Real estate | 15 | - |
| SCI Vastgoed France P03301 | 100.00% | Paris - France | 31-dec | Real estate | 61 | - |
| SCI Vastgoed General Leclerc P03303 | 100.00% | Paris - France | 31-dec | Real estate | 12 | - |
| SCI Vastgoed Nancy P03304 | 100.00% | Paris - France | 31-dec | Real estate | 10 | - |
| Invercarpro, S.A. | 100.00% | Madrid - Spain | 31-jan | Real estate | 3 | - |
| Robustae Confeçciones, S.A | 100.00% | Lisbon - Portugal | 31-jan | Retail sales | 23 | - |
| Lefties España, S,A, | 100.00% | A Coruña - Spain | 31-jan | Real estate | - | - |
| Born, S.A. | 100.00% | Palma de Mallorca - Spain | 31-jan | Real estate | - | - |
| LFT RUS Ltd | 100.00% | Moscow - Russia | 31-dec | Retail sales | 1 | - |
| Lelystad Platform, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Logistics | 22 | - |
| Robustae Mexico, S.A DE C.V. | 100.00% | Mexico City - Mexico | 31-dec | Retail sales | 24 | - |
| Inditex Cogeneración, A.I.E. | 100.00% | A Coruña - Spain | 31-jan | Combined heat and power plant | 1 | 1 |
| Inditex, S.A. | 100.00% | A Coruña - Spain | 31-jan | Dormant | - | - |
| Zara Holding II, B.V | 100.00% | Amsterdam - Netherlands | 31-jan | Holding company | 940 | - |
| Zara, S.A. | 100.00% | A Coruña - Spain | 31-jan | Dormant | - | - |
| Zara, S.A. | 100.00% | Buenos Aires - Argentina | 31-jan | Dormant | - | - |
| Fashion Logistic Forwarders, S.A. | 100.00% | A Coruña - Spain | 31-jan | Logistics | 2 | - |
| ITX Asia Pacific Enterprise Management, Co., Ltd | 100.00% | Shanghai - China | 31-dec | Buyer | 130 | - |
| FSF New York, LLC | 100.00% | New York - USA | 31-jan | Real estate | 260 | - |
| FSF Soho, LLC | 100.00% | New York - USA | 31-jan | Real estate | 280 | - |
| ITX USA, LLC | 100.00% | New York - USA | 31-jan | Retail sales | 6 | 4 |
| Fashion Retail , S.A. | 100.00% | A Coruña - Spain | 31-jan | Retail sales | 1 | - |
| ITXR Macedonaia Dooel Skopje | 100.00% | Skopje - North Macedonia | 31-dec | Retail sales | 6 | - |
| ITX E-commerce (Shanghai) Co. Ltd | 100.00% | Shanghai - China | 31-dec | Retail sales | 17 | - |
| ITX Financien II, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Financial services | 2,075 | - |
| ITX TRYFIN B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Financial services | 65 | - |
| ITX RUBFIN, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Financial services | 124 | - |
| ITX Korea LIMITED | 100.00% | Seoul - South Korea | 31-jan | Retail sales | 25 | - |
| ITX Services India Private Ltd | 100.00% | Gurgaon - India | 31-mar | Buyer | 4 | - |
| Inditex France, S.A.R.L. | 100.00% | Paris - France | 31-jan | Dormant | - | - |
| ITX Merken, B.V. | 100.00% | Amsterdam - Netherlands | 31-jan | Services | 2,927 | - |
| Zara Home Österreich Clothing GMBH | 100.00% | Vienna - Austria | 31-jan | Retail sales | - | 2 |
| Massimo Dutti Slovakia, S.R.O. | 100.00% | Bratislava - Slovakia | 31-jan | Retail sales | 1 | 10 |
| ITX LUXEMBOURG S.A. | 100.00% | Luxembourg - Luxembourg | 31-jan | Retail sales | 6 | 30 |
| Zara Vittorio 13 Italia, S.R.L. | 100.00% | Milan - Italy | 31-jan | Real estate | 30 | - |
| CDC Trading (Shangai) Co. LTD. | 100.00% | Shanghai - China | 31-dec | Buyer | 4 | - |
| Oysho Sverige, AB | 100.00% | Stockholm - Sweden | 31-jan | Retail sales | - | 1 |
| Oysho Slovakia S.R.O. | 100.00% | Bratislava - Slovakia | 31-jan | Retail sales | - | - |
| Zara Home Retail South Africa (PTY) LTD. | 100.00% | Johannesburg - South Africa | 31-jan | Retail sales | 1 | - |
| FGI Gestión Mex, S.A. de C.V. | 100.00% | Mexico City - Mexico | 31-dec | Construction | 3 | - |

List of Company investments in jointly controlled entities at 31 January 2020.

| Company | Effective % of ownership | Location | Reporting date | Line of business | Shareholders' equity | Net investment |
|---|---|---|---|---|---|---|
| Tempe, S.A. | 50.00% | Alicante - Spain | 31-jan | Marketing of footwear | 469 | - |
| Tempe México, S.A. de C.V. | 50.00% | Mexico City - Mexico | 31-dec | Marketing of footwear | 6 | - |
| Tempe Logística, S.A. | 50.00% | Alicante - Spain | 31-jan | Logistics | - | - |
| Tempe Brasil, Ltda. | 50.00% | Sao Paulo - Brazil | 31-dec | Dormant | - | - |
| Tempe Diseño, S.L. | 50.00% | Alicante - Spain | 31-jan | Design | 10 | - |
| Tempe Trading | 50.00% | Fribourg - Switzerland | 31-oct | Dormant | 5 | - |
| Tempe Trading Asia Limited | 50.00% | Hong Kong SAR | 31-jan | Marketing of footwear | 81 | - |
| TMP Trading (Shanghai) Co. Ltd | 50.00% | Shanghai - China | 31-dec | Marketing of footwear | 19 | - |
| Tempe Giyim, Ltd. | 50.00% | Istanbul - Turkey | 31-dec | Marketing of footwear | - | - |

## Annex II

### Direct and indirect investments of the members of the Board of Directors in the share capital of the Company at 31 January 2020

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

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

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

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

4 Represented by Flora Pérez Marcote

This Annex forms an integral part of Note 11 of the accompanying Notes to the annual accounts, and must be read in conjunction with this.

**INDUSTRIA DE DISEÑO TEXTIL, S.A.**

**DIRECTORS' REPORT FOR THE YEAR ENDED 31 JANUARY 2020**

## Company situation and business performance

Industria de Diseño Textil, S.A. (INDITEX) as parent of the INDITEX Group owns the shareholdings of the main companies of the Group and performs the activities of a holding company, whereby its results derive largely from dividends received from its subsidiaries. Likewise, the company provides different kinds of corporate services to its subsidiaries, both domestic and foreign, and supplies clothing and accessories of the Zara concept to subsequently be responsible for their distribution and sale to other Group companies engaged in retail marketing.

For a detailed analysis of the evolution of the Group's businesses, as well as the forecast for 2020, it is necessary to refer to the Consolidated Directors' Report of the Inditex Group.

## Financial risk management policy

The Company's activities are exposed to various financial risks: market risk (including foreign currency risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's risk management focuses on the uncertainty of financial markets and aims to minimise the potential adverse effects on the Company's profitability, for which purpose it uses certain financial instruments described below.

*Foreign currency risk*

The Company operates in an international environment and, accordingly, is exposed to foreign currency on transactions in foreign currencies, in particular the US dollar. The foreign currency risk arises from future commercial transactions and from assets and liabilities recognised in currencies other than the euro.

The Company uses currency forwards to hedge the foreign currency risk. The Company manages the net position in each foreign currency by using external currency forwards or other financial instruments.

*Credit risk*

The Company is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises.

*Liquidity and interest rate risk*

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

Interest rate fluctuations change the fair value of assets and liabilities that bear a fixed interest rate and the future flows from assets and liabilities bearing interest at a floating rate. The Company's exposure to this risk is not significant.

*Capital management*

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

**Significant events after the reporting period**

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

Taking into account the potential impact of the above described situation on the financial information of Inditex as of 31 January 2020, Directors and Management have assessed the situation based upon the best information available to date, and have booked a provision in the amount of 172 million euros, in the “Procurements – cost of goods held for resale sold” line of the income statement, to adjust the estimated net realizable value of inventories for the Spring/Summer campaign as of 31 January 2020 further to the COVID-19 pandemic impact.

**R&D activities**

INDITEX carries out research, development and innovation activities in all areas of its activity in order to improve manufacturing and distribution processes and to develop, with its own means or with the help of third parties, technologies that facilitate business management. In particular, it highlights the technology linked to POS terminals, inventory management and management systems, distribution systems in distribution centres, communication with stores, clothing labelling and, lastly, digital transformation of the business.

**Treasury shares**

The Annual General Shareholder’ Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan (see Note 20) and authorised the Board of Directors to derivatively acquire treasury shares to cater for this Plan. Likewise, the General Shareholders' Meeting, at its meeting held on 16 July 2019, approved a Long-Term Incentive Plan 2019-2023 and authorised the Board of Directors to derivatively acquire treasury shares, aimed at covering such plans, leaving the previous authorisation without effect.

As of 31 January 2019, the Company held a total of 2,950,143 own shares, representing 0.095% of the share capital.

Subsequently, during the financial year 2019, the first cycle (2016-2019) of the Long-Term Incentive Plan 2016-2020 took place, and the corresponding actions were handed over to the beneficiaries of the aforementioned first cycle of the Plan. As of 31 January 2020, the Company held a total of 2,125,384 own shares, representing 0.068% of the share capital.

**Financial instruments**

The Company arranges derivatives, mainly currency derivatives. The derivatives most frequently used by it are forward and option contracts.

**Dividend policy**

The Board of Directors of Inditex, following the proposal of the Audit and Compliance Committee, in view of the current uncertain situation due to the Covid-19 pandemic, considers that it is not the right moment to take the appropriate decision on the dividend, within the framework of the proposal for the application of the 2019 profits.

Consequently, it has decided to allocate all of these profits to reserves with a view to submitting a final proposal on dividends at a later Board Meeting prior to the Annual General Shareholders´ Meeting which will take place in July.

**Other disclosures**

The Group's general payment policy complies with the periods for payment to trade suppliers set in the late payment legislation in force. The Group is currently implementing measures to try to reduce the payment period in those rare cases in which the established maximum payment period is exceeded. The aforementioned measures will focus on reducing the length of the processes involved in the receipt, verification, acceptance and accounting of invoices (enhancing use of electronic and technological methods) and improving the procedure for incident resolution in this connection.

**Annual corporate governance report**

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

**Non-financial and diversity information**

Information regarding the Statement of Non-Financial Information of the Company is included in the Consolidated Directors' Report of the Inditex Group whose parents is Industria de Diseño Textil, S.A. and which will be deposited, together with the Consolidated Annual Accounts, with the Mercantile Registry of A Coruña.

Issue of the Annual Accounts and Management Report for financial year 2019 (Sec. 253 Companies Act and Sec. 34 *et seq.* of the Commercial Code)

The Directors of the company Industria de Diseño Textil, S.A. proceeded at the meeting held on 17 March 2020, to issue the Annual Accounts and the Management Report of Industria de Diseño Textil, S.A. for financial year 2019 (1 February 2019 – 31 January 2020), which consist of the documents preceding this page, all of the pages of which have been signed by the Secretary of the Board of Directors for identification purposes.

Mr Pablo Isla Álvarez de Tejera
Executive Chairman

Mr Amancio Ortega Gaona
Ordinary Member

Mr José Arnau Sierra
Deputy Chairman

Mr Carlos Crespo González
CEO

Pontegadea Inversiones, S.L.
Ordinary Member
Ms Flora Pérez Marcote

Bns Denise Patricia Kingsmill
Ordinary Member

Ms Pilar López Álvarez
Ordinary Member

Ms Anne Lange
Ordinary Member

Mr José Luis Durán Schulz
Ordinary Member

Mr Rodrigo Echenique Gordillo
Ordinary Member

Mr Emilio Saracho Rodríguez de Torres
Ordinary Member

# INDITEX
# GROUP CONSOLIDATED ANNUAL ACCOUNTS
# AS AT 31 JANUARY 2020

*Translation of a report originally issued in Spanish based on our work performed in accordance with the audit regulations in force in Spain and of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Group in Spain (see initial Note and Note 33). In the event of a discrepancy, the Spanish-language version prevails.*

Deloitte.

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

# INDEPENDENT AUDITOR'S REPORT ON CONSOLIDATED FINANCIAL STATEMENTS

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

## Report on the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 January 2020, and the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and notes to the consolidated financial statements for the year then ended ("2019").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of the Group as at 31 January 2020, and its consolidated results and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRSs) and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain.

### Basis for Opinion

We conducted our audit in accordance with the audit regulations in force in Spain. Our responsibilities under those regulations are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those pertaining to independence, that are relevant to our audit of the consolidated financial statements in Spain pursuant to the audit regulations in force. In this regard, we have not provided any services other than those relating to the audit of financial statements and there have not been any situations or circumstances that, in accordance with the aforementioned audit regulations, might have affected the requisite independence in such a way as to compromise our independence.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Deloitte, S.L. Inscrita en el Registro Mercantil de Madrid, tomo 13.650, sección 8ª, folio 188, hoja M-54414, inscripción 96ª. C.I.F.: B-79104469.
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020, Madrid.

| Impacts of IFRS 16, Leases | |
|---|---|
| **Description** | **Procedures applied in the audit** |
| The reporting period that began on 1 February 2019 was the first in which Inditex applied International Financial Reporting Standard 16 (IFRS 16), which substantially modifies the accounting for leases. Due to the large volume of leases in which the Group acts as lessee, this standard had a significant impact on the consolidated financial statements.<br><br>The Group designed an implementation plan for the adoption of this standard which, among other actions, analysed and defined the criteria to be applied in the transition process, the lease identification processes, the monitoring and control of the leases in force and the development of the methodology to be applied in the measurement of the leases.<br><br>The disclosures associated with the application of this standard are detailed in Notes 2.2 and 15 to the accompanying consolidated financial statements.<br><br>The large volume of leases, the diverse nature thereof and the significance and impact of the estimates made (mainly to assess the term of each lease and the applicable discount rate), lead us to consider this matter to be a key matter in our audit. | In response to this key matter, our audit included, among others, the following procedures:<br>- An evaluation of the design, implementation and operating effectiveness of the relevant controls established by the Group in relation to the methodologies developed and estimates made in order to evaluate the main impacts of the standard.<br>- A review of the analysis performed by Group management of the main aspects of the standard, such as identification of applicable leases, definition of the relevant criteria and assumptions, including specific assumptions in the accounting policy transition process, and evaluation of whether this analysis is consistent with, and adequate for the purpose of, the criteria established in the applicable regulations.<br>- An evaluation of the reasonableness of the main assumptions used by management including, among others, determination of the lease term and the discount rate to be applied in the measurement of each lease, and the appropriateness thereof in relation to the applicable accounting framework.<br>- For a representative sample of leases, verification of the reasonableness of the amounts included in the adjustment recognised at the transition date and at the reporting date.<br>- An evaluation of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework.<br><br>The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued. |

| Measurement of inventories | |
|---|---|
| **Description** | **Procedures applied in the audit** |
| The Group's inventories had a carrying amount of EUR 2.269 million at 31 January 2020, representing 8% of its total assets.<br><br>These inventories relate mainly to finished goods, are distributed among the distribution centres and stores managed by the Group and are measured as described in Note 2-h to the accompanying consolidated financial statements. The Group's business model is based on offering fashion products according to customer demand by means of an integrated and centralised model, to which end new stock-keeping units (SKUs) are continuously designed, purchased and distributed to the points of sale.<br><br>The fast-moving nature of fashion, the effects that the Covid-19 pandemic is having on the realization of the inventory for the spring-summer 2020 campaign (see Note 32) and the complexity of the goods measurement process, which requires significant estimates to be made in order to determine the acquisition cost and recoverable amount of each SKU, lead us to consider this matter to be a key matter in our audit. | In response to this key matter, our audit included, among others, the following procedures:<br><br>- An evaluation of the consistency of the accounting policies and practices applied by the Group to measure its inventories at 31 January 2020 with the regulatory financial reporting framework applicable to it and with the accounting policies and practices applied in the previous year.<br><br>- An evaluation of the design, implementation and operating effectiveness of the key controls in place in the inventory measurement process.<br><br>- For a representative sample, verification that the finished goods inventories were correctly measured, calculating the measurement of those inventories on the basis of the acquisition cost and considering the costs attributable to such goods, for which we involved our IT experts.<br><br>- An evaluation of the key estimates used by Group management to determine the net realisable value and the consistency thereof with Group policies and historical and other available information, such as sales and returns after the reporting date, for which we involved our IT experts.<br><br>- An evaluation of whether the disclosures included in the notes to the consolidated financial statements are in conformity with the applicable regulatory framework.<br><br>The results of the procedures performed in relation to the analysis of the accounting policies and practices and estimates applied by the Group, to the evaluation of the key controls in place, to the performance of specific substantive tests and to the disclosures included in the notes to the consolidated financial statements were satisfactory in relation to the objectives pursued. |

| IT systems | |
|---|---|
| **Description** | **Procedures applied in the audit** |
| The significant volume of transactions, the high level of automation of business processes and the importance of the IT systems in financial information generation processes expose the Group to a high dependency on its IT system and the correct functioning thereof. In this connection, maintaining an adequate control environment for information systems is essential in order to ensure their correct functioning and, accordingly, adequate information processing.<br><br>Due to their importance and the audit effort required, knowledge, evaluation, analysis of operating effectiveness and validation of the general, and certain automatic, financial reporting system controls, including controls relating to software maintenance and development, physical and logical security and system operations, were considered to constitute a key matter in our audit. | In response to this key matter, our work included, among others, the following procedures in which our audit team IT specialists were involved:<br><br>- Identification of relevant IT items and software in the financial information preparation process.<br>- Obtainment of the required understanding of the IT systems involved in the financial information preparation process and evaluation of the level of internal control over the systems. Our understanding focused, among others, on the existence of an IT systems security policy and written procedures in relation to IT processes; on the structure, governance and organisation of the IT area; on the degree of outsourcing of certain tasks; and on the identification of the locations of the hardware that supports the relevant IT software.<br>- An evaluation of the design, implementation and operating effectiveness of general IT controls relating to security, management of changes and operations and maintenance of the software we considered relevant.<br>- An evaluation of the design, implementation and operating effectiveness of the key automatic controls operating in certain especially significant business cycles, such as sales, leases, accounting closing and consolidation.<br>- A review of the cybersecurity risk management model for the main IT systems.<br><br>The results of these procedures were satisfactory and no significant matters were identified that might significantly affect the information included in the consolidated financial statements. |

## Other Information: Consolidated Directors' Report

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

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

a) A specific level that applies to the consolidated non-financial information statement, as well as to certain information included in the Annual Corporate Governance Report, as defined in Article 35.2.b) of Spanish Audit Law 22/2015, which consists solely of checking that the aforementioned information has been provided in the consolidated directors' report, or, as the case may be, that the consolidated directors' report contains the corresponding reference to the separate report on non-financial information as provided for in the applicable legislation and, if this is not the case, reporting this fact.

b) A general level applicable to the other information included in the consolidated directors' report, which consists of evaluating and reporting on whether the aforementioned information is consistent with the consolidated financial statements, based on the knowledge of the Group obtained in the audit of those consolidated financial statements and excluding any information other than that obtained as evidence during the audit, as well as evaluating and reporting on whether the content and presentation of this section of the consolidated directors' report are in conformity with the applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report that fact.

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

## Responsibilities of the Directors and Audit and Compliance Committee of the Parent for the Consolidated Financial Statements

The Parent's directors are responsible for preparing the accompanying consolidated financial statements so that they present fairly the Group's consolidated equity, consolidated financial position and consolidated results in accordance with EU-IFRSs and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Parent's directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent's audit and compliance committee is responsible for overseeing the process involved in the preparation and presentation of the consolidated financial statements.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit regulations in force in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is included in the Appendix to this auditor's report. This description forms part of our auditor's report.

**Report on Other Legal and Regulatory Requirements**

## Additional Report to the Parent's Audit and Compliance Committee

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

## Engagement Period

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

Previously, we were designated pursuant to a resolution of the General Meeting for the period of one year and have been auditing the financial statements uninterruptedly since the year ended 31 January 2013.

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

Germán de la Fuente
Registered in ROAC under no. 15.976

17 March 2020

## Appendix to our auditor's report

Further to the information contained in our auditor's report, in this Appendix we include our responsibilities in relation to the audit of the consolidated financial statements.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

As part of an audit in accordance with the audit regulations in force in Spain, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent's directors.

- Conclude on the appropriateness of the use by the Parent's directors of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent's audit and compliance committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent's audit and compliance committee with a statement that we have complied with relevant ethical requirements, including those regarding independence, and we have communicated with it to report on all matters that may reasonably be thought to jeopardise our independence, and where applicable, on the related safeguards.

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

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

# Index

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

CONSOLIDATED INCOME STATEMENT

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

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

### CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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

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

### CONSOLIDATED BALANCE SHEET

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

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

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

**(Amounts in millions of euros)**

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

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

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

The consolidated annual accounts of the Inditex Group, which Parent is Industria de Diseño Textil, S.A ( "the Group", "the Group Inditex", "the Company" or "the Parent") for 2019 were prepared by the Board of Directors on 17 March 2020 and will be submitted for approval at the corresponding Annual General Meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2018 were approved by the shareholders at the Annual General Meeting held on 16 July 2019.

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

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

The consolidated annual accounts are presented in euros, since the euro is the Group's functional currency.

Unless otherwise stated, the amounts shown in these consolidated annual accounts are expressed in millions of euros.

The separate annual accounts of the Parent (Inditex) for 2019 were prepared by the Board of Directors in a separate document to these consolidated annual accounts.

These consolidated annual accounts present fairly the equity and financial position of the Inditex Group at 31 January 2020, as well as the results of its operations, the changes in equity and the cash flows for the year then ended.

The consolidated annual accounts of the Inditex Group for 2019 were prepared on the basis of the accounting records of Inditex and of the other Group companies.

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

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

- Gross profit: the difference between sales and the cost of sales. Note 3 and Note 4 contain detailed information on the items included in these line items in the consolidated income statement. The percentage gross profit is calculated as the gross profit in absolute terms as a percentage of net sales.

- Gross operating profit (EBITDA): earnings before interest, the result of companies accounted for using the equity method, taxes and depreciation and amortisation, calculated as the gross profit less operating expenses and other losses and income, net.

- Operating income (EBIT): earnings before interest, the result of companies accounted for using the equity method and taxes, calculated as EBITDA less depreciation and amortisation.

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

Other alternative measures of performance are as follows:

- Return on capital employed (ROCE): defined as PBT divided by average capital employed in the year (average of equity attributable to the Parent plus net financial debt for the year). The average capital employed considered for the ROCE calculation by concept relates to the non-current assets, excluding the deferred tax assets, of the concept.

- Return on equity attributable to the Parent (ROE), defined as net profit attributable to the Parent divided by average shareholders' equity for the year.

- Working capital: defined as Inventories plus Receivables minus Current Payables in the Balance Sheet.

- Net financial position: defined as Cash and Equivalents and Current financial investments less current and non-current financial debt, with explicit interest (without considering lease debt).

- Average net Financial debt: defined as Current and non-Current Financial Debt with explicit interest (without considering lease debt), less Cash and Cash equivalents and Current financial investments (considered zero if the result is negative).

- Store operating profit: income generated by sales as well as all expenses directly attributable and necessary to generate said income.

- Quarterly results: calculated as the difference between the year-to-date profit (loss) statement at the reporting date less the statement of income of the previous quarterly cut-off.

In preparing the consolidated annual accounts as at 31 January 2020 estimates were made in order to measure certain assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.
- The consideration of the online business in the model of the non-current assets impairment test.
- The determination of inventory costs and its net realizable value.
- The useful life of the property, plant and equipment, intangible assets and investment property.
- The fair value of certain assets, mainly financial instruments.
- The assumptions used in the actuarial calculation of pension and other obligations to employees.
- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.
- The opinions related to determination of the lease term, as well as the estimation of the discount rates applied in the measurement of the liability under IFRS 16.
- The recovery of deferred tax assets.

These estimates were made using the best information available at the time of preparation of this consolidated annual accounts. However, events that take place in the future might make it necessary to change these estimates. Changes in accounting estimates would be applied prospectively in accordance with IAS 8.

In preparing these consolidated annual accounts the Group omitted any information or disclosures which, not requiring disclosure due to their qualitative importance, were considered not to be material in accordance with the concept of materiality defined in the IFRS Conceptual Framework.

The basis of consolidation and accounting policies applied are disclosed in Note 2.

## 1 Activity and description of the Group

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

Inditex is listed on all the four Spanish stock exchanges.

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

This activity is carried out through eight commercial brands: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Each format operates through an online and store model that is managed in a direct and integrated way, managed directly by companies over which Inditex exercises control through the ownership of all or the majority of the share capital and of the voting rights, except in certain markets where, for several reasons, the business is carried out through franchises.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 2 Selected accounting policies

### 2.1 Basis of consolidation

*i) Subsidiaries*

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

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

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

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

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

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

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

*ii) Jointly controlled entities*

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

*iii) Harmonization of criteria*

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

*iv) Intra-Group eliminations*

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

*v) Translation of annual accounts denominated in foreign currencies*

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

- Assets and liabilities are translated to euros at the exchange rates prevailing at the balance sheet date.
- Items composing the equity of these companies are translated to euros at the historical exchange rates (or, for retained earnings, at the average exchange rates for the year in which they were generated).
- Income and expenses are translated to euros at the exchange rates prevailing at the dates on which they were recognised, while average exchange rates are used in those cases in which the application of this simplifying criterion does not generate significant differences.

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

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

*vi) Annual accounts in hyperinflationary economies*

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

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

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

These adjustments have been made retrospectively since 1 February 2018.

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

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

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

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

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

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

*viii) Changes in the scope of consolidation*
Annex I details all the companies in the consolidation perimeter. During fiscal year 2019, there were no significant changes in the perimeter.

## 2.2 Accounting policies

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

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

IFRS 16 – Leases

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

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

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

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

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

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

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

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

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

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

Result of implementation of the standard:

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

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

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

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

**Other approved amendments applied from 1 January 2019:**

- IFRIC 23 - Uncertainty about tax treatment. This interpretation clarifies how to apply the recording and measurement criteria in IAS 12 when there is uncertainty about the tax authority's acceptability of a particular tax treatment used by the entity. In this regard, the Group had already been evaluating the uncertainty related to each tax treatment individually for each jurisdiction where it operates, in a manner consistent with the requirements of IFRIC 23 - Uncertainty in Tax Treatment, which is why the application of this interpretation has had no impact on the consolidated financial statements.

- Amendments to IFRS 9 - Financial instruments. This amendment permits the measurement at amortised cost of certain financial assets that can be cancelled early for an amount that is less than the amount of the principal outstanding and interest on that principal.

- Amendment to IAS 28 - Non-current investments in associates and joint ventures which clarifies that IFRS 9 should be applied to non-current interests in an associate or joint venture if the equity method is not applied.

- Improvements to IFRSs Cycle 2015-2017, which introduces minor amendments to a series of standards, including amendments to IFRS 3 Business Combinations in relation to the acquisition of joint control over a joint operation that constitutes a business, amendments to IAS 12 Income Taxes in relation to the recognition of the tax impact of remuneration for financial instruments classified as equity and amendments to IAS 23 Borrowing Costs in relation to the capitalisation of interest on outstanding financing specific to an asset that is ready for use and IFRS 11 Joint Ventures in relation to the acquisition of joint control over a joint operation that constitutes a business.

- Amendment to IAS 19 - Amendment, reduction or liquidation of a plan. In accordance with the proposed amendments, when a change occurs in a defined benefit plan (due to a modification, reduction or liquidation), the entity will use updated hypotheses to determine the cost of services and net interest for the period after the change of plan.

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

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

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

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

**Standards issued and pending approval for use in the European Union**

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

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

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

### a) Translation of foreign currency balances and transactions

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

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

### b) Property, plant and equipment

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

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

The estimated average useful lives are as follows:

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

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

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

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

**c) Other intangible assets**

- Intellectual property: intellectual property is charged for the amounts paid for the acquisition of title to or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Group. It is amortised on a straight-line basis over a maximum period of ten years.

- Computer software: software is stated at cost and is amortised on a straight-line basis over a five-year period.

- Industrial designs: these items are reflected at their production cost, which includes the cost of samples, staff costs and other directly or indirectly attributable costs, and are amortised on a straight-line basis over an estimated useful life of two years.

The Group reviews the residual values and useful lives of its intangible assets at each reporting date. Any change in the initially established estimates would be accounted for as a change in an accounting estimate.

**d) Financial investments**

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

**e) Investment property**

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

**f) Impairment of non-current assets**

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

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

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

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

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

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

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

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

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

The discount rate applied is usually a pre-tax measure based on the risk-free rate for 10-year bonds issued by the governments in the relevant markets (or similar instruments, if no 10-year bonds have been issued), adjusted by a risk premium to reflect the increase in the risk of the investment per country and the systematic risk of the Group.

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

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

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

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

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

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

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

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

Impairment of goodwill

Goodwill acquired through a business combination is allocated to the group of basic cash-generating units aggregated at concept-country level, for the purpose of performing the related impairment tests. This aggregation is made on the basis of:

- The degree of independence of the cash flows in each case.
- How the Group monitors the economic performance of its operations, and the model with which its operations are conducted.
- The degree to which the CGUs are subject to the same macroeconomic circumstances.
- The level with which the goodwill would be naturally associated on the basis of the business model.

In any case, this aggregation is never larger than an operating segment, as defined in IFRS 8.

Each year, or more often if there are indications of impairment, an impairment test is performed, using the methodology described in the preceding point, unless, if the CGU in question is an acquired company, the cash flow analysis is performed considering a period of five years, after which perpetual income is projected using a perpetuity growth rate of 2% with respect to the growth of the preceding period. The impairment tests for 2019 and 2018 did not give rise to the recognition of any impairment loss on goodwill.

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

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

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

Reversals of impairment losses

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

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

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

### g) Trade and other receivables

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

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

### h) Inventories

Inventories are measured at the lower of acquisition or production cost and net realizable value.

The cost of inventories comprises all costs of purchase and costs of conversion, as well as design, logistics and transport costs and any directly allocable costs incurred in bringing the inventories to their present location and condition.

The costs of conversion comprise the costs directly related to the units of production and a systematically calculated portion of indirect, variable and fixed costs incurred during the conversion process.

Cost is calculated on a FIFO basis and includes the cost of materials consumed, labour and manufacturing expenses.

The cost of inventories is adjusted through "Cost of Sales" in the consolidated income statement when cost exceeds net realisable value. Net realisable value is understood to be:

- Raw materials and other supplies: replacement cost. However, raw materials and other supplies are not written down below cost if the finished goods in which they will be incorporated are expected to be disposed of at or above production cost.
- Finished goods for sale: estimated selling price in the normal course of business.
- Goods in progress: the estimated selling price for the corresponding finished goods, less estimated costs of completion.

### i) Cash and cash equivalents

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

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

### j) Employee benefits

Obligations to Group personnel to be settled in the long term are estimated based on the dates on which they vest through the application, where appropriate, of actuarial assumptions. The Group has created a provision to cover the actuarial liability of the estimated portion vested at 31 January 2020.

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

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

### k) Provisions and contingent liabilities

Provisions are recognised in the balance sheet when:

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

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

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

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

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

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

## l) Financial instruments

Financial assets

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

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

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

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

Impairment of financial assets

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

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

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

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

For the assessment of the credit risk of financial instruments other than accounts receivable of commercial origin (see Note 25), the Group has defined its own methodology based on the determination of credit risk indexes for each counterparty based on the use of market information on the credit quality of the counterparties (information such as the ratings assigned by credit agencies) and that allows the assessment of the credit risk of the counterparty at the time of the initial recognition of the financial assets and determine whether, on each closing date, there has been a significant increase in the credit risk on said financial assets or if the counterparty has incurred default. This information is subject to periodic review by the Group's Management, which determines when there has been a significant increase in the credit risk of the counterparties. Likewise, this methodology includes the determination of indices for each counterparty to determine the expected loss at 12 months or during the life of the asset based on the exposure to credit risk of each counterparty. The amount of estimated impairment loss is not significant, since almost all financial assets have a low credit risk.

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

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

Derecognition of financial assets

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

**m) Derivatives and hedging operations**

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

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

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

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

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

**Level 1**

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

**Level 2**

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

**Level 3**

Unobservable inputs for the asset or liability.

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

**Level 2 instruments**
The Group assigns the assets and liabilities associated with its OTC derivative positions to this level and measures them using observable market inputs.

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

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

**Foreign currency forwards**

Fair value measurement:

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

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

**Cross-currency swaps**

Fair value measurement:

- Cross currency swaps are basically measured by discounting the future cash flows of each leg of the derivative (swap) with the corresponding risk free yield curve (in the applicable currency). Subsequently, the present value of the leg that is not denominated in euros is translated to euros (using the current spot exchange rate) and the risk free value is calculated as the difference between the present value of the receiving leg and the present value of the paying leg. The discount curves are adjusted for the cross currency (basis) swap corresponding to the currency pair.

- The risk free portion is then adjusted to include the credit risk adjustment: both the CVA (Credit Value Adjustment - counterparty default risk) and the DVA (Debit Value Adjustment - own default risk).

- The CVA and the DVA are calculated by multiplying the estimated exposure by the probability of default and the loss severity (which measures the loss given default). Where possible, the probability of default and the assumed recoverable amount in the event of default are obtained from quoted CDSs or from other observable market inputs.

- The CVA and the DVA calculations are netted for each counterparty with which the entity has an ISDA master agreement providing for the netting of the derivative positions in the event of default.

**Options purchased**

Fair value measurement:

The determination of the fair value of the (plain vanilla) options is based on a modified version of the Black-Scholes formula (Garman-Kohlhagen). Fair value is a function of the price of the underlying, the strike price, the time to maturity and the volatility of the underlying. The credit adjustment is carried out by direct discounting with credit spread method curves.

### n) Revenue recognition

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

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

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

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

There are no significant contracts with financing components.

### o) Leases

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

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

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

The lease payments included in the liabilities comprise:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### p) Finance income and costs

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

### q) Income tax

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

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

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

The Group recognizes deferred tax assets and liabilities for temporary differences, except where they relate to the initial recognition of an asset or liability in a transaction which is not a business combination and which at the time of the transaction affected neither gross accounting profit nor taxable profit (tax loss), or in the case of deferred tax liabilities, where the temporary differences relate to the initial recognition of goodwill. Deferred tax liabilities are also recognised for temporary differences associated with investments in subsidiaries, except to the extent that the Parent is able to control the timing of their reversal and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

### r) Current and non-current assets and liabilities

The Group classifies assets and liabilities as current and non-current items in the consolidated balance sheet. Assets and liabilities are classified as current when they are expected to be realized or settled within twelve months of the balance sheet date, and are otherwise classified as non-current.

Assets and liabilities are not offset, unless required or permitted by a standard or interpretation.

### s) Treasury shares

Treasury shares acquired by the Group are presented separately at cost as a reduction of equity in the consolidated balance sheet, and no gains or losses are recorded as a result of transactions carried out with treasury shares.

Costs incurred in treasury share transactions are recorded as a reduction of equity, after consideration of any tax effect.

## 3 Net Sales

Sales in the consolidated income statement include amounts received from the sale of goods and income from rentals, royalties and other services rendered in the ordinary course of the Group's business, net of VAT and other sales taxes.

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

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

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

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

## 4 Cost of sales

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

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

Raw materials and consumables include mainly amounts relating to the acquisition from or production by third parties of products held for sale or conversion, and other direct expenses related to the acquisition of goods (see Note 2.2.h).

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

## 5 Operating expenses

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

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

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

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

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

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

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

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

"Indirect Selling Expenses" includes mainly expenses relating to store operations, commissions on credit, debit card payments and logistics. "Administrative Expenses" includes all kinds of professional services, "Maintenance, Repairs and Utilities" includes maintenance and utilities expenses and "Other" includes mainly travel, communications and other operating expenses.

## 6 Other losses and income, net

This heading includes extraordinary staff costs incurred in the year and the changes in the prices of the debts recognized as a result of the existence of cross call and put options between the Group and the owners of some of the shares of certain of the subsidiaries, since these cross options are considered to be a deferred acquisition of the shares constituting the underlying. The estimated option strike price is recognised as a liability and changes are recognised in profit or loss.

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

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

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

c) Subsidiary domiciled in South Africa

The Group holds a call option on 10% of the share capital of ITX Fashion Retail South Africa (Proprietary), LTD. This ownership interest is held by Peter Vundla Retail (Propietary), LTD, which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

## 7 Amortisation and depreciation

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

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

## 8 Financial results

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

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

Finance income and costs comprise mainly (excluding Lease finance costs) the interest accrued on the Group's financial assets and liabilities during the year (see Note 20). Net foreign exchange differences are due principally to fluctuations in the currencies with which the Group operates (see Note 25) between the time when income, expenses and asset acquisitions or disposals are recognized and when the corresponding assets or liabilities are realized or settled or translated in accordance with the applicable accounting principles.

## 9 Earnings per share

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

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

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

## 10 Segment reporting

The principal activity of the Inditex Group comprises the retail and on-line distribution of clothing, footwear, accessories and household textile products through various commercial concepts targeted at different sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units are influenced mainly by the particular commercial concept to which the units belong. The internal structure of the Inditex Group, the business decision-making process and the system for communicating information to the Board of Directors and Group management are organised by commercial concept and geographical area.

The key business indicators, understood to be those which form part of the segment information reported periodically to the Board of Directors and management of the Group and which are used in the decision-making process, are sales and operating profit by segment.

The segment liabilities, financial results and taxes are not disclosed as they do not form part of the key business indicators defined above or of the segment information reported periodically to the Board of Directors and management of the Group.

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

The Inditex Group segment information is as follows:

**2019**

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

**2018**

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

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

In addition, the commercial concepts other than Zara, Zara Home and Bershka have been grouped into a single reporting segment due to the similarities in the nature of the products sold and their management and monitoring model.

For the purpose of reconciliation with the condensed consolidated financial statements, the sales to third parties relate to "Net sales" in the consolidated income statement and the depreciation and amortisation charge corresponds to "Amortisation and depreciation" in the consolidated income statement.

The segment's Profit before taxes refers to "Profit before taxes" in the consolidated income statement. Income and expenses which might be considered to be corporate in nature or as belonging to all segments were allocated to each of the segments based on distribution criteria considered reasonable by Group Management. Inter-segment transactions are carried out on an arm´s length basis.

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

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

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

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

**Geographical reporting**

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

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

## 11 Trade and other receivables

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

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

Trade receivables are mainly customer debit/credit card payments pending collection.

Part of the Group's activity is carried on through franchised stores (see Note 1). Sales to franchisees are made under agreed collection terms, which are partially guaranteed as described in Note 25.

Balances receivable from public authorities comprise VAT and other taxes and duties incurred by Group companies in the countries in which they operate.

Other current receivables include items such as rental incentives due from shopping centre developers (see Note 15) and outstanding balances from sundry operations.

## 12 Inventories

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

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

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

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

## 13 Property, plant and equipment

The detail of the items composing "Property, Plant and Equipment" in the accompanying consolidated balance sheet and of the changes therein is as follows:

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

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

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

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

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

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2.f).

Through its corporate risk management policy, the Group identifies, assesses and controls damage and liability-related risks to which the Group companies are exposed. It does this by compiling and measuring the main risks of damage, loss of profits and liability affecting the Group and implements prevention and protection policies aimed at reducing, to the extent possible, the frequency and intensity of these risks.

Likewise, standard measurement criteria are established at corporate level which enables the different risks to which the Group is exposed to be quantified, measured and insured.

Lastly, the Group takes out insurance policies through corporate insurance programs to protect its assets from the various risks, and establishes suitable limits, excesses and conditions in view of the nature of the assets and the financial dimension of the Group.

## 14 Rights over leased assets and other intangible assets

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

"Other Intangible Assets" includes basically amounts paid for the registration and use of Group brand names, industrial designs of items of clothing, footwear, accessories and household goods created during the year, and the cost of software applications.

The Group performed an impairment test and a sensitivity analysis based on reasonably possible changes in the main variables used in asset measurement, and the results did not vary significantly (see Note 2.2.f).

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

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

The Group capitalized EUR 140 million in 2019 (EUR 111 million in 2018) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized EUR 93 million (EUR 101 million in 2018) in respect of the development of industrial designs and other intangibles associated with the Group's activity that meet the requirements for capitalization under IAS 38.

## 15 Leases

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

### 15.1 Right of Use Assets

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

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

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

### 15.2 Lease liabilities

The breakdown of lease liabilities is as follows:

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

The breakdown of maturity is as follows:

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

## 15.3 Other information

Amounts recognized in the consolidated income statement:

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

* Mainly includes Common Expenses and other lease services.

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

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

## 16 Goodwill

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

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

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

The goodwill arising from the acquisition or termination of franchise contracts corresponds to the amount of the intangible assets that did not meet the requirements established in IFRS 3 for separate recognition. These requirements related essentially to the capacity of the assets to generate future cash flows.

The recovery of the goodwill is adequately guaranteed through the profitability of the acquired companies, whose future cash flows support the carrying amount of goodwill at year-end (see Note 2.2.f).

Also, sensitivity analyses were performed based on reasonably possible changes in the main variables used in asset measurement, and the recoverable amount is higher than the related carrying amount (see Note 2.2.f).

## 17 Financial investments

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

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

The carrying amount of the ownership interest in the Tempe Group in the accompanying consolidated balance sheet does not differ significantly from the value of the Group's share of the net assets of the Tempe Group (see Note 27).

There are no significant restrictions of any kind on the Tempe Group's ability to transfer funds to the Group in the form of cash dividends or the repayment of loans or advances granted by the Group.

## 18 Other non-current assets

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

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

The guarantees and deposits relate mainly to security deposits paid to owners of leased commercial premises to ensure compliance with the conditions stipulated in the leases (see Note 15), and to amounts paid to secure compliance with contracts in force.

## 19 Trade and other payables

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

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

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

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

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

## 20 Net financial position

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

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

"Cash on Hand and at Banks" includes cash on hand and in demand deposits at banks. "Short-Term Deposit" and "Fixed-Income Securities" include term deposits and units in money market investment funds that use unitholders' contributions to acquire fixed-income securities with maturities of less than three months that have a high credit rating, are highly liquid and convertible to known amounts of cash, and are subject to an insignificant risk of changes in value. All the balances under this line item are unrestricted as to their use and there are no guarantees or pledges attached to them.

"Current Financial Investments" on the asset side of the consolidated balance sheet relates mainly to investments in money market investment funds and fixed-income securities, with maturities ranging from three to twelve months, all of which have high credit ratings and are highly liquid.

The detail of the Group's bank borrowings and obligations under other financial operations is as follows:

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

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

Interest on all the financial debt is negotiated by the Group on the respective financial markets and usually consists of a monetary market index plus a spread in line with the solvency of the Parent or the subsidiary that has arranged the debt.

Financial debt is denominated in the following currencies:

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

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

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

## 21 Provisions

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

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

*Provision for pensions and similar obligations to personnel*
Certain Group companies have undertaken to settle specific obligations to personnel. The Group has recorded a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2020. The estimated average period of disbursement of the provisioned amounts is around 3 years.

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

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

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

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

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

## 22 Other non-current liabilities

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

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

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

## 23 Capital and reserves

Share capital

At 31 January 2020 and 2019, the Parent's share capital amounted to EUR 94 million, and was divided into 3,116,652,000 fully subscribed and paid shares of EUR 0.03 par value each. All the shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2020 and 2019 amounted to EUR 20 million, while retained earnings amounted to EUR 19,850 million and EUR 12,130 million, respectively. The Parent's legal reserve, amounting to EUR 19 million, was recognized in compliance with Article 274 of the Spanish Companies Act, which establishes that 10% of profit for each year must be transferred to the legal reserve until the balance of this reserve reaches at least 20% of the share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that sufficient other reserves are not available for this purpose, the reserve must be replenished with future profits. At 31 January 2020 and 2019, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

The total consolidated reserves at 31 January 2020 include restricted reserves amounting to EUR 618 million (EUR 529 million at 31 January 2019) whose distribution is limited due to domestic legal requirements (basically bylaw reserves).

INDITEX shares are listed on the four Spanish stock exchanges. The shares are represented by book entries. Notwithstanding the above, pursuant to Article 497 of the Spanish Companies Act, in 2019 Inditex has contracted Sociedad de Gestión de Sistemas de Registro, Compensación y Liquidación de Valores, S.A. (Iberclear) to provide the daily share ownership notification service. As per the Parent's shareholder register, as well as the information provided by the shareholder Rosp Corunna Participaciones Empresariales, S.L. to Inditex, and also per the public information registered at the Spanish National Securities Market Commission (CNMV), the members of the Board of Directors directly or indirectly owned, at 31 January 2020 and 2019, 59.371% and 59.364% respectively of the Parent's share capital (see Note 29). At 31 January 2020 and 2019, Pontegadea Inversiones, S.L. held 50.010% of the shares of INDITEX.

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

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

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

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

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

## 24 Income taxes.

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

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

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

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

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

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

The income tax expense comprises the following:

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

The reconciliation of the income tax expense that would result from applying the standard tax rate in force in Spain to the profit before tax and the income tax expense recognized in the consolidated income statement for 2019 and 2018 is as follows:

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

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

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

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

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

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

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

These balances were determined using the tax rates that, based on enacted tax laws, will be in force in the period when they are expected to reverse, and in some cases these tax rates may differ from the tax rates in force in the present year.

The expense for deferred income tax was adjusted for the difference between the balances calculated at the tax rate in force at the end of the present year and those calculated at the new tax rates at which they will reverse.

The changes in deferred tax assets and liabilities in 2019 and 2018 were as follows:

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

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

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

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

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

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

The years open to inspection in relation to the main taxes vary according to the tax legislation of each country in which the Group operates. At present, verification actions are being carried out on different Group companies, among which we highlight those domiciled in Spain, Korea and the United States. In any case, it is not expected that, as a consequence of the ongoing verification actions, as well as those that could be carried out in the future in relation to non-prescribed periods, liabilities will be revealed that significantly affect the equity situation or the Group's results.

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

## 25 Financial risk management policy and financial instruments

**Financial risk management policy**

The Group's activities are exposed to various financial risks: market risk (foreign currency risk and interest rate risk) and other risks (credit risk, liquidity risk and country risk). The Group's financial risk management focuses on the uncertainty of financial markets and aims to minimize the potential adverse effects on the profitability of its business.

This note provides information on the Group's exposure to each of the aforementioned risks, the Group's objectives, policies and processes for managing risk, the methods used to measure these risks, any changes from the previous year and the financial instruments used to mitigate the risks.

*Foreign currency risk*

The Group operates in an international environment and, accordingly, is exposed to foreign currency risk on transactions in currencies, in particular the US dollar (the Euro is the Group's reference currency and the functional currency of the Parent) and, to a lesser extent, the Mexican peso, the Russian rouble, the Chinese yuan, the Japanese yen and the pound sterling. Foreign currency risk arises on future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed in line with the corporate risk management model guidelines, which establish the ongoing monitoring of exchange rate fluctuations and other measures designed to mitigate this risk, mainly through the optimization of the Group's operations in order to minimize the impact, using natural hedges, the benefits of diversification and the arrangement of financial hedges.

Merchandise and goods for resale are acquired partly through orders placed with foreign suppliers, mostly in US dollars. In accordance with prevailing foreign currency risk management policies, Group management arranges derivatives, mainly foreign currency forwards, to hedge fluctuations in cash flows relating to the EUR-USD exchange rate. The Group also uses non-derivative financial instruments as hedges (e.g. deposits held in currencies other than the euro), and these instruments are recognized under "Current Financial Investments".

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

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

As described in Note 2.2.m, the Group applies hedge accounting to mitigate the volatility that would arise in the consolidated income statement as a result of the existence of significant foreign currency transactions. Hedge accounting has been used because the Group meets the requirements described in Note 2.2.m on accounting policies in order to be able to classify financial instruments as hedges for accounting purposes.

The Group applies the hedge accounting rules established in the applicable accounting standards. As a result, certain financial instruments were formally designated as hedging instruments and the Group verified that the hedges are highly effective. The maturity dates of the hedging instruments were negotiated so that they coincide with those of the hedged items. In 2019, using hedge accounting, no significant amounts were recognized in profit or loss either as a result of transactions that ultimately did not occur or as a result of the ineffectiveness of the hedges.

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

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

The Group uses the Cash-Flow-at-Risk (CFaR) methodology in order to estimate the potential impact of exchange rate changes on consolidated profit before tax and, if applicable, determine the relevant mitigation strategies. CFaR is methodology widely used in risk management. It is an evolution of the Value-at-Risk (VaR) method focused on the possible loss related to future cash flows. Given a portfolio, exposed to one or more risks, the CFaR represents the maximum expected loss for a defined time horizon with a given confidence interval. The CFaR measures risk in aggregate terms, considering the potential diversification benefit resulting from the correlations between the components of the portfolio of exposures.

The underlying portfolio used in the CFaR calculation is composed of future flows denominated in currencies other than the euro up to a period of one year. It is estimated that this portfolio represents substantially all of the Group's exposure to foreign currency risk and that the possible adverse changes in exchange rates would affect the consolidated profit of the following year. The main parameters and assumptions used in the CFaR calculation relate to the horizon of the estimated flows, the scenario simulation technique and the selected confidence interval. The cash flows considered have a duration of up to one year, taking as a time horizon the maturity date of each cash flow. Distributions are simulated using the Monte Carlo method by generating random scenarios based on market changes over the previous three years. A 95% confidence interval is selected.

As regards the limitations of the calculation, it should be noted that the actual maximum loss could be higher than the estimated loss, since when opting for a 95% confidence level there are 5% of scenarios in which the expected loss is higher. In addition, future market changes do not necessarily coincide with the behaviour of the previous three years. It may also be the case that the estimated flows, i.e. the portfolio used for the calculation, differ from the actual flows. In addition, the Group uses the Value-at-Risk (VaR) method to manage foreign exchange risk in relation to the most relevant accounting items.

It is estimated that the resulting negative impact on the 12-month expected cash flows, attributable to an adverse change in the exchange rate resulting from the CFaR calculation, could be EUR 274 million at 31 January 2020 (31 January 2019 EUR 256 million).

*Credit risk*

The Group is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises and retail sales represent the vast majority of revenue. Collections are made primarily in cash or through credit card payments.

The Financial Risk Management Policy ensures the measurement, evaluation and mitigation of the credit risk of investment products and the counterparty risk of financial institutions by establishing very detailed analysis criteria.

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

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

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

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

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

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

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

Note 20 contain a detail of the financial liabilities, along with their scheduled maturities.

*Interest rate risk*
The Group's exposure to interest rate risk, which in no case is significant, arises principally in relation to the following items:

- Cash and cash equivalents: given the Group's investment policy (see Note 20), any changes in interest rates at year-end would not significantly affect consolidated profits.

- Financial debt: given the amount of the Group's external financing (see Note 20), any change in interest rates at year-end would not significantly affect consolidated profits.

- Discount rates: used in the calculation of the impairment losses on non-current assets (property, plant and equipment and intangible assets), goodwill and intangible assets with an indefinite useful life (see Note 2.2.f).

- Derivatives: given the type of hedging instruments arranged, the interest rate risk is not material.

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

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

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

At 31 January 2020, there was no significant risk in relation to the repatriation of funds or any material cash surpluses not available for use by the Group or its subsidiaries. Similarly, there are no significant restrictions on the Group's ability to access the assets and settle the liabilities of its subsidiaries.

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

Brexit-related risk

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

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

*Capital management*

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

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

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

*Financial instruments*

At 31 January 2020 and 2019, the Group had arranged hedging derivatives consisting basically of forwards on its future purchases in US dollars, forwards to hedge intra-Group financing, and options. The fair value of these derivatives is recognized under "Other Financial Assets" or "Other Financial Liabilities" depending on the related balance.

The detail of "Other Financial Assets" and "Other Financial Liabilities" in the consolidated balance sheet is as follows:

| Other financial assets | 2019 | 2018 |
|---|---|---|
| Fair value of the hedging instruments | 14 | 20 |
| **Total** | **14** | **20** |

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

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

**2019**

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

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

**2018**

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

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

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

*Financial instruments: other information*

The main financial assets held by the Group, other than cash and cash equivalents and derivative financial instruments, are the loans and receivables related to the Group's principal activity and the guarantees given in relation to the lease of commercial premises, which are shown under "Other Non-Current Assets". The main financial assets of the Group are as follows:

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

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

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

## 26 Employee benefits

Obligations for benefit plans or defined contributions

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

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

Long-term Incentive Compensation Plans

*Long-term Incentive Plan 2016-2020*

The Annual General Shareholders' Meeting held on 19 July 2016 approved the 2016-2020 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the "2016-2020 Plan"). Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The 2016-2020 Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time and verified compliance with the specific objectives, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

The 2016-2020 Plan has a total duration of four years and is structured into two mutually independent time cycles. Both cycles have ended. The first cycle of the 2016-2020 Plan ran from 1 February 2016 to 31 January 2019. The second cycle ran from 1 February 2017 to 31 January 2020, although the liquidation of this second cycle will take place during the first half of the year 2020.

The 2016-2020 Plan is linked to critical business targets and the creation of shareholder value.

The 2016-2020 Plan does not expose the Company to any material risks.

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

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

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

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

*2019-2023 Long-Term Incentive Plan*

The Annual General Shareholders' Meeting held on 16 July 2019 approved the 2019-2023 Long-Term Incentive Plan for members of the management team and other personnel of Inditex and its Group of Companies (hereinafter referred to as the "2019-2023 Plan"). Under this Plan, each of the beneficiaries will be entitled, provided the terms and conditions established therein are fulfilled, to receive up to a maximum amount of the incentive allocated.

The 2019-2023 Plan combines a multi-year cash bonus and a promise to deliver free share which, after a specified period of time and verified compliance with the specific objectives, will be paid to the Plan beneficiaries, either in full or at the percentage applicable in each case.

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

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

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

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

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

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

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

Annual bonus

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

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

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

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

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

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

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

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

## 27 Jointly controlled entities

Inditex has a 50% stake in the group formed by the parent, Tempe, S.A., and its subsidiaries, the detail of which is shown in the following table. These companies engage mainly in the design, supply and distribution of footwear to Inditex Group companies, their main customer.

| Company | Effective % of ownership | Location | Consolidation method | Reporting date | Chain | Line of business |
|---|---|---|---|---|---|---|
| Tempe, S.A. | 50.00% | Alicante Spain | Equity method | 31-jan | Multi-concept | Sale of footwear |
| Tempe México, S.A. de C.V. | 50.00% | Mexico City México | Equity method | 31-dec | Multi-concept | Sale of footwear |
| Tempe Logística, S.A. | 50.00% | Alicante Spain | Equity method | 31-jan | Multi-concept | Logistics |
| Tempe Brasil, Ltda. | 50.00% | Sao Paulo Brazil | Equity method | 31-dec | Multi-concept | Dormant |
| Tempe Diseño, S.L. | 50.00% | Alicante Spain | Equity method | 31-jan | Multi-concept | Design |
| Tempe Trading | 50.00% | Fribourg Switzerland | Equity method | 31-oct | Multi-concept | Dormant |
| Tempe Trading Asia Limited | 50.00% | Hong Kong China | Equity method | 31-jan | Multi-concept | Sale of footwear |
| TMP Trading (Shanghai) Co. Ltd | 50.00% | Shanghai China | Equity method | 31-dec | Multi-concept | Sale of footwear |
| Tempe Giyim, Ltd. | 50.00% | Istanbul - Turkey | Equity method | 31-dec | Multi-concept | Sale of footwear |

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

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

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

## 28 Proposed distribution of the profit of the Parent

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

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

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

## 29 Remuneration of the Board of Directors and related party transactions

**<u>Remuneration of the Board of Directors</u>**

The remuneration earned by the Board of Directors and Senior Management of the Parent in 2019 is shown in the section on related party transactions.

**<u>Other information concerning the Board of Directors</u>**

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

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

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

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

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

4 Represented by Ms Flora Pérez Marcote.

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

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

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

**Related party transactions**

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

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

**Inditex Group companies**

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

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

Transactions:

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

Balances:

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

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

Significant shareholders

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

| Company name of significant shareholder | Nature of relationship | Type of operation | Amount |
|---|---|---|---|
| Pontegadea Inversiones, S.L., S.L., Partler 2006, S.L. or related entities or persons | Contractual | Lease of assets | (42) |
| Pontegadea Inversiones, S.L., Partler 2006, S.L. or related entities or persons | Contractual | Other income | 7 |
| Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons | Contractual | Lease of assets | (1) |

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

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

Several Group companies have leased commercial premises belonging to companies related to the controlling shareholder or to significant shareholders.

Members of the Board of Directors and management

The amounts indicated in the following tables and paragraphs referring to remuneration and termination benefits are expressed in thousands of euros in both years

The following tables show the remuneration and termination benefits earned by the directors and management of Inditex in 2019:

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

Notes:

(1) From 16 July 2019

(2) Represented by Ms Flora Pérez Marcote

(3) From 10 December 2019

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

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

Notes:

(1) Represented by Ms Flora Pérez Marcote

(2) From 17 July 2018

(3) Cessation of employment at 17 July 2018.

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

| **2019** | **SENIOR MANAGEMENT** |
|---|---|
| Remuneration | 30,834 |
| Termination benefits | - |
| **Total** | **30,834** |

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

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

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

- Executive Directors: (i) an incentive in cash in the gross amount of EUR 769 thousand for the Executive Chairman and EUR 46 thousand for the CEO; and, (ii) an incentive in shares materialised in 31,888 shares for the Executive Chairman, equivalent to the gross amount of EUR 643 thousand, and 1,259 shares for the CEO, equivalent to the gross amount of EUR 25 thousand.

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

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

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

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

**2018**

| | SENIOR MANAGEMENT |
|---|---|
| Remuneration | 42,768 |
| Termination benefits | 2,168 |
| **Total** | **44,936** |

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

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

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

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

## 30 External auditors

In 2019 and 2018 the fees for financial audit and other services provided by the auditor of the Group's annual accounts, or by any firms related to this auditor as a result of a relationship of control, common ownership or common management, were as follows:

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

According to information received from the auditors, the fees received from the Inditex Group by the principal auditor and the other firms belonging to the international network (and their associated firms) did not exceed 0.0200% of their total revenue.

## 31 Environment

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

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

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

## 32 Events after the reporting period

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

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

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

## 33 Explanation added for translation to English

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

## Annex I – Composition of the Inditex Group

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

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

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

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

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

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

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

**CONSOLIDATED DIRECTORS' REPORT AT 31 JANUARY 2020**
(Amounts expressed in millions of euros)

## Situation of the entity

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

### *Organizational structure*

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- General Shareholders´ Meeting
- Board of Directors
- Executive Committee
- Audit and Compliance Committee
- Nomination Committee
- Remuneration Committee
- Sustainability Committee
- Supervisory Board and Office of the Chief Compliance Officer
- Ethics Committee

## Business performance and results

### *Key financial and non-financial indicators*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Sales in company-managed and franchised stores:

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

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

Net sales by concept are shown in the table below:

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

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

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

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

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

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

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

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

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

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

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

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

The following chart shows the breakdown of financial results:

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

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

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

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

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

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

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

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

(*) Zero when net cash

Return on Capital Employed by concept:

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

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

**Issues relating to sustainability and employees**
See Annex IV "Non-financial information and information on diversity".

## Liquidity and capital resources

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

The cash position increased 20% to €8.1 billion.

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

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

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

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

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

The Group's capital structure is characterised by the low debt/equity ratio as a result of the practically non-existent financing and the strength of its equity.

The Group's organic growth and its CAPEX needs have been financed substantially in full with the funds generated by the business, which has enabled the Group to maintain its solid cash position.

The Group considers that no changes will arise with regard to the generation and management of liquidity in FY2020.

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

## Analysis of contractual obligations and off balance sheet transactions

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

## Main risks and uncertainties

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

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

**1. Business environment**

Risks arising from external factors relating to the Group's business activities.

This category includes risks relating to difficulties in adapting to the environment or market in which the Group operates, as regards both the procurement processes and the product retailing and sale activities. These risks are inherent to the fashion retailing business and consist of the Group's potential inability to continue operating and react to changes in its target market or to adapt to new situations in the countries from which it obtains its supplies or in which it performs retail activities.

In this regard, geo-political, demographic and socio-economic changes, public health crises in countries, in which procurements or retail sales are made or a downturn in demand in certain markets, and which trigger country risk, constitute inter alia, factors that might have an adverse effect on the optimum achievement of the Group's business objectives. The potential consequences of climate change could also have an impact, such as sharp changes to climate cycles that could affect consumers' demand patterns, supply and demand of textiles materials used in manufacturing of garments, among others.

Furthermore, the strong competitiveness of the industry, driven by new technologies and disruptive innovations, could condition the Group's ability to compete in an environment where the consumer profile is constantly evolving.

**2. Legislative and regulatory**

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

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

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

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

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

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

**3. Reputation**

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

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

**4. Human resources**

The main risks relating to human resources are those arising from potential dependence on key employees and maintaining an adequate working environment in all the work centres.

**5. Operational**

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

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

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

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

**6. Financial**

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes, inter alia, foreign currency exchange risk and counterparty credit risk. In addition, the increasingly international nature of the Group's businesses exposes it to country risk in its various markets.

The Euro is the Group's functional currency. Its international transactions require the use of numerous non-euro currencies giving rise to foreign currency exchange risk. The Group has investments overseas whose assets are exposed to the foreign currency exchange risk. Given that the Group consolidates the annual accounts of all its companies in its functional currency, i.e. in the Euro, it is exposed to foreign currency exchange risk in the translation of the results of all its entities located outside the Economic and Monetary Union. The Company is also exposed to the risk arising from the payment and collection flows in currencies other than the euro in relation to the acquisition and provision of goods and services in both Group and non-Group transactions.

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

The Group is not exposed to significant concentrations of counterparty credit risk. The majority of its revenue relates to retail sales which are collected on demand, either in cash or through credit or debit card. In any event, the Group is exposed to the risk that the counterparties (mainly financial ones) fail to comply with  the obligations resulting from the invest the company's cash, under the credit facilities or other funding and guarantee vehicles or the derivatives arranged to hedge financial risks.

**7. Information for decision-making**

The risks in this category relate to the availability of adequate information at all levels: transactional and operating information, financial and accounting information, management information and budgeting and control information.

The Group's various departments and particularly the Planning Management and Control and the Administration Departments, which report to the Corporate Finance Department, are directly responsible for producing and supervising the quality of this information.

**8. Technology and information systems**

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

**9. Corporate governance**

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

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

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

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

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

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

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

**Significant events after the reporting period**

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

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

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

**Information on the outlook for the Group**

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

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

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

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

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

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

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

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

**R,D&I activities**

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

**Acquisition and sale of treasury shares**

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

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

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

**<u>Other salient information</u>**

**Stock market information**

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

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

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

**Dividend policy**

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

Consequently, the net income generated will be allocated to reserves (to voluntary reserves amounting to EUR 10,228 million and to the capitalisation reserve amounting to EUR 190 million) with a view to submitting a final proposal on dividends at a later board meeting prior to the AGM which will take place in July.

**Other disclosures**

Related party transactions

Transactions with related parties are described in Notes 27 and 29 to the consolidated annual accounts. The Company did not carry out any transactions with related parties in 2019 that substantially affected its financial position or results.

Information on average payment periods required by Law 15/2010, of 5 July, amending Law 3/2004, of 29 December

The Group's supplier payment policy complies with the periods for payment to suppliers set in the late payment legislation in force. The Group is developing measures to try to reduce the payment period in those rare cases in which the established maximum payment period is exceeded. The aforementioned measures will focus on reducing the length of the processes involved in the receipt, verification, acceptance and accounting of invoices (enhancing use of electronic and technological methods) and improving the procedure for incident resolution in this connection.

Annual Corporate Governance Report

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

Non-financial information and information on diversity

The non-financial information and information on diversity of the Inditex group is attached as Annex IV to this document.

**Alternative performance measures**

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

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

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

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

**Annex II**

Income statement: FY2019 quarterly results:

| | 2019 Quarterly results | | | |
|---|---|---|---|---|
| | **Q1** | **Q2** | **Q3** | **Q4** |
| Net sales | 5,927 | 6,893 | 7,000 | 8,466 |
| Cost of sales | (2,402) | (3,134) | (2,746) | (4,197) |
| **Gross profit** | **3,524** | **3,759** | **4,254** | **4,268** |
| | 59.5% | 54.5% | 60.8% | 50.4% |
| Operating expenses | (1,842) | (1,981) | (1,988) | (2,365) |
| Other net operating income (losses) | (8) | (6) | (11) | (8) |
| **Operating cash flow (EBITDA)** | **1,675** | **1,772** | **2,255** | **1,896** |
| | 28.3% | 25.7% | 32.2% | 22.4% |
| Amortisation and depreciation | (696) | (712) | (747) | (672) |
| **Operating income (EBIT)** | **980** | **1,060** | **1,508** | **1,224** |
| | 16.5% | 15.4% | 21.5% | 14.5% |
| Financial results | (36) | (41) | (34) | (41) |
| Results from companies consolidated by equity method | 9 | 15 | 12 | 25 |
| **Income before taxes** | **952** | **1,035** | **1,486** | **1,208** |
| Taxes | (216) | (218) | (312) | (287) |
| **Net income** | **736** | **817** | **1173** | **921** |
| | 12.4% | 11.8% | 16.8% | 10.9% |
| **Minorities** | **2** | **1** | **2** | **2** |
| **Net income attributable to the controlling company** | **734** | **816** | **1,171** | **919** |
| | 12.4% | 11.8% | 16.7% | 10.9% |

**Annex III**

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

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

# Annex IV

# STATEMENT ON NON-FINANCIAL INFORMATION

## INDITEX GROUP

## CONTENTS

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

# 1. RELEVANT DATA

- **Inditex (hereinafter, also known as the "Group", the "Inditex Group" and the "Company") is a predominantly young company,** covering several generations, with the stores at the core of its business: 61% of our employees are under the age of 30; the average age is 28.9 years and **87% of our workforce work in the stores.** In this regard, all areas of the Group conduct business through an integrated platform of stores and online that operates 202 markets with a network of 7,469 stores in 96 markets, of which 66 are fully integrated – via our eight brands (Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe).

- **The Inditex workforce is largely female,** with women accounting for 76% of our 176,611 employees and 79% of management positions. Moreover, we have wage parity in the company: on a global basis, women are paid 0.2% more than men.

- The **sustainability strategy of Inditex** was updated at our Ordinary General Shareholders' Meeting held on 16 July 2019. The strategy includes action measures for application in the various stages of our business activity, consisting of a set of goals defined for each one.

- **Following the renewal in 2019 of the Global Framework Agreement** entered into with the international trade union federation ***IndustriALL Global Union***, Inditex has agreed to set up a **Global Union Committee** to represent the workers in our supply chain, becoming the world's first fashion distribution company to have such a structure in place.

- **In line with our Global Energy Strategy and the Paris Agreement, in 2019** we became one of the founding members of the ***Fashion Pact*** designed to drive environmental sustainability in the fashion and textile industries; its main lines of action seek to fight climate change, care of the oceans and biodiversity conservation.

- Throughout 2019 we have been working to define the **new 2019-2022 social strategy for the supply chain, which we have called "Workers at the Centre"** and which follows on from the previous "2014-2018 Strategic Plan for a Stable and Sustainable Supply Chain"**.**

- **A boost to energies from clean sources:** 63.29% of our global electricity consumption in 2019. Reduction of Scope 1 and 2 emissions, having achieved 43,97 kg $CO_2$ eq. per square metre[1]. With respect to 2018, a reduction of 36.82% has been achieved.

- **Progress in environmental sustainability:** involved in the *Closing the Loop* programme, since 2015 the Company has supported circularity, having donated over 49,479 tons of clothing, footwear and accessories.

- We seek to provide our customers with increasingly sustainable products. In 2019, 19% of our garments was *Join Life*.

- According to the report *The Dirty Fashion Disrupted: Leaders and Laggards Revealed* prepared by *Changing Markets Foundation*, for the second year in a row the Company has been included in the frontrunner category of the retail industry for its firm support for the production and sale of responsible viscose.

[1] Ratio per square metre ($m^2$) = (absolute figure for the year/total surface for the year in $m^2$) x 1000

- **In 2019 the global supply chain of Inditex** was made up of 1,801 suppliers[2], in 44 markets, working with 7,799 factories[3], grouped into 12 clusters[4]: Spain, Portugal, Morocco, Turkey, India, Bangladesh, Vietnam, China, Cambodia, Brazil, Argentina and Pakistan.

- During 2019, and seeking to ensure compliance with Human and Labour Rights of the workers in our supply chain, as well as with the Code of Conduct for Manufacturers and Suppliers, we have carried out a total of **1,396 traceability audits, 2,789 pre-assessment audits, 6,411 social audits and 1,619 special audits**.

- **At Inditex we strive to achieve Zero Discharge of Hazardous Chemicals (ZDHC) in 2020.** For this purpose we have designed three own and pioneering programmes in the textile industry: *The List by Inditex*; *Ready to Manufacture* and *Green to Wear*.

- To guarantee the excellence of our products, at Inditex we have implemented the **most demanding product health and safety standards,** of mandatory and global application to all items we sell: *Safe to Wear* (product safety) and *Clear to Wear*, *I+Cosmetics* and *I+FCM* (product health safety). These standards are subject to continuous review and expansion in order to adapt to the latest regulations in force. During 2019 we have updated and reviewed all the standards, and two new ones have been developed: I+ Home Fragance & Candles and I + Child Care Furniture

- **Inditex continues to be leader in the environmental dimension in the retail sector according to the *Dow Jones Sustainability Index*,** with a result of 95 points out of 100 (91 points out of 100 in 2018). For the second year running, Inditex is among the ranking of the ***Global 100 Most Sustainable Corporations*, from *Corporate Knights***, which includes leading companies in financial, environmental, social and governance performance. In addition, **Inditex maintains its position of *Leadership* according to the *Carbon Disclosure Project* (CDP) in *Climate Change***, which lays out the actions in place in the various companies to combat climate change.

- In 2019, our corporate community investment has exceeded 49 million euros, 7% more than the previous year. This investment has materialized in the development of numerous social initiatives that have directly benefited more than 2.4 million people.

## 2. MATERIALITY

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

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

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[2] Suppliers of fashion items, mainly apparel, footwear and accessories with a production of over 20,000 units/year in the 2019 spring/summer and autumn/winter campaigns. Suppliers with lower productions account for 0.24% of total production.
[3] Factories producing clothing, footwear and accessories declared by the suppliers in the product traceability system for 2019 orders.
[4] In order to improve both the processes related to supply chain sustainability and the scope of the information compiled, this year this scope has been extended to include information on non-textile item suppliers (hereinafter, "Extended Scope"). To this end, the number of suppliers, also including non-textile items, amounts to 1,985, located in 51 markets, working with 8,155 factories. Suppliers producing less than 20,000 units account for 0.27% of overall production. This information on the Extended Scope is not comparable to that reported in previous years, but is included in this statement as a reference for comparability in future statements.

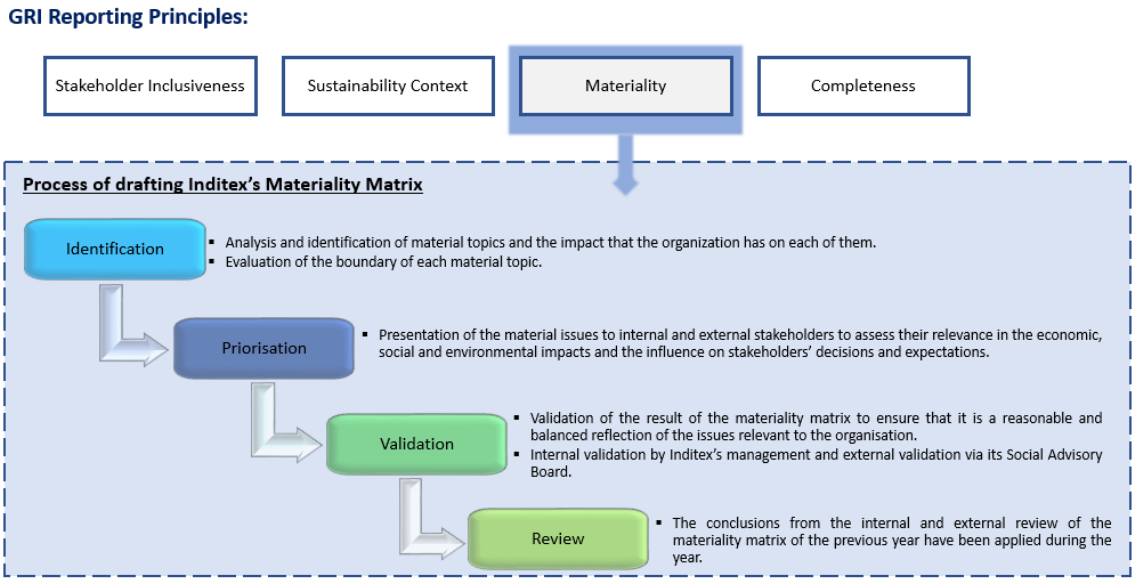
## STAKEHOLDERS

| COMMON PRINCIPLES | DIFFERENT RELATIONSHIP AND DIALOGUE TOOLS: | | | | | |
|---|---|---|---|---|---|---|
| ONGOING DIALOGUE<br>TRANSPARENCY | MATERIALITY ANALYSIS | SOCIAL ADVISORY BOARD | STRATEGIC PARTNERSHIPS | CORPORATE WEBSITE | ANNUAL REPORT | SPECIFIC TOOLS FOR DIALOGUE |

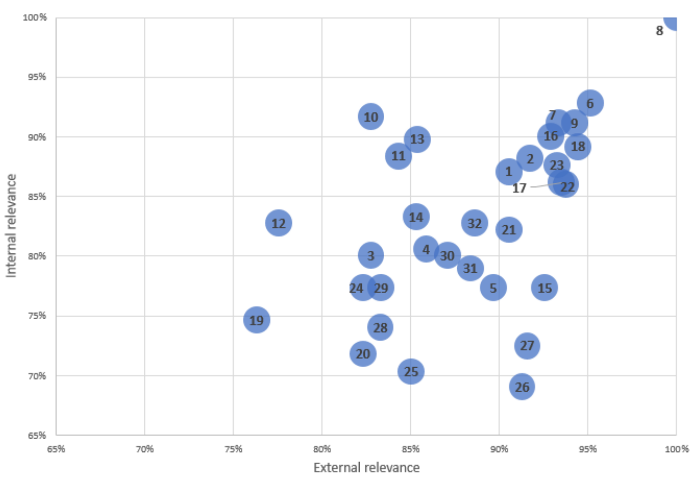
| STAKEHOLDERS | TOOLS FOR DIALOGUE | FREQUENCY | OUR COMMITMENTS | EXAMPLES OF STAKEHOLDERS |
|---|---|---|---|---|
| **EMPLOYEES**<br>Any person who works for the Inditex Group, whether at stores, offices or logistics centres. | - Ethics Committee<br>- UNI Global Union agreement<br>- Training and internal promotion<br>- Internal communications<br>- Volunteer programmes<br>- Information Security and Data Protection & Privacy (Data Protection Officer - DPO) Departments | - On request<br>- Ongoing dialogue<br>- Ongoing dialogue<br>- Ongoing dialogue<br>- Ongoing dialogue<br>- Ongoing dialogue | - Respect for human and labour rights<br>- Fair and decent treatment<br>- Data protection & privacy<br>- Commitment with information security | - Store employees<br>- Office employees<br>- Employees at logistic centres<br>- Trade union representatives |
| **CUSTOMERS**<br>Any person who purchases any product marketed by any of Inditex Group's different brands. | - Specialized customer service teams<br>- Stores and online<br>- Social networks<br>- Information Security and Data Protection & Privacy (Data Protection Officer - DPO) Departments | - On request<br>- Ongoing dialogue<br>- Ongoing dialogue<br>- On request | - Clear and transparent communication<br>- Integration into the entire business model<br>- Responsible design and manufacturing<br>- Data protection & privacy<br>- Commitment with information security | - Store customers<br>- Online store customers<br>- Potential customers |
| **SUPPLIERS**<br>Companies that are part of Inditex's supply chain as well as their respective employees. | - Supplier clusters<br>- Ethics Committee<br>- Commercial and sustainability teams<br>- Framework Agreement with IndustriALL Global Union<br>- Technological Sustainability<br>- Information Security and Data Protection & Privacy (Data Protection Officer - DPO) Departments | - Ongoing dialogue<br>- On request<br>- Ongoing dialogue<br>- Ongoing dialogue<br>- Ongoing dialogue<br>- Ongoing dialogue | - Promotion and protection of Human Rights, fundamental labour rights and international standards<br>- Promotion of sustainable production environments<br>- Commitment with environments that respect information security and data protection & privacy | - Direct suppliers<br>- Manufacturers<br>- Workers<br>- Trade union organisations |
| **ENVIRONMENT**<br>Set of natural elements present in the environment where Inditex develops its business model. | - Social Advisory Board<br>- Commitment to NGOs<br>- Environmental sustainability teams | - Biannual<br>- Ongoing dialogue<br>- Ongoing dialogue | - Respect for the environment<br>- Protecting biodiversity<br>- Sustainable management of natural resources | - Environmental protection organisations<br>- Governments |
| **COMMUNITY**<br>All people or entities that are part of the environment in which Inditex carries out its business model. | - Social Advisory Board<br>- Cooperation with NGOs<br>- Sponsorship and Patronage Committee | - Biannual<br>- Ongoing dialogue<br>- Biannual | - Contribution to social and economic development<br>- Commitment to improving global welfare | - NGOs<br>- Government and public administration<br>- Academic institutions<br>- Civil society<br>- Media |
| **SHAREHOLDERS**<br>Any person or entity that owns one or several Inditex Group shares. | - Annual General Meeting of Shareholders<br>- Sustainability indexes<br>- Investors relations | - Annual<br>- Annual<br>- Ongoing dialogue | - Social interests and the shared interests of all the shareholders<br>- Promotion of informed participation | - Institutional investors<br>- Private investors |

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

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




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




1 Divesity, equality and inclusion
2 Labour practices (own operations)
3 Attracting and retaining talent
4 Developing human capital
5 Women empowerment
6 Responsible purchasing practices
7 Promotion of socially sustainable production environments
8 Respect for human and labour rights in the supply chain
9 Transparency and traceability of the supply chain
10 Customer relationship management
11 Brand management
12 Integrated customer experience
13 Cybersecurity and data protection
14 Technological innovation
15 Protection of biodiversity
16 Sustainable products
17 Management of chemical substances and sustainable processes in manufacturing
18 Product quality, health and safety
19 Product information and labelling
20 Animal welfare
21 Circularity
22 Energy and climate change
23 Use of water
24 Packaging
25 Investment in the community
26 Relationship with stakeholders
27 Socioeconomic impact on society
28 Corporate governance
29 Risk management and control systems
30 Corruption and bribery
31 Regulatory compliance and responsible practices
32 Transparency and tax contribution

# 3. INDITEX: AN INTEGRATED AND SUSTAINABLE BUSINESS MODEL

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

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

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

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

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

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

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

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

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

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

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

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

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

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

# 4. OUR SUSTAINABILITY GOALS

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

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

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

**Year 2020**

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

**Year 2023**

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

**Year 2025**

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

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

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

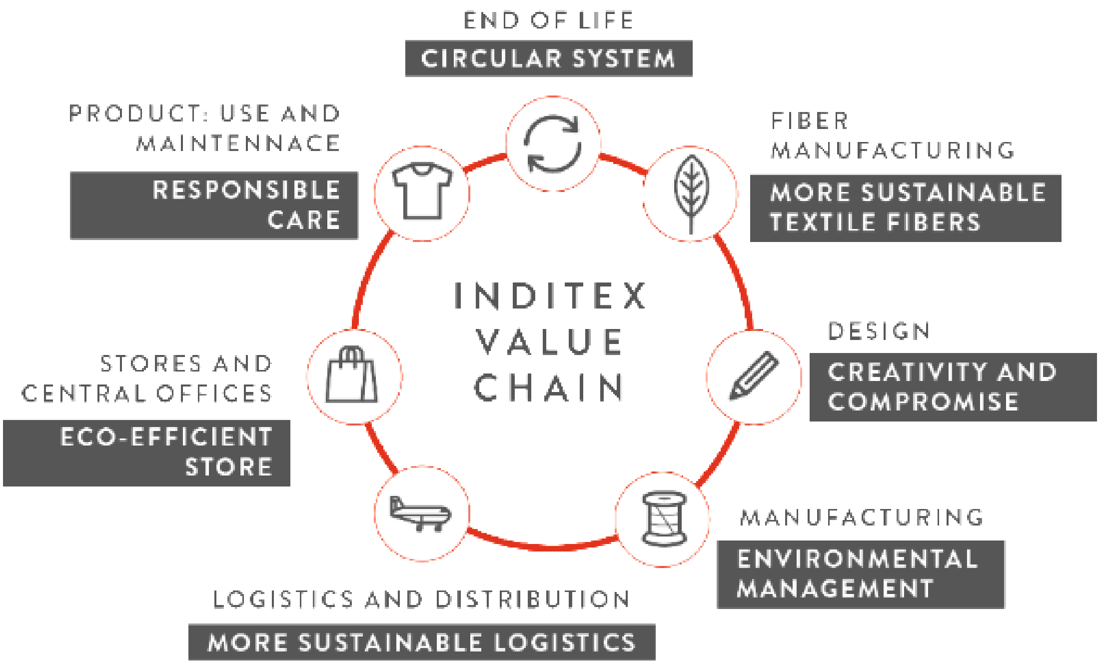
In addition, the Committee is responsible, along with the Audit and Compliance Committee, for overseeing the information included in the statement on non-financial information and other public documentation on matters within its purview.

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

# 5. SUSTAINABLE MODEL


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

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




## 5.1. Design

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

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

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

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

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

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

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

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

- In Bershka we launched a collection jointly with *National Geographic* inspired in nature and made using materials such as **recycled polyester or organically grown cotton.**

- In Zara we created the *Upcycled Outerwear Collection*, a collection **made using recycled polyester obtained from plastic waste** recovered from beaches and river banks along the Mayan Riviera, some 50 km away from a number of rivers and coastal areas with no waste management systems.

- Also in Zara, we launched a ***denim* clothing collection made from recycled jeans.** We used jeans recovered from non-profit organisations that collaborate with our clothing collection programme *Closing the Loop*, to create new garments using recycled materials, thus extending their life cycle.

- In addition, the capsule collection *Care for Water* is the beginning of a **collaboration between *Water.org*, *Organic Cotton Accelerator* ("OCA") and Zara**, an initiative born to **bring about a positive impact on water management in organic cotton producing communities.** All the items have been made paying special attention to water usage, using materials and technologies that help reduce its consumption and preserve fresh water resources.

## 5.2. Selection of Materials

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

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

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

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

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

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

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

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

As a result of this strong support for the use of more sustainable raw materials, the independent organisation *Textile Exchange* positioned Inditex in 2018, in its last public report, as the fourth company in the world in terms of volume of use of organic cotton[5]. It also ranked our company second in the use of the Lyocell**¡Error! Marcador no definido.** sustainable fibre and in fourth place worldwide in the consumption of sustainably sourced cellulose fibres**¡Error! Marcador no definido.**.

In the classification of companies with the highest volume of consumption of recycled cotton**¡Error! Marcador no definido.**, Inditex ranks eighth.

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

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

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

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

The fibres have been subdivided according to origin into 3 groups: natural fibres[6], synthetic fibres[7] and lastly, manmade fibres[8], the weight of which in terms of consumption has been as follows) in 2019:

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

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

## COLLABORATIONS

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

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

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

[6] Natural fibres are natural filaments that can be threaded to obtain strands, threads or twine.
[7] Synthetic fibres are made of polymers that are not naturally produced, but fully created in a chemical plant or a laboratory, almost always using petroleum or natural gas by-products.
[8] Manmade fibres are made using a natural component as a raw material that undergoes a number of processes in a chemical plant or a laboratory.

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

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

In addition, since 2015 at Inditex we have worked with *Forest Stewardship Council* ("FSC") Spain and the Forestry Association of Galicia to design and create the demonstration forest Pico Sacro, to be used as a model of a biological carbon sink, and for use as a forestry laboratory to disseminate the results of the project, supporting Galician foresters by transferring the findings obtained from the project and defining and publishing environmental indicators for forestry and $CO_2$ absorption. Since its inauguration, 21 activities have been organised, from pruning training courses, planting of trees, chestnut picking, training sessions for forestry technicians, practical training on forestry certification and protection of the territory, and various training visits designed to disseminate and publicise the forestry methods being implemented.

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

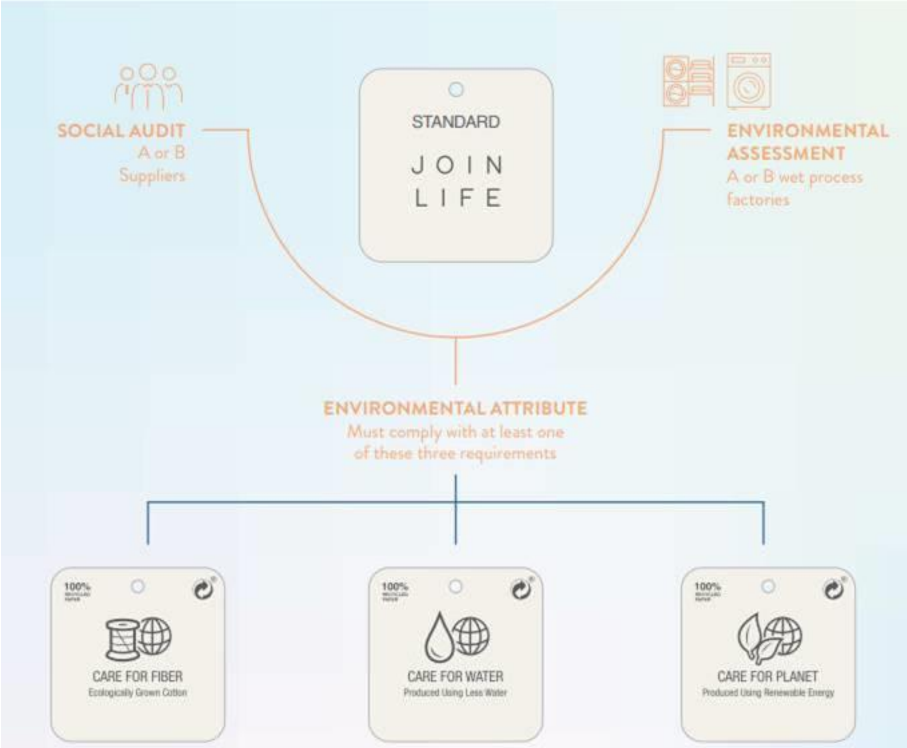
In addition, we have obtained the FSC certification for ecosystem services for carbon and diversity for the aforementioned demonstration forest, having become the first SLIMF (*Small and Low Intensity Managed Forests*) in Spain to obtain it, marking an important milestone for the improvement of forestry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

According to the calculation process recommended by the Spanish Climate Change Office, it is estimated that the new plantings carried out at 30 January 2020, $CO_2$ absorption by trees will reach, over the next 30 years, the figure of 683.3 tons (639.5 tons in 30 June 2018).

### ***JOIN LIFE***

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

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




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

- ***CARE FOR FIBER***
  We use the *Care for fiber* label for garments produced **using the most sustainable raw materials** such as organic cotton, TENCEL®Lyocell or recycled fibres, among others.

- ***CARE FOR WATER***
  Garments produced using **technologies that reduce water usage in their production processes.** The garment dyeing and washing processes use the largest amounts of water. The use of closed cycles that allow for water reuse or technologies such as ozone or cold pad batch help us to preserve freshwater resources.

- ***CARE FOR PLANET***
  Garments produced using processes which help **reduce emissions and/or the use of chemical products in production processes.** The use of technologies such as renewable energy consumption or tanneries certified by Leather Working Group enable us to carry out washing, dyeing or tanning processes in a more sustainable way.

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

## 5.3. Our Supply Chain


**EXTENDED SCOPE**

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

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

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

### 5.3.1. Traceability

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

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

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

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

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

### 5.3.2. Pre-Assessment

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

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

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

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

### 5.3.3. Social Management of the Supply Chain

#### *Code of Conduct for Manufacturers and Suppliers*

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

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

Among the contents of the CCMS are:

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

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

The CCMS is inspired by the principles provided by:

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

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

## *Social Audits*

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

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

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

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

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

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

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

Based on the results of these audits, the degree of compliance by our supply chain of all the aspects of the CCMS for factories in operation in 2019[9] is shown below:


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

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

[9] Factories blocked in 2019 not included.

## *Special Audits*

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

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

## *Follow-up: Corrective Action Plans*

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

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

The two main objectives of the CAPs are:

(i) The establishment of measures aimed at mitigating and/or remedying potential non-compliances with the Code of Conduct for Manufacturers and Suppliers.

(ii) Prevention, to avoid further breaches in future.

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

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

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

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

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

## *Classification of Suppliers*

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

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

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

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

**EXTENDED SCOPE**

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

### *New Social Strategy for the Supply Chain*

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

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

**“Workers at the Centre 2019-2022”**


## Three dimensions

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

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

## Priority Impact Areas

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

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

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

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

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

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

## *Partnerships and Collaborations*

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

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

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

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

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

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

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

- ***Ethical Trading Initiative (ETI):*** a dialogue platform to improve working conditions of workers of the distribution sector in developing countries. It is an alliance of companies, international trade unions, and non-governmental organizations. Inditex has been a member of ETI since 2005 and is an active participant of its programmes in different countries.

- ***ACT (Action, Collaboration, Transformation):*** a collaboration initiative between retail brands, suppliers and trade unions to transform the industry and achieve living wages in the sector. Inditex has been an active participant in ACT and its work groups since 2015.

- **ILO's Better Work Programme**: a platform to improve compliance with labour regulations and competitiveness of global supply chains. Inditex has been a member since October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work programme.

- **Public-Private Partnership with ILO**: aimed at the joint promotion between Inditex and ILO of respect for the fundamental principles and rights at work in the supply chain of the cotton sector. It was executed in 2017 and its expected term is three years.

- **United Nations Global Compact**: a United Nations initiative to promote social dialogue between the businesses and civil society. We adhered in October 2001 and actively participate in various working platforms alongside other stakeholder groups.

- **Better than Cash Alliance:** an alliance of governments, companies and different international organisations, promoted by the United Nations, aiming at the global promotion of the transition towards a digital economy. We focus our collaboration with this Alliance on the financial education and digitalisation of the supply chain. Inditex adhered in 2018.

- **Accord on Fire and Building Safety in Bangladesh**. This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in said country. Inditex is a founding member and sits on the

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

### 5.3.4. Environmental Management of the Supply Chain

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

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

**_The List by Inditex, innovation in the chemical industry_**

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

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

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

*The List by Inditex* in 2019

- 25 new applications to be included in the programme (31 received in 2018)

- Performance of 19 audits and 17,641 analysis that have enabled the classification of 27,756 chemical products belonging to 26 companies (15 audits and 57,267 analysis which classified 25,943 chemical products from 26 different companies in 2018).

- We published the IV Edition of *The List by Inditex*, available on our website, with a total of 23,373 chemical products classified and sold by 24 manufacturers.

### *Ready to Manufacture, strengthening the manufacturing chain*

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

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

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

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

During 2019 and in application of the methodology described above, a total of 1,373[10] audits in 1,169 facilities have been carried out, with an overall improvement of 76% over the initial and/or follow-up audit (2,008 audits and 1,385 facilities in 2018, respectively).

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

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

### *Water management throughout the supply chain*

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

#### a) Zero Discharge Commitment: *Green to Wear*

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

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

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

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

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

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

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

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

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

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

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

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

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

## 5.4. Product Health and Safety

Inditex has in place the most exacting product health and safety standards, which are mandatory and which apply to all the goods[11] we sell, and are a benchmark for manufacturing practices of all the suppliers across our supply chain.

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

- The analysis of both the goods and the chemical products used in the production thereof, and

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

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

### *Our product health and safety commitments*

| | safe to wear® | clear to wear® | i+COSMETICS | i+FCM | i+Home Fragrances & Candles | i+Child Care Furniture |
|---|---|---|---|---|---|---|
| Type | Product Safety | Product Health | | | Product Health and Safety | |
| Scope | Garments, accessories and footwear | Garments, fabrics, accessories, footwear and home textiles | Cosmetics | Products that come in contact with food | Home decoration items Decorative candles and accessories | Child Furniture and Child care articles |

### a) Clear to Wear

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

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

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

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

**b) Safe to Wear**

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

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

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

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

**c) I+Cosmetics**

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

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

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

**d) I+FCM**

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

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

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

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

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

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

## *Control and continuous improvement in product manufacturing*

### a) *Picking*: production control and analysis

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

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

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

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

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

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

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

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

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

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

**b) Root cause analysis**

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

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

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

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

**Training and awareness-raising**

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

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

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

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

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

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

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

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

**Health and Safety-related claims**

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

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

## 5.5. Circularity

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

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

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

Three initiatives have been developed to achieve these goals:

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

### 5.5.1. Circularity at point of sale: Closing the Loop

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

## COLLECT, REUSE AND RECYCLE

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

- ***Collect***

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

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

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

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

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

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

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

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

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

- ***Reuse***

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

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

- ***Recycle***

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

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

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

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

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

***Closing the Loop* in figures**

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

Zara has continued to implement the programme, having reached a total of 1,206 stores in 46 worldwide markets (834 Zara stores and 24 markets in 2018, respectively). In addition, during 2019, all other Group brands have been developing the garment collection programme, and some of them have even deployed the programme in other international markets, as is the case with Bershka, Oysho and Pull&Bear.

In 2019, the used garment collection programme was also available for online customers of Zara in Paris, London and New York, to be added to those already in existence in Spain and in China (only in Beijing and Shanghai). In Spain, in collaboration with Cáritas, collection containers have also been placed in the streets, reaching a total of 1,856 containers by the end of the year subject to this statement (1,856 containers at the end of 2018).

### 5.5.2. Zero Waste

Our commitment: to achieve that by **2023, none of the waste generated by our activities in offices, logistics and stores ends up in a landfill.**

To achieve this goal we have *Zero Waste*, a programme designed to collect, classify, recycle or recover the waste generated at our facilities.

The appropriate waste classification at our facilities is the main essence of the *Zero Waste* programme, as duty classified waste becomes material resources. We have developed internal devices to optimize the separation and compacting of such materials, reducing greenhouse gas (hereinafter, GHG) emissions associated with their transport and improving ergonomics during operation.

Our waste is channelled through our own collection circuits and treated by legally authorised waste managers, favouring recycling (mainly paper, cardboard, wood, plastic, metal and textile waste) or recovery, transforming waste into new material resources.

Likewise, associated with Group's products, we place packing and packaging material on the market (bags, labels and protective items) which are managed by the Packing and Packaging Management Integrated Systems available in the markets in which Group operates. This means that each one of our brands pays an authorised non-profit waste manager in every market (for instance, Ecoembes in Spain) for the cost to collect and manage the packing and packaging materials used for customers.

Below are the absolute figures for waste generation at headquarters, logistics centres and own factories (excluding stores data) in 2019 and 2018:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Type of waste** | **Kg** | **%** | **Kg** | **%** |
| Cardboard and Paper | 14,662,698 | 62.79% | 14,193,929 | 64.99% |
| Wood | 3,769,554 | 16.14% | 3,609,294 | 16.53% |
| Other urban waste | 3,182,099 | 13.63% | 2,574,914 | 11.79% |
| Plastic | 892,516 | 3.82% | 712,435 | 3.26% |
| Textile waste | 498,217 | 2.13% | 521,229 | 2.39% |
| Metal | 267,715 | 1.15% | 166,363 | 0.76% |
| Hazardous waste | 78,479 | 0.34% | 62,794 | 0.29% |
| **TOTAL** | **23,351,279** | **100%** | **21,840,958** | **100%** |

***ZERO WASTE INITIATIVES***

- *Reused or Recycled Waste*

  During 2019, **91.21% of the Group's waste (headquarters, logistics centres and Inditex factories) was sent for reuse and recycling** via the abovementioned circuits, thus preventing the use of virgin raw materials (88.09% of waste in 2018).

  Our recycling and reuse activity covers many other areas. For instance, **alarm tags are also reused, having collected 1,302 million** over the year (1,201 million units in 2018).

- *Single Hanger*

  In addition, in 2019 Zara has begun implementing the "Single Hanger" project in stores all over the world. This consists of one single hanger to transport the garments from the textile suppliers to the stores and subsequent display in the store.

  Thanks to this programme, we are working with hanger suppliers to unify models and materials for these products, thus improving traceability and reuse and recycling capacity. We promote a circular economy, whereby the hangers that are being removed from the stores are being recycled to generate new materials for use in other new products.

- *Training*

  At Inditex we encourage actions to reduce at source and to enhance recycling via training projects designed for our employees. In 2019 a number of waste management training courses have been provided at the Group's facilities, with 1,905 employees (1,233 employees in 2018). To support such training, a pilot project based at Inditex headquarters has been developed, consisting of a web application allowing employees to check the use of every waste product depending on the type of container available in each of the areas.

### 5.5.3. Green to Pack

Our *Green to Pack* programme **sets the quality standards of our packaging,** enabling the use of **recycled materials, the extension of its useful life and subsequent recycling.** This helps to reduce consumption of resources and to optimise transport.

- *Cardboard Boxes*

  One of the *Green to Pack* initiatives is based on **improving the quality of the cardboard boxes** used to ship our garments from the suppliers. This increases the useful life of our boxes which can be used up to five times before being recycled.

  At the same time, we strive to recycle the boxes at the end of their useful life, This recycled cardboard is used to manufacture the cardboard boxes used in Zara online shipments.

  At present all the Group's brands form part of this programme, which has enabled the project to be consolidated during this year, having acquired 14,740,028 certified boxes via 827 suppliers.

- ***Plastic***

  **Our commitment: Elimination of plastic bags in all brands of the Group by 2020. Elimination of single use plastic for the customer by 2023.**

  Zara has eliminated 100% of plastic bags in its stores in 2019, and other brands – like Zara Home– have also changed over to paper bags before the target date.

  Throughout this year, Zara Home has eliminated plastic from its online shipments, which no longer have an outer bag and the padding is also made of paper. During the year, all other Group brands have advanced in terms of eliminating the outer plastic bag in online shipments.

  Equally in 2019, Zara online shipments increased their use of envelopes by 15 percentage points instead of traditional boxes, and three new markets have embraced the paperless purchase receipt, currently present in 54 markets, and achieving savings of 221 tons of paper.

  Likewise, **Inditex is innovating so that all plastic used in its activity can be reused or recycled,** being reintroduced into the circuit. In line with this outlook, the Group signed the *New Plastics Global Economy Commitment*, promoted by the *Ellen MacArthur Foundation*, in collaboration with *United Nations Environment.*

## 5.6. Water and Energy: Distribution and Point of Sale

Our work in the field of biodiversity is closely related with our actions to reduce energy consumption and improve water quality. For instance, our commitment to zero discharge of hazardous chemicals in our supply chain helps protect the biodiversity of rivers and marine ecosystems. Similarly, the reduction of our energy consumption and of carbon emissions helps to reduce global warming and its effects on biodiversity.

Our Environmental Sustainability Policy is available on our website. This contains our environmental commitments that cut across all our business areas and throughout our supply chain.

Three environmental strategies, seeking to ensure the highest possible protection of environmental resources, stem from this Policy:

- The Biodiversity Strategy.
- The Global Water Management Strategy.
- The Global Energy Strategy.

In line with such three strategies, we are also committed to protecting forest products, as specifically addressed in our Forest Product Policy.

The commitment to clean energy and the implementation of circular management models in our headquarters and logistics centres are the cornerstones of our Environmental Management System ("EMS"), which is certified under the ISO 14001 international standard. The EMS is implemented in all logistics centres, corporate headquarters and Company-owned factories, except for the new textile warehouse (in A Laracha, Spain) and the new Logistics Platform in Lelystad (Netherlands). During 2019 we have been working to obtain the ISO certification for the textile warehouse, which is underway. In 2020 the Lelystad Logistics Platform, which became operational during 2019, is expected to obtain the certification. Against this backdrop, we have a 25-people team responsible for monitoring and assessing the appropriate implementation of the EMS and the prevention of environmental risks associated with these centres (25 people in 2018).

Meanwhile, our Risk Management and Control Policy sets the basic principles, key risk factors and the general framework of action for the management of the risks affecting the Group. The scope of application of this Policy extends to the entire Group and forms the basis of an Integrated Risk Management System. Within the context of the Risk Management and Control Policy, the business units constitute the first line of defence in the management and control of the different risks to which the Group is exposed, including those of a climate-related nature.

Bearing the Group's business activity in mind, the Group has no liabilities, expenses, assets, provisions or contingencies of an environmental nature that could play a significant role in terms of the net assets, the financial situation and results of the Company. For this reason, such specific breakdowns are not included in this statement.

During 2019 and 2018, the Inditex Group has not been charged through available channels any significant penalty or sanction for non-compliance with environmental laws and has no facilities located in protected areas.

### 5.6.1. Water management

The Global Water Management Strategy constitutes the roadmap that allows us to work with all our stakeholders towards a sustainable and rational water management. Our Company follows the principles laid down in the CEO Water Mandate, a United Nations Global Compact initiative, to which environmental and social aspects are associated, as the water affects the quality of rivers ecosystems, being on the other hand an essential resource for the development of many communities.

During 2019, we have consumed, with our activities, a total 2,068,661 $m^3$ of water[12][13] in our corporate headquarters, Company-owned factories, logistics centres and own stores. In the calculation of this consumption we have performed direct meter readings and utilities' bill charges (public water utilities companies). We have been able to follow our downward trend in relative water consumption per $m^2$, with a drop of 12.76%, over 2018, thanks to the water savings and efficiency measures implemented in our facilities (2,173,931 $m^3$ of water in 2018).

Authorized public supply networks provide water to all centres and are used both for consumption and processes. The largest consumption of water corresponds to domestic use, namely cleaning and toilets, ensuring discharge through municipal wastewater systems. On the other hand, in industrial processes water is mainly used to generate steam and for closed-circuit cooling systems, which use recirculation systems. As the cooling systems are closed-circuit systems, the amount of water discharged can be estimated to be the same as the water used. Wastewater in all facilities is discharged to the appropriate wastewater systems. Inditex activity does not affect protected habitats.

In order to reduce our water usage and improve reuse, we have installed storm tanks to collect roof rainwater for irrigation, road cleaning and other services. Moreover, it is worth mentioning that, during this year, the Company has been granted authorisation from Aguas de Galicia to reuse 100% of water from the outflow of the treatment plant located in the facilities of Indipunt in Narón. The advanced technology installed in this facility enables water to be reused for irrigation of gardens and toilet systems, resulting in significant savings in water usage for the Indipunt facility. This water recovery project is the first project of its kind approved in Galicia, after having successfully passed the strict control procedures established by the Public Administration.

Water is a fundamental resource for the textile industry and we are committed to responsible water consumption. Ensuring that drinking water is available in the communities is critical for social development and economic strength, as well as for health and safety. In light thereof, we work with *Water.org* to improve access to drinking water and sanitation for low income populations in Bangladesh, Cambodia and India. Through a cooperation agreement with *Water.org* entered into in 2015, lasting four years and with a contribution of USD 4 million, access to drinking water and adequate sanitation by low income people has been improved in Bangladesh and Cambodia, two of the main regions where suppliers are based. The aim of the programme is to increase access to drinking water and sanitation by providing microcredits to women in developing countries. To date, the project has improved the health conditions of over 1 million people. Another share of the overall financial contribution made to W*ater.org* is used to fund research and development –*New Venture Fund*– for W*ater.org* to explore new means of fighting the water crisis.

### 5.6.2. Energy management

**Our commitment: 80% of consumption from renewable sources in all our facilities (headquarters, logistics and stores) by 2025.**

To help us to fulfil our commitment we have our Global Energy Strategy, designed to promote the rational and efficient use of energy throughout the value chain, while also reducing GHG emissions and helping to mitigate their effects. To this end, renewable energy sources are being incorporated into all processes at our facilities and, since 2009, the eco-efficient store programme, due for completion in 2020 has been under way.

[12] When calculating the water consumption of centres, certain consumption figures for January have been estimated, as the data were not available at the time of preparing this statement.

[13] The consumption by own stores has been calculated based on the net expenditure per store. The specific average price of 20 markets has been used. For all other markets, we have used the average of $m^3/m^2$ per format.

At Inditex we believe that the challenges posed by climate change affect us all. Since the early 90s we have been developing our own systems for improving energy consumption and reducing GHG emissions. Since then, our commitment in this area has grown exponentially, as has our activity. In 2019, 63.29% of our overall electricity consumption comes from clean sources. This commitment to fight climate change has been recognised in the *Carbon Disclosure Project,* having been granted once again the Leadership A- category.

In 2019 we became one of the founding members of the *Fashion Pact,* designed to drive environmental sustainability in the textile and fashion industries, mainly geared to fight climate change, protect the oceans and conserve biodiversity. Moreover, the pact encourages the participation of member companies in other complementary industry initiatives, supporting the development of accelerators to help achieve the challenges ahead.

As a signatory Company, we are committed to working within the framework of the *Science-Based Targets* (SBT) initiative, which establishes reduction targets based on scientific research, and whose strategy can be summarised into three aspects that are essential for the protection of the planet:

- Stop climate change: focusing its actions to achieve zero net GHG emissions by 2050, seeking to control global warming below 1.5 degrees centigrade by 2100.
- Restore biodiversity: development and application of SBT goals to protect and restore ecosystems, as well as the implementation of specific actions in the supply chain such as the elimination of raw materials whose extraction requires intensive and high impact consumption.
- Protect the oceans: some of the measures laid out are the elimination of single use plastic by 2030 and the development of research on microplastic to be carried out along with the valuable work already carried out by other initiatives also supported by Inditex, such as the Ellen MacArthur Foundation, Sustainable Apparel Coalition, Textile Exchange, the United Nations Framework Convention on Climate Change, Better Work and Zero Discharge of Hazardous Chemicals (ZDHC).

The *Fashion Pact* is aligned with another commitment undertaken by the Group in December 2018, known as *Fashion Industry Charter for Climate Action*, under the auspices of the UN Climate Change Office. To achieve specific progress in this commitment, six working groups were set up to enable the signatories to define the steps to be taken, as well as the establishment of an initial target to cut GHG emissions by 30% by 2030 and other specific measures such as the gradual elimination of coal boilers and other carbon sources to generate heat and electricity at their own companies and direct suppliers.

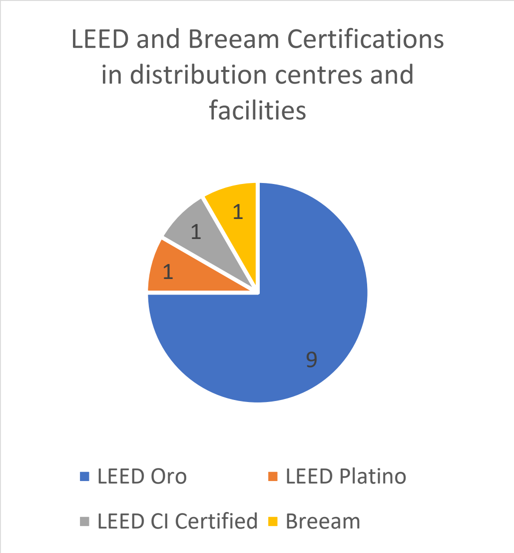
## ***Logistics and Distribution***

Our commitment to renewable energies continues to be strong, through the generation of power from renewable facilities at our logistic centres and the purchase of energy of certified renewable origin. Thanks to all such sources, our consumption from renewable sources in 2019 has reached 1,144,020[14] MWh meeting 63.29% of our electricity requirements (836,442 MWh and 44.86% of electricity requirements in 2018, respectively).

We also have co-generation plants, which enable the simultaneous production of heat and energy using low-carbon fuel. During 2019 a total of 7,785 MWh of electrical energy and 11,002 MWh of thermal energy were generated by these plants (17,317 MWh of electricity and 16,634 MWh thermal in 2018). In addition, in 2019 a total of 577 MWh of thermal energy has been generated from renewable installations using geothermics and solar panels (329 MWh in 2018).

[14] In the case of Spain, China, Italy and Portugal, the period for the data is the calendar year, instead of the tax year (time period of this statement).

Eco-efficiency is a priority in all Group facilities; therefore, significant investments are being made in this area in order to meet the standards set out in the *Instruction for Proper Environmental Management* for the logistics centres, thus ensuring that all our facilities and platforms are eco-efficient.




In order to ensure that our facilities meet the most cutting-edge requirements in terms of sustainable construction, since 2009 we have been certifying our more emblematic facilities under the most prestigious standards in sustainable construction: *LEED* and *Breeam*.

The *LEED* certification has been secured for the Inditex central services (Phase I, II, III) and the *LEED* Gold has been granted for the new Central Services headquarters. The Zara Logistics offices have also been *LEED* Gold certified. Meanwhile, the Inditex Data Processing Centre in Arteixo has obtained the *LEED* Platinum standard and, in addition, in 2019 and 2018 it maintained its ISO 50001 standard, certifying its energy management and more sustainable and efficient energy use.

It is worth mentioning that in 2019 we have increased in the Group the number of canteens under the *Restaurantes 360º* philosophy, having achieved a total of four *360º* restaurants by the end of 2019, of which two are located in our Inditex headquarters in Arteixo, one in the textile warehouse in A Laracha and another at the Narón facility. These canteens served over 4,000 daily meals, with an average of 65% purchased according to *KM 0* (the ingredients are sourced within a radius of under 100 km away from the consumer) which encourages the use of local varieties and breeds, ensures sustainable management of water and land and reduces the carbon footprint and impact on climate (1,700 meals and 65% *KM 0* purchase in 2018, respectively).

Atmospheric emissions and noise pollution

Our logistics centres meet the requirements of applicable legislation on control of atmospheric emissions from combustion equipment. Authorised control bodies carry out regular verifications and checks of the limit values of emissions generated by the combustion equipment (heating boilers and steam boilers) subject to control according to the legislation in force. Such regular controls verify compliance with the emission limit values for the parameters applicable to each case (i.e.: CO, NOx, SO2 or Opacity)

In addition, the night-time distribution model includes the product supply to the stores at night, when noise pollution levels are more restrictive than in the daytime. Moreover, we have developed an *Unloading Equipment Protocol* calling for reduction of noise during unloading operations.

## *Stores*

### Our commitment: all Zara stores to be eco-efficient in 2019 and all other stores by 2020

Eco-efficiency is a priority upon designing our stores. To achieve this, we rely on the Eco-efficient Store Manual, which seeks to ensure that its efficiency and sustainability requirements are fulfilled. Such Manual defines the technical requirements for the different installations and systems of all the stores, as well as the operations to be carried out. These stores represent a 20% reduction in electricity consumption and a saving of up to 40% of water when compared to a conventional store (20% and 40% savings in 2018, respectively).At Inditex we have continued opening and refurbishing our stores and in 2019, 397 stores have embraced the requirements laid down in the Manual, with a total of 5,891 eco-efficient stores, representing 92.67% of the

Group's own stores (426 added stores, a total of 5,494 eco-efficient stores and 85.68% of the total in 2018 respectively). In 2019, Zara has become the first brand of the Group whose stores meet the Eco-efficient Store Manual criteria.

At the close of 2019, 3,587 Inditex-owned stores were connected to Inergy, the Inditex Group energy management platform (3,191 stores at the close of 2018). Inergy enables connected stores to be supervised in order to ensure optimisation of energy consumption and therefore greater efficiency in energy use as well as a reduction of the environmental impact.

Meanwhile, at the end of the year, the Group has 40 owned stores that have been certified under the sustainable construction standards *LEED* and *Breeam*: 29 of them *LEED* Gold, 10 *LEED* Platinum and one *Breeam* (38, 27, 10 and 1 stores in 2018, respectively). During 2019, we have obtained 2 new certifications (Oysho – Place du Molard Geneva, Zara – Brickell City Center Miami) (8 certifications in 2018 (Massimo Dutti - Colón Valencia, Uterqüe - Serrano, Zara - Kangnam Seoul, Pull&Bear - Preciados, Zara Home - Paseo del Borne, Zara Home - The Place, Zara - Oslo Karl Johansgate and Zara - Plaza de Cataluña)).

## *Energy consumption and greenhouse gas emissions*

**Our commitment: 80% of consumed energy in our facilities (corporate headquarters, logistic centres and own stores) from renewable sources in 2025.**

At Inditex we support the fight against climate change and we strongly support the use of certified energy from renewable sources. Hence our commitment to actively contribute to the protection of the environment by reducing our environmental impact and making changes that help our planet to remain under the 2ºC global warming limit established in the Paris Climate Agreement.

To this end, we have developed our own systems to optimise energy consumption and reduce GHG emissions in corporate headquarters, logistics centres, own stores and own factories.

During 2019, the global energy consumption of all Group headquarters, own factories, logistics centres and own stores has amounted to a total of 1,892,947 MWh[15][16] (1,968,394 MWh in 2018). In this regard, the measures we have implemented to promote energy savings have resulted in a reduction of 11.86% of energy use per square metre (2.55% in 2018).

We strongly support the use of certified energy from renewable sources and have committed to 80% of the energy used in our facilities (headquarters, logistics and stores) being renewable by 2025.

In 2019, the Group has achieved a total of 1,144,020 MWh in its buildings located in Spain, Germany, Austria, Belgium, Brazil, China, South Korea, United States, France, Greece, India, Italy, Netherlands, Ireland, Luxembourg, Norway, Poland, Portugal, United Kingdom, Switzerland and Turkey, thus avoiding the emission of over 415,474 tons[17] of GHG emissions (835,866 MWh and 274,339 tons in 2018, respectively). At year end, 63.29% of the electrical energy consumed at our facilities was generated from renewable sources.

We have set up a plan to replace air conditioning equipment with other more efficient class A systems in existing stores, thus ensuring the absence of gases that are harmful for the ozone layer. Moreover, thanks to the eco-efficiency measures implemented in Inditex-owned stores,

[15] The electricity consumption in stores has been calculated on the basis of actual data on the central monitoring platform. In order to estimate average consumption, the data from 1,639 stores has been used, 100% of which are eco-efficient.

[16] When calculating the consumption of electricity and natural gas of the logistics centres, certain consumption figures for January 2019 have been estimated, as the data were not available at the time of preparing this statement.

[17] The emission factors applied to the energy mix of each of the countries are those pertaining to the *GHG Protocol Tool for Purchased Electricity*, Version 4.9 of the *World Resources Institute*, 2017.

significant energy savings have been achieved, particularly in air conditioning systems, as these are able to achieve an energy yields and efficiency that are at least 20% better than conventional equipment.

All these actions to encourage energy efficiency, added to the materialisation of our commitment to renewable energy, has led to a reduction in GHG emission from our business activity.

## Scopes 1 and 2

Overall, we have managed to reduce scope 1 and 2 emissions, achieving 43.97 kg of $CO_2$eq per square metre. In 2019 we have achieved a reduction of 36.82% (2.52% reduction in 2018).

| | 2019 | 2018 |
|---|---|---|
| | t $CO_2$eq | t $CO_2$eq |
| Scope 1[18] | 17,311 | 20,994 |
| Scope 2**¡Error! Marcador no definido.** | 332,789 | 479,386 |
| Total | 350,101 | 500,380 |

## Scope 3

As for 2018, the Group has largely managed to maintain the relative consumption per garment, only increased by 0.43% (0.07% reduction in 2018). In 2019, the Scope 3[19] emissions were of 1,107.41 g of $CO_2$eq per garment[20] (1,102.69 g of $CO_2$eq per garment in 2018):

| | 2019 | 2018 | 2019 | 2018 |
|---|---|---|---|---|
| | t$CO_2$eq | t$CO_2$eq | MWh18 | MWh18 |
| Downstream Transport[21] | 936,462 | 926,764 | 4,306,576 | 4,263,677 |
| Upstream Transport21 | 754,040 | 676,642 | 3,431,069 | 3,067,283 |
| Franchised Stores**¡Error! Marcador no definido.** | 122,671 | 124,123 | 226,520 | 232,737 |
| Business Travel[22] | 26,920 | 28,172 | 124,416 | 130,291 |

[18] The emission factors applied to natural gas, gas oil, fuel oil and kerosene are those pertaining to the *GHG Protocol Tool for Stationary Combustion*, Version 4.1 of the *World Resources Institute*, 2015.

[19] The efficiency ratio includes the indirect emissions associated with Downstream Transport, Upstream Transport, Franchised Stores and Business Travel.

[20] Ratios per garment ((absolute figure for the year/number of garments on sale in the year) x 1,000,000)) include the product units on sale in all stores, whether owned or franchised.

[21] The emission factors applied to each mode of transport are those pertaining to the GHG Protocol Tool for Mobile Combustion, Version 2.6 of the World Resources Institute, 2015.

[22] The Business Travel calculation has been carried out according to the number of passengers and the number of kilometers travelled by each mode of transport used. The emission factors applied are those proposed by DEFRA (Department for Enviroment Food & Rural Affairs, v.1.2, 2019). The Business Travel data includes trips managed from Spanish companies.

In addition, indirect emissions associated with transport have undergone a slight increase in absolute terms compared to 2018 due to the growth of the Company.

As for the latter point, and with the aim of improving the efficiency associated with our distribution and logistics operations and of reducing ensuing Scope 3 indirect emissions, a number of actions are under way:

  - We continue working towards consolidating aerial and maritime imported goods, which has resulted in savings for the Group of 72,357 overland km on a European level in 2019 (66,905 km in 2018).

  - We continue to implement measures to optimise packing and packaging and to increase multimodal transport in certain flows.

  - We continue to improve on the density of our shipments, which results in a savings of resource consumption and optimisation of transport. Specifically, we have continued to improve box-packing controls thanks to the introduction of new protocols for load optimisation, revision and adjustment.

- For another year running we continue to use the fleet of mega-trucks and to increase the number of routes using giga-trailers, which has enabled us to increase the load volume of the trucks, thus reducing $CO_2$ emissions.

- We have carried out a significant effort in truck load optimisation to further reduce the number of vehicles (2,000 less in 2019) along European road routes (1,480 in 2018). This measure has brought about savings of 3,400,000 km and associated emissions (2,500,000 km in 2018).

- In order to leverage the flows along the routes servicing the European stores and in an effort to avoid empty return truck runs, we use these trucks for goods returns to Spain. During the year we have used 5,400 return truck runs, resulting in savings of 9,200,000 km and associated emissions (5,163 trucks and 9,000,000 km in 2018, respectively).

- 85% of the fleet of our overland transport suppliers, accounting for 66.7% of total business turnover of primary overland transport, meets the Euro VI motor standard, the most exacting at present in matters of nitrogen oxide and particle emissions.

- Moreover, we have continued to promote the use of trailers using LNG (Liquified Natural Gas), using this type of vehicle in continuous flows and covering over 540,000 km carrying Group goods in 2019 (410,000 km in 2018).

- In China we have begun to implement the use of last mile electrical vehicles for delivery to stores, with deliveries made in 42 cities by the end of this year, thus having managed to implement this form of transport in 67% of stores, which translates into the reduction of GHG emissions and air pollution in cities.

The Scope 3 reduction in our journeys is also one of our priorities. To this end and during this year we have implemented a number of employee mobility projects designed to minimise GHG emissions generated by daily transport. Such measures include the implementation of a shuttle bus at the Inditex headquarters (Arteixo) which follows on from this initiative already in place in the headquarters of Pull&Bear (Narón), Tordera and Stradivarius (Sallent) and the implementation of WESHARE to encourage car-sharing for journeys to work. These measures reduce traffic density and driving times in daily trips. In addition, all Group central services offer electrical vehicle charging points, to encourage the use of electrical vehicles among the employees. During this year, 47,000 KWh[23] have been dispensed from electrical vehicle charging stations, preventing the generation of emissions associated with the use of fossil fuels.

## 5.7. Human Rights Strategy

The basic premise of our business model is that all our processes must be sustainable. At Inditex we understand sustainability as a responsibility that encompasses all the social and environmental aspects associated with our environment, undertaken by all human teams within the Group and shifted across our value chain. To achieve this, in Inditex we fully endorse the **17 United Nations Sustainable Development Goals** towards sustainability and we reinforce our commitment to respecting Human Rights, as set out in the United Nations Guiding Principles on Business and Human Rights.

Inditex has willingly adopted formal policies and procedures beyond its corporate culture, which make up **our Human Rights Strategy**, forming part of the business mode and built on three main pillars:

- **The Inditex Group's Policy on Human Rights**
- **Due diligence**
- **Grievance mechanisms**

Backing the implementation of its Human Rights Strategy, it should be noted that Inditex is a **participant of Shift's Business Learning Program**. Shift is a non-profit organisation specializing in Human Rights, led by Professor John Ruggie, the author of the UN Guiding Principles on Business and Human Rights. This leading program in Human Rights involves companies of all sectors willing to work towards implementing the UN Guiding Principles on Business and Human Rights.

### 5.7.1. The Inditex Group's Policy on Human Rights

The Inditex Group's Policy on Human Rights (hereinafter, the "Policy on Human Rights") was approved by the Board of Directors on 12 December 2016, following favourable reports of the Audit and Control Committee (Currently known as Audit and Compliance Committee) and the Social Advisory Board.

Through our Policy on Human Rights, **we are committed to play an active role in the promotion of Human Rights**, **and work proactively to respect** them. This commitment entails preventing or, as the case may be, mitigating the negative impacts that our activities may have on Human Rights. Likewise, Inditex shall do its utmost to prevent or reduce the negative impacts on Human Rights directly related to the proceedings of third parties with whom the Group is engaged in a business relationship.

In the framework of the United Nations Guiding Principles on Business and Human Rights, our Policy on Human Rights defines our stance regarding our commitment to respect internationally acknowledged Human Rights, and sets out the values and principles which will guide our proceedings. Notwithstanding our commitment to all Human Rights, in Inditex we have identified those rights directly related to our value chain, based upon the review of our business model and the expectations of our stakeholders.

The Policy on Human Rights, which applies to the whole Group, is binding for the entire workforce. It has been disclosed to all the areas and is available on the Company's intranet and on the corporate website.

[23] Electrical consumption by electrical vehicle charging points in Group central service facilities, own logistics centres and own factories.

### 5.7.2. Due Diligence

This process entails i**dentifying potential impacts on Human Rights throughout our value chain**, to subsequently integrate the findings into the different processes of the Group.

In Inditex we regularly review and update our due diligence processes, using best practices identified both at internal and external level, to prepare a global due diligence model.

In this regard, during 2019 we have continued to progress in due diligence processes throughout the supply chain. Thus, in collaboration with the Shift organisation, our Social Sustainability teams in the countries where most of the Inditex production is concentrated, have received training on Human Rights and processes inspired on the UN Guiding Principles on Business and Human Rights, to identify and prioritise potential impacts on Human Rights and the various communities.

The new “Workers at the Centre 2019-2022” strategy described in section 5.3.3. of this report has taken into consideration the due diligence process on impacts on Human Rights along the supply chain in order to identify Priority Impact Areas.

In addition, other important areas of the Company, such as the Internal Audit, Human Resources and Risk Management Departments have continued to participate in due diligence processes throughout 2019.

### 5.7.3. Grievance mechanisms

Grievance mechanisms reinforce due diligence processes assisting with the identification and resolution of potential negative impacts on Human Rights, while promoting the relations with the stakeholders. The main grievance mechanism on which the Group relies on the Ethical Channel (formerly known as the Whistle Blowing Channel) managed by the Committee of Ethics and available to all the employees and to third parties with a certain lawful interest.

A more detailed description of the Inditex Committee of Ethics and the Ethical Channel is provided in chapter 9 of this statement.

# 6. OUR PEOPLE


***Related material topics:*** *Diversity, equality and inclusion; labour practices (own operations); attracting and retaining talent; developing human capital; women empowerment; relationship with stakeholders.*

Inditex is made up of a human team of **176,611 people,** distributed over 60 markets and representing 172 different nationalities (174,386 people, 60 markets and 154 nationalities in 2018, respectively).

These are the **five key features that define our workforce in Inditex:**

- **Majority of women in the workforce**
- **Generational diversity**
- **Store relevance**
- **International presence**

- **Flat organization**

The first of these features is the **majority of women.** 76% of our employees are women, compared to 24% of men (75% and 25% of employees in 2018, respectively).

This ratio has been increasingly balancing since 2010.

Employee distribution by gender is as follows:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Gender | Number of employees | % | Number of employees | % |
| Women | 133,465 | 76% | 131,385 | 75% |
| Men | 43,146 | 24% | 43,001 | 25% |
| TOTAL | 176,611 | 100% | 174,386 | 100% |

Secondly, the Inditex workforce is defined by its **generational diversity**. Teams within the Company are currently made up of employees of different generations, the youngest groups being the largest. In 2019, 61% of our employees is aged 30 or under, with an average age of 28.9 years (62% of employees aged 30 or under and average age of 28.7 in 2018).

Employee distribution by age is shown in the table below:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Age | Number of employees | % | Number of employees | % |
| < 30 years old | 107,042 | 61% | 107,639 | 62% |
| 30-40 years old | 49,336 | 28% | 48,709 | 28% |
| > 40 years old | 20,233 | 11% | 18,038 | 10% |
| TOTAL | 176,611 | 100% | 174,386 | 100% |

Thirdly, **stores are at the heart of the Inditex organisation.** 87% of our employees (over 154,000) work in our stores (87% of employees and 152,000 employees in 2018, respectively). The remaining areas of the Group (factories, logistics and headquarters) are at the service of the integrated platform of stores and online of our eight formats, comprising a network of 7,469 stores in 96 markets and 202 markets with online store (7,490 stores, 96 markets and 156 markets with online store in 2018, respectively).

Fourthly, **international presence** is another feature of Inditex workforce. This circumstance enriches people management, as the local reality of each market is considered, while applying global people management policies. Spain, with almost 49,000 employees, accounts for 28% of the workforce (48,000 employees accounting for 28% of the workforce in 2018, respectively). Employee distribution by geographic area and by market is shown in the following two tables.

Employee distribution by geographic area:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Geographic area | Number of employees | % | Number of employees | % |
| Americas | 19,749 | 11% | 20,785 | 12% |
| Asia and Rest of the World | 23,541 | 13% | 23,452 | 13% |
| Spain | 48,687 | 28% | 47,930 | 28% |

| | | | | |
|---|---|---|---|---|
| Rest of Europe | 84,634 | 48% | 82,219 | 47% |
| **TOTAL** | **176,611** | **100%** | **174,386** | **100%** |

Employee distribution by market:

| | **2019** | **2018** |
|---|---|---|
| **Market** | **Number of employees** | |
| Spain | 48,687 | 47,930 |
| Mainland China | 11,169 | 11,680 |
| Hong Kong SAR | 1,020 | 1,252 |
| Macao SAR | 170 | 181 |
| Taiwan, China | 626 | 649 |
| Russia | 10,696 | 10,365 |
| France | 10,030 | 9,414 |
| Italy | 8,626 | 8,600 |
| Portugal | 7,247 | 7,001 |
| United States | 6,310 | 6,267 |
| Mexico | 5,897 | 7,137 |
| Germany | 5,531 | 5,874 |
| United Kingdom | 5,429 | 5,486 |
| Turkey | 5,166 | 4,896 |
| Poland | 4,679 | 4,617 |
| Japan | 4,314 | 3,979 |
| Greece | 4,278 | 4,014 |
| Romania | 3,027 | 2,864 |
| Netherlands | 3,018 | 2,856 |
| Belgium | 2,945 | 2,818 |
| Brazil | 2,849 | 2,810 |
| Canada | 2,595 | 2,466 |
| South Korea | 1,673 | 1,514 |
| Australia | 1,636 | 1,504 |
| Switzerland | 1,564 | 1,506 |
| Austria | 1,455 | 1,477 |
| Ukraine | 1,390 | 1,326 |
| India | 1,294 | 1,227 |
| Croatia | 1,160 | 1,078 |
| Hungary | 1,126 | 1,067 |
| Argentina | 872 | 885 |
| Chile | 871 | 878 |
| Ireland | 854 | 882 |
| Sweden | 844 | 833 |
| Kazakhstan | 779 | 723 |

| | | |
|---|---|---|
| Serbia | 736 | 742 |
| Bulgaria | 716 | 733 |
| Czech Republic | 700 | 643 |
| South Africa | 633 | 548 |
| Bosnia-Herzegovina | 424 | 360 |
| Norway | 386 | 383 |
| Slovakia | 359 | 302 |
| Uruguay | 355 | 342 |
| Denmark | 329 | 335 |
| Luxembourg | 318 | 179 |
| Belarus | 290 | 298 |
| Slovenia | 276 | 267 |
| Finland | 260 | 269 |
| Albania | 243 | 263 |
| Kosovo | 211 | 157 |
| North Macedonia | 154 | 155 |
| Montenegro | 128 | 123 |
| New Zealand | 115 | 99 |
| Bangladesh | 59 | 57 |
| Monaco | 39 | 36 |
| Morocco | 26 | 16 |
| Vietnam | 15 | 13 |
| Cambodia | 6 | 4 |
| Singapore | 4 | 4 |
| Pakistan | 2 | 2 |
| TOTAL | 176,611 | 174,386 |

Fifthly, Inditex's organisation **is highly flat**, which favours open and continuous communication and collaborative work. Approach to job classification is broad, store employees having a relevant weight in such classification.

In this regard, workforce distribution by job classification is shown below:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Job classification | Number of employees | % | Number of employees | % |
| Manager | 10,473 | 6% | 7,601 | 4% |
| Supervisor | 19,779 | 11% | 20,350 | 12% |
| Specialist | 146,359 | 83% | 146,435 | 84% |
| TOTAL | 176,611 | 100% | 174,386 | 100% |

## 6.1. Diversity, Inclusion, Equality and Work-family Balance

## 6.1.1. Diversity and Inclusion Policy

Diversity, multiculturalism and respect are values deeply ingrained in Inditex's culture. We seek to have a diverse, creative and inventive staff, with employees being part of dynamic, talented teams, which accept them as they are, regardless of their race, ethnicity, gender, gender identity, sexual orientation, age, religious beliefs or nationality, or any other essential feature or trait.

Inditex is aware of the fact that creating and promoting a diverse and inclusive working environment is an essential contribution to the achievement of its corporate goals and to better business performance. For such reason, the Board of Directors approved in December 2017 the Diversity and Inclusion Policy of Inditex, which provides the framework that promotes the values of diversity, multiculturalism, acceptance and integration within all the Company's entities.

Our Diversity and Inclusion Policy actively encourages diversity and equal opportunities without any form of discrimination. The concepts of diversity and inclusion are fundamental values for Inditex, set out in our Code of Conduct and Responsible Practices and also present in our Human Rights Policy.

Endorsed and driven by the Company's Senior Management, the Diversity and Inclusion Policy reinforces Inditex's commitment to creating working environments in which all employees have a responsibility to treat their co-workers, as well as any candidates, suppliers, contractors and customers, with the utmost respect. Inditex maintains a zero tolerance policy against any form of discrimination and promotes equal opportunities in all the areas of the Company.

The Diversity and Inclusion Policy applies to all our human resources procedures, such as recruitment and selection, compensation and benefits, promotions, transfers, skills enhancement, professional development and training, and disciplinary actions.

During 2019 the Company has created the department of Equality, Diversity and Inclusion, designed to promote all diversity and inclusion initiatives in the Group.

Additionally, Inditex relies on a Committee of Ethics and an Ethical Channel to ensure compliance with the Diversity and Inclusion Policy and to receive and address all the comments, doubts or complaints made in good faith, regarding the construction, application or enforcement of the Policy. Further information on the Committee of Ethics and the Ethical Channel can be found in section 9.3 below.

## 6.1.2. Global Initiatives to Promote Diversity and Inclusion

In 2019 we became a member in the US of the *Open to All* Commitment, which includes over 50 fashion companies worldwide. This is a campaign set out to raise awareness and increase visibility of the importance of protecting people from discrimination in public retail spaces.

During 2019, several of our subsidiaries in Europe (France, Germany, Croatia, Romania and Slovenia) signed the Diversity Charter. This is a European Commission initiative whereby adhering companies undertake to promote the fundamental principles of equality and non-discrimination and to encourage diversity and inclusion in the workplace. Other Inditex subsidiaries will be adhering to this initiative throughout 2020.

In addition, in 2018 and 2019, a number of employees have been appointed Diversity and Inclusion ambassadors. These Diversity Champions, as they are known, are recognised for promoting equality and respect in the various subsidiaries in Europe and in stores in the United States. 120 Champions have been appointed to date in these countries.

## 6.1.3. Gender Equality

In terms of equality, in Inditex we develop initiatives that seek to instil gender equality as an essential part of our corporate culture. In fact, women play a significant role at Inditex, as they represent 76% of employees and 79% of management positions (75% of employees and 79% of management positions in 2018, respectively).

In Spain, the equality plans already subscribed by our different Group companies, as well as those which are currently being negotiated, include measures that affect different areas of labour relations, such as selection, recruitment, promotion, training, health at work, remuneration and work-family balance. Such measures seek to prevent gender inequality and foster equal opportunities. Monitoring committees, in charge of following-up on such plans, meet twice a year to establish whether such measures have been observed and are effective. Likewise, each of such plans includes action protocols against sexual and gender-based harassment, negotiated within the negotiation committees of the Plans.

In January 2020, Inditex was included in the Bloomberg 2020 Gender Equality Index, which includes the companies all over the world most committed to gender equality via their policies and transparency in the disclosure of their gender-related programmes and data.

In addition, in Inditex we are strongly committed to recruiting victims of violence against women. Thus, in 2013, the Inditex Group and the Ministry of Health, Social Services and Equality of Spain executed a partnership agreement to promote awareness-raising in the field of violence against women, and job placement for victims. Likewise, the Salta Project, which aims at improving the employability of young people in vulnerable situations, also extends to victims of domestic violence. The Salta Project is present in Spain, France, Italy, Greece, Germany, UK, Poland, Portugal, Mexico, Brazil, USA, South Korea and Turkey.

In addition to the equality plans already implemented in Spain, in 2018 our international subsidiaries have begun implementing work plans that promote gender diversity, specifically through gender equality certification.

In 2018 our Belgian subsidiary was certified by GEEIS (*Gender Equality European and International Standard*), a standard that recognizes companies that promote equality of men and women at work and helps define opportunities for improvement regarding promotion of gender equality in the workplace. Other Inditex subsidiaries will become certified under this standard throughout 2020.

## 6.1.4. Inclusion of Employees with Disabilities

At Inditex we are committed to complying with the principles of universal accessibility, namely for employees and customers with any kind of disability.

Ensuring that all the Group’s work centres meet the functional and size requirements that allow an independent use by disabled people or people with impaired mobility is a priority for us.

All our work centres are designed to allow accessibility and usability to all individuals, promoting independence of people with disabilities, through the necessary adjustments to adapt the job to their conditions and requirements, thus promoting equal opportunities.

Regarding work centres which require specific adjustments for mobility purposes, or for the purposes of addressing any other sensory, visual or hearing limitations, we are strongly committed to carrying out the required technical adaptations.

In terms of employees, we are strongly committed to meeting the requirements of applicable laws on employability of people with disabilities, and the number of workers with functional diversity who join our Company increases every year.

At 2019 year-end, in accordance with measured data available to the Group, a total number of 1,568 people with disabilities have been employed by Inditex, and alternative measures have been implemented that account for 180 workers (1,498 and 186 in 2018, respectively). In this regard, as the regulatory framework of the markets where our Company is present is not standardised, it is not always possible to speak of comparable regulations to the Spanish ones, whether on account of absence of minimum recruitment quota or of strict respect for privacy, the right of citizens not to disclose their disability prevailing. Therefore, in many cases we have no measured data available.

Among other initiatives in other markets, in 2019 the INCLUIR project was launched in Brazil, designed to employ people with disabilities, supported by inclusive actions to encourage their integration through training and awareness-raising of managers and employees, development of skills among programme participants and personalised follow-up of their in-store integration. The effort made by the subsidiary in this regard has led Brazil from having 72 employees with some degree of disability in 2018, to having 130 by the end of 2019.

Another example of an initiative designed to promote the social and work integration of people with disabilities is the "*for&from*" programme, which consists of a network of social franchises of different Group formats managed by non-profit organisations and staffed wherever possible by people with disabilities. The programme currently has 15 "*for&from*" stores (14 in 2018), following the opening in 2019 of the first *for&from* store outside Spain, in the Italian city of Como. All profits generated therein are fully reinvested in social projects of the community organisations that manage them.

### 6.1.5. LGBT+ Inclusion

For the purposes of tackling discrimination against the LGBT+ people in the workplace, since 2018 we support the United Nations' LGBT+ Standards of Conduct for Business. The Standards, produced in collaboration with the Institute for Human Rights and Business, build on the UN Guiding Principles on Business and Human Rights and reflect the input of hundreds of companies across diverse sectors.

Likewise, at an international level, since 2016 we have been a member of *Open for Business*, a coalition of leading global companies that advocate for the rights and inclusion of the LGBT+ community. This international platform works to prove that the more inclusive the societies, the more thrive the businesses, and that companies that promote LGBT+ inclusion are more dynamic, productive and ground-breaking.

In Spain, Inditex joined REDI (*Red Empresarial de Diversidad e Inclusión LGBT+*) in 2018, committed to promoting an inclusive environment within organisations and fostering the appreciation of employees' talent regardless of their gender identity, gender expression and sexual orientation. Together with the remaining members, we advocate for raising awareness among our employees to break stereotypes that may hinder the full integration of LGBT+ people into the labour market.

In 2019, the year marking the 50th anniversary of the Stonewall riots in New York City, we have cooperated with the *Stonewall Community Foundation* to fund two projects that support the transgender community in the United States.

## 6.2. Work-life balance

At Inditex we encourage measures that seek to facilitate work-life balance, especially advocating for a co-responsible model. The equality plans negotiated within the Group are the appropriate instruments to establish measures aimed at achieving such goal: considering co-responsible parenting a right and a duty.

In Spain, during 2019 over 2,300 employees benefitted from parental leave, with 99% returning to their jobs (over 2,000 in 2018). In addition, 16% of the employees in Spain work part-time for childcare reasons (16% of employees in 2018).

As well as the co-responsibility mentioned above, our equality plans contain other work-life balance measures such as the possibility of splitting up leave periods for hospital stays or care of relatives up to second degree of kinship.

At an international level, the Inditex Group strives to improve the rights guaranteed by the local legislation of each country through work-life balance policies. In each of the markets and depending on its characteristics, measures are implemented to prioritise quality of life at the workplace designed to develop talent, improve creativity and commitment as well as employee job motivation.

**Implementation of disconnection policies**

Further to passing of Organic Act 3/2018, of 5 December on Personal Data Protection and Guarantee of Digital Rights, Inditex is fully committed to encouraging an internal policy that ensures all its employees worldwide the right to digital disconnection in the workplace. Notwithstanding the commitment undertaken by Inditex at a corporate level, arising from social negotiation, it is worth highlighting other commitments undertaken in this regard throughout 2019 in the II Equality Plans of Zara, Massimo Dutti, Bershka, Stradivarius, Oysho and Pull&Bear, designed to agree on measures with the employees to enhance this aspect.

Moreover, Inditex has been promoting these policies in countries such as France, a pioneer in the field, that currently champions digital disconnection associated with the improvement of work-life balance. To achieve this, employees are encouraged, through a friendly policy, to take up new habits aimed at respecting theirs and their co-workers' rest time at the workplace and during their holidays, and to promote direct communication among co-workers as one of Inditex's corporate values.

## 6.3. Employment

Continuous improvement in employment quality is a priority commitment for Inditex. As stated above, the Company operates in many markets, all with different realities. This demands local and global responses for the employees, with the goal of allowing stable, uniform and quality working environments, in each of the markets where Inditex is present.

Thus 77% of the employees have a permanent contract (73% of employees in 2018). The tables below show the different types of contract by gender, age and job classification:

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Distribution by gender** | **Permanent** | **Temporary** | **Permanent** | **Temporary** |
| Women | 76% | 24% | 74% | 26% |
| Men | 78% | 22% | 71% | 29% |
| **TOTAL** | **77%** | **23%** | **73%** | **27%** |

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Distribution by age** | **Permanent** | **Temporary** | **Permanent** | **Temporary** |

| | | | | |
|---|---|---|---|---|
| < 30 years old | 68% | 32% | 63% | 37% |
| 30-40 years old | 87% | 13% | 86% | 14% |
| > 40 years old | 94% | 6% | 93% | 7% |
| **TOTAL** | **77%** | **23%** | **73%** | **27%** |

| | 2019 | | 2018 | |
|---|---|---|---|---|
| **Distribution by job classification** | **Permanent** | **Temporary** | **Permanent** | **Temporary** |
| Manager | 89% | 11% | 90% | 10% |
| Supervisor | 92% | 8% | 88% | 13% |
| Specialist | 73% | 27% | 70% | 30% |
| **TOTAL** | **77%** | **23%** | **73%** | **27%** |

With regard to working hours, 47% of the employees work full-time and 53% work part-time (51% full-time and 49% part-time in 2018). The distribution of full-time and part-time employees reflects a situation directly associated with the retail sector, where work is often combined with other activities, mainly studies.

Employee distribution between full-time and part-time employees, based upon gender, age and job classification is shown below:

| Part-time | | |
|---|---|---|
| **Distribution by gender** | **2019** | **2018** |
| Women | 55% | 51% |
| Men | 47% | 43% |
| **TOTAL** | **53%** | **49%** |

| Part-time | | |
|---|---|---|
| **Distribution by age** | **2019** | **2018** |
| < 30 years old | 64% | 58% |
| 30-40 years old | 40% | 41% |
| > 40 years old | 29% | 27% |
| **TOTAL** | **53%** | **49%** |

| Part-time | | |
|---|---|---|
| **Distribution by job classification** | **2019** | **2018** |
| Manager | 3% | 2% |
| Supervisor | 9% | 9% |
| Specialist | 63% | 57% |
| **TOTAL** | **53%** | **49%** |

As stated above, the average number of employees in Spain at 2019 year-end was 48,687 people, of which 76% are women and 24% are men (47,930 people, 74% women and 26% men in 2018, respectively).

During the period, dismissal accounted for 978 leavers in Spain (954 in 2018). If we take this gender-disaggregated figure, it mirrors almost the same gender proportion of the staff, given that the number of female employees dismissed was 746 (75%) (721 women and 76% in 2018) versus 232 men (25%) (233 men and 24% in 2018). With regard to dismissal by job classification and age, 71% of dismissed employees correspond to Specialists (in accordance with the above-referred classification) (75% in 2018), both at stores and at headquarters, own factories and logistics centres, and more than half of them (56%) (52% in 2018) correspond to the 30-40 year-old age range, the one with the highest number of employees in Spain. Again, this proportion is consistent with the distribution of the workforce in our country, where the Company's corporate services are based.

In global terms, with the headcount at year-end being 176,611 (174,386 people at the end of 2018), the number of dismissed employees stood at 6,428 (8,661 dismissals in 2018). Out of them, the number of dismissed female employees was 4,344 (68%) (6,134 women and 71% in 2018) versus 2,084 men (32%) (2,527 men and 29% in 2018). Once again, this figure is consistent with the distribution by gender of the global workforce. As for dismissals by job classification and age, 87% correspond to Specialists (89% in 2018) and 68% correspond to employees aged 30 or less (75% in 2018). This age bracket is the one where 61% of the Group's employees are found (62% in 2018).

## 6.4. Training

One of the main pillars of staff management at Inditex revolves around the professional growth and career development of our employees. The strategies to attract, develop and engage talent are at the basis of a motivating environment in which to continue growing on a daily basis. In this regard, training is one of the main levers.

Inditex's culture is mostly practical, which determines that teams' training is essentially the so-called on-the-job training. Therefore, Inditex's policy is strongly based on a model of internal training. Inditex identifies and maintains a network of internal trainers that convey the Company's culture and operations, to ensure the success of all new employees.

At stores, training focuses on three main types of contents: reinforcing product knowledge, store processes and customer-based initiatives. In addition, cross-cutting contents are also included, such as health and safety at work, sustainability, diversity and inclusion, ethics and corporate culture.

Regarding people with responsibilities over teams, their training is focused on both technical issues and people management.

Since 2017 the Group uses an online learning platform (eLearning) called *ON Academy,* for use by all employees in all formats. At the end of 2019 this platform is present in 27 markets (Spain, UK, Ireland, USA, France, Italy, Germany, Mexico, Romania, Greece, Portugal, Russia, Austria, Belarus, Mainland China, Argentina, Uruguay, Chile, Brazil, Denmark, Finland, Norway, Sweden, Poland, Kazakhstan, Netherlands and Bulgaria), compared to 11 markets in 2018, therefore accessible for over 145,000 employees on average (105,000 employees in 2018).

Inditex's main training projects based upon groups of individuals are set out below:

- Training for store employees

    - Sales assistants:

- *Onboarding* with virtual reality is an experience launched in 2018 to welcome new store employees so that they become familiar with the Group and with store operations using virtual reality. In 2019 this was expanded to France, adding up to a total of five *Talent Centres* in which the experience is available (Madrid, Barcelona, Milan, Beijing and Paris). Over 4,000 new employees have already tried it (1,000 in 2018).

- Product:

    - *eFASHION* is the training programme on comprehensive management of the fashion business, designed with IED Madrid (*Istituto Europeo di Design*). It has allowed 1,280 people to be trained since its release in 2012 in its different editions in Spain, France, Italy and Portugal (the last market to join the programme in 2019).

    - *Versus* is a game based on the fashion world launched in 2017, which has continued to grow ever since. More than 20,000 employees from the full range of the Group's formats in 42 markets have played the game, competing in an individual ranking and also in a ranking by teams, testing their knowledge of the product and of the fashion world in general.

  - Languages: *busuu* is an app for mobile devices that offers employees the opportunity to learn up to 12 languages. Available in various markets since 2017, this year it has been extended to a total of 59 markets worldwide. More than 52,000 individuals have registered in its last edition and are improving their language skills, the most learned languages being English and Spanish. Upwards of 4,900 people have obtained at least an official certificate, and over 15,600 individuals have taken the English course at the stores that was custom-developed for Inditex.

- Store Managers:

  - In addition to the programmes above that focus on languages and product, our store managers also rely on *A Medida*, a training scheme to develop people management skills addressed to store managers. Between 2017 and 2019 more than 3,000 individuals were trained in Europe and North America to improve skills such as communication, motivation, organisation, delegation, results orientation and the ability to give feedback (2,000 people in 2018). Training is run by internal trainers and consists of practical and experimental workshops of approximately two hours for each skill. Groups are small, which permits interaction of all participants, and the contents of the workshops are close to the professional reality of our stores.

  - As a novelty in 2019, Zara Managers have taken part in a new gamified training experience known as *Laura*. *Laura* is a virtual sales assistant who helps the manager to practise his or her leadership and team management skills in a novel and entertaining way. Available as an app, *Laura* remains by the Manager's side (on the mobile phone or tablet) for a few days, raising questions, needs and real life situations on a daily basis. The Manager must try to respond to such situations while ensuring that motivation and performance levels in *Laura* remain high. Over 300 managers in 23 markets have used *Laura* in 2019.

- LEAP&Co (application for on-the-job talent management and training). This application enables store managers and area support teams to act independently when managing development plans, organising their network of specialist trainers per area and following up new employees and trainees, using a digital platform with access to up-to-date training materials. LEAP&Co has allowed all possible itineraries between the jobs in a store to be transparently defined, optimising every stage along the internal promotion process.

  The processes performed using the LEAP&Co application include the publication of training opportunities by store, skills assessment of the candidates trough practical test, the consultation of training support materials such as handbooks and videos (*Learning Kit*), the candidate's self-assessment of the contents required for every job, the follow-up by the internal trainer of target achievement in every training module, and the assessment by the managers in order to promote the best internal candidate for each job.

  This helps deliver the pace of internal training and promotion required by each store at any given time, in a sustainable manner and offering different development opportunities.

  The implementation of LEAP&Co has been completed in all Zara stores in France and, in January 2020, is at various stages of implementation in the UK, Italy, Germany, the US, Russia, Netherlands, Sweden, Norway, Finland, Denmark, Argentina, Uruguay, Chile and Brazil, with over 1,800 plans under way and 450 people having been promoted following their training.

From February 1st, 2019 to January 31st, 2020, over 3,000,000 hours of training have been provided in programmes designed for the various groups of people working in the Inditex Group, for more than 360,000 participants (over 2,700,000 hours and 146,000 participants in 2018, respectively)[24].

| | 2019 | | 2018 | |
|---|---|---|---|---|
| Job classification | Training Hours | Number of Participants | Training Hours | Number of Participants |
| Manager | 170,913 | 26,647 | 98,282 | 9,044 |
| Supervisor | 260,524 | 39,447 | 253,276 | 19,124 |
| Specialist | 2,657,853 | 295,156 | 2,400,265 | 118,278 |
| TOTAL | 3,089,290 | 361,250 | 2,751,823 | 146,446 |

## 6.5. Social Relations

Inditex is strongly committed to respecting its worldwide employees' labour rights in the entire world, namely their right to participation as a key element for the sustainable development of the business model.

As evidence of such commitment, Inditex entered in 2009 into a Global Agreement with UNI Global Union (hereinafter, "UNI"), which celebrated its tenth anniversary in October 2019 in Madrid with a commemorative meeting. UNI is a federation of trade unions of different services sectors, including trade and distribution, for the purposes of respecting and promoting fair work and labour rights. At present, some 900 trade unions are members of UNI worldwide, and upwards of 20 million workers are represented. Precisely, the cooperation that began with the

[24] 40% of total training pertains to initial on-the-job training in the store. To estimate this training, we use several criteria established by each country and format for the various jobs.

2009 Global Agreement between Inditex and UNI has served as the basis for the official creation in 2019 of the European Works Council of Inditex.

The Agreement between UNI and Inditex includes specific provisions regarding a number of issues governed pursuant to the principles set by the International Labour Organisation (hereinafter, “ILO”):

- Special mention is made therein to the enforcement of ILO Conventions 87, 89 and 98 that focus on ensuring freedom of association and the right to collective bargaining, as in the terms of the Agreement: "*Inditex recognizes the right of trade unions to represent the workers and to collectively bargain the working conditions that* affect them”.

- Likewise, the freedom to join any trade unions and non-discrimination on account of membership to a trade union as part of employment relations is also ensured. Additionally, pursuant to ILO Conventions 100 and 110 and based upon non-discrimination at work, equal opportunities and equal treatment for all people and non-discrimination in terms of remuneration for equal jobs are upheld.

- Inditex is committed to complying with applicable national laws and/or conventions, in furtherance of ILO Conventions 1 and 147 and of ILO Recommendation 116.

The subjective scope of this Agreement with UNI pertains to the whole Inditex Group, and it is therefore applied to 100% of the Group’s workforce.

As for the objective scope of the Agreement with UNI, in addition to the reference to the protection and promotion of the fundamental rights, Inditex is committed to meeting the requirements laid down in national laws and in national collective bargaining agreements regarding working hours, protection of a safe, healthy and sustainable working environment, and promotion of best practices for occupational health and safety with the appropriate equipment and training.

The Agreement between Inditex and UNI covers minimum rights for the employees of the various companies within the Group, given that in any event, such provisions, whether statutory, contractual or included in a collective bargaining agreement which confers higher rights, will always be observed.

Further to the above referred Agreement between Inditex and UNI, United Food and Commercial Workers International Union (hereinafter, “UFCW”), a US union and member of UNI, was interested in reaching a specific agreement with the Company covering the terms of the above referred 2009 Agreement for the stores in the USA.

In response to this, an Agreement was entered into in 2015 between UNI, UFCW, Inditex and Zara USA, by way of a pilot project for the store on 42nd Street in New York. A collective bargaining agreement was subsequently approved for this store, which, since September 2016, has been extended to all stores in Manhattan. The social dialogue continued throughout 2018 and 2019, in an attempt to extend the collective bargaining agreement to the whole of the United States. There are currently 16 stores in the states of New York and New Jersey that benefit from this collective bargaining agreement.

Present among many attendees at the celebration of the tenth anniversary of the signing of the agreement with UNI were the Chairman of Inditex and the Secretary General of the UNI trade union, as well as the different Secretaries General of the main Spanish trade unions (Comisiones Obreras and Unión General de los Trabajadores) and of the American trade union UFCW and the representative of the ILO in Spain.

This event included a review of the main milestones in the collaboration between UNI and Inditex, drawing particular attention to the promotion of equality in the workplace and the generation of employment and attraction of talent of the Company which, in 2009 —the year the agreement was signed— had a workforce of 92,000 employees and currently has over 176,000, of 172 different nationalities.

This act helped consolidate the good relationship between all parties involved and bring new proposals in matters of social progress on the agenda.

With regard to the company's internal regulations, Chapter 3 headed "General Principles" of the Code of Conduct and Responsible Practices, enforced on all Group employees, addresses respect for union relations and rights, as it provides: "*The employees of Inditex have their right recognised to associate or organise themselves or to bargain collectively".* Additionally, pursuant to section 4.2 of the Code*: "Inditex makes its own, as part of its internal regulations, the contents of any national and international agreements and conventions to which it has adhered, and undertakes to promote and enforce them"*.

Inditex and the trade unions that represent its employees are engaged in a continuous, open and constructive dialogue, as evidenced by the relevant number of queries and bargaining carried out throughout the year on different issues, as well as the periodic meetings and sessions scheduled by Inditex with UNI officials to follow-up on the Agreement.

The signature of the Agreement of incorporation of the European Works Council of the Inditex Group in 2018 was another very significant milestone in the relations between Inditex and the trade unions.

Following a number of meetings between representatives of Inditex and the Special Bargaining Group, made up of union representatives of companies within the Group in different European countries, an agreement was reached, which was published on the Official Gazette of Spain on 23 November 2018, pursuant to the applicable European Directives and Spanish laws transposing them. The European Works Council seeks to become a body for assurance and effectiveness of information and consultation of employees on transnational issues.

The holding of the first plenary meeting of the European Works Council took place between June 18th and 20th, 2019 in Arteixo, with eight countries present: Spain, France, Germany, Italy, Belgium, Luxembourg, Portugal and Austria. During this first constitutive meeting of incorporation the Restricted Committee was elected, a body that will act as a regular interlocutor with the Group, made up of five members and chaired by a Spanish member. Subsequently, in November 2019, the European Works Council met in a special plenary session in Madrid to approve its Internal Regulations, which will set the guidelines for its ordinary operation.

All in all, the Global Framework Agreement executed with UNI applies to 100% of Group employees. In Europe, the European Works Council for the employees' interest at transnational level has been officially launched. With regard to collective bargaining by country, local collective bargaining agreements apply to 60%, whereas the percentage rises to 70%, the level in 2018, within the European continent.

## 6.6. Organisation of work

The contents of the different legislations and agreements and conventions, whether national or international, to which the Company is a party, are incorporated in the Code of Conduct and Responsible Practices of the Inditex Group and are thus made part of the company's internal regulations. The Company undertakes to comply with them.

Regarding organisation of work, the Code of Conduct and Responsible Practices addresses in particular respect for the time limits set by the applicable laws in each country in terms of weekly working hours and overtime.

This commitment undertaken by the parties to fulfil the requirements laid down in national laws and agreements regarding working hours is addressed in the Global Agreement executed with UNI, which includes a section on the guidelines provided in ILO Conventions 1 and 47 regarding eight hours and forty hours of work per day and week, respectively, and in Recommendation 116 regarding reduction of normal working hours established as a minimum standard per country.

In practice, laws and collective bargaining agreements applicable to Inditex establish maximum annual working hours for employees, based upon which work schedules are agreed. Inditex has in place a system for clocking-in and out, in accordance with the legislation of application in each market.

## 6.7. Health and Safety at Work

Inditex has a Health and Safety Labour Policy in place, the latest version of which was approved by the Board of Directors in their meeting of September 10th, 2019. This policy states that the Company "*firmly believes that occupational health and safety enable and increase productivity and guide the way the Company operates its business activities*".

Therefore, achieving the highest standards in health and safety labour management is a priority target for the Inditex Group. During 2019 the transition towards the new ISO 45001:2018 certificate, the highest international standard on Management Systems, was initiated. This standard defines the requirements to establish, implement and operate an effective occupational health and safety system. Specifically all the sales and design companies of the Group in Spain, Italy, UK, Ireland, Portugal, Japan, Mexico, Croatia, Greece and Turkey, which were already OHSAS 18001:2007 certified, began their transition towards obtaining this certification in 2019. Likewise, during 2019, the sales and design companies in Bulgaria, Belgium, Chile, Germany and Poland obtained the ISO 45001:2018 certification.

### 6.7.1. Emergency Management

During 2019 several actions have been carried out to guarantee safety at the work centres, such as the Emergency and Self-Protection Plans.

**2019**

| | Self-Protection plan | Emergency and Evacuation Plan | Emergency and Evacuation Plan |
|---|---|---|---|
| **Format** | **New** | **New** | **Updated** |
| Bershka | | 10 | 8 |
| Massimo Dutti | | 13 | 8 |
| Oysho | | 12 | |
| Pull&Bear | | 18 | 26 |
| Stradivarius | | 21 | 2 |
| Uterqüe | | 1 | 3 |
| Zara | 1 | 29 | 28 |
| Zara Home | | 4 | |
| **TOTAL** | **1** | **108** | **75** |

**2018**

| | Self-Protection plan | Self-Protection plan | Emergency and Evacuation Plan | Emergency and Evacuation Plan |
|---|---|---|---|---|
| **Format** | **New** | **Updated** | **New** | **Updated** |
| Bershka | | | 24 | |
| Massimo Dutti | 1 | | 18 | 9 |
| Oysho | | | 17 | |
| Pull&Bear | | | 14 | 32 |
| Stradivarius | | | 56 | 4 |
| Uterqüe | | 1 | 5 | |
| Zara | 1 | 2 | 47 | 74 |
| Zara Home | | | 9 | 8 |
| **TOTAL** | **2** | **3** | **190** | **127** |

| | Emergency, Self-Protection and Evacuation Plans | |
|---|---|---|
| **Market** | **2019** | **2018** |
| Albania | 33 | 38 |
| Germany | 138 | |
| Argentina | 11 | 11 |
| Australia | 2 | |
| Austria | 23 | 24 |
| Belarus | | 25 |
| Belgium | 3 | |
| Bosnia Herzegovina | 16 | 13 |
| Brazil | 2 | |
| Bulgaria | 40 | 39 |
| Chile | | 13 |
| Mainland China | 164 | |
| Canada | | 43 |
| South Korea | 46 | 1 |
| Croatia | 10 | 43 |
| Denmark | | 17 |
| Slovakia | 16 | 16 |
| Slovenia | 5 | 40 |
| France | 300 | |
| Finland | | 8 |
| Greece | 166 | 165 |
| Hungary | 39 | 39 |
| Italy | 285 | 287 |
| Japan | 3 | 3 |
| Kazakhstan | 36 | 80 |
| Luxembourg | 12 | |
| Macedonia | 5 | 5 |
| Mexico | 116 | 38 |
| Montenegro | 2 | |
| Norway | 1 | 8 |
| Poland | 248 | 238 |

Other emergency management activities are summarised in the tables below:

| 2019 | |
|---|---|
| **Work centre** | **Description** |
| PULL AND BEAR LOGÍSTICA | EEP (Works) Provisional Canteen Narón |
| TEMPE, S.A. | Classroom course on First Intervention Teams |
| Pull and Bear | Event (Foundation El Instante) |
| Industria Diseño Textil S.A. | EEP and Implementation<br>*Talent Centre* Inditex Barcelona |

| | |
|---|---|
| Industria Diseño Textil S.A. | EEP and Implementation<br>*Talent Centre* Inditex Madrid |
| PLATAFORMA EUROPA | Platform Evacuation Drill |
| PLATAFORMA MECO | Platform Evacuation Drill |

| **2018** | |
|---|---|
| **Work centre** | **Description** |
| Plataforma Sallent Stradivarius | Evacuation Drill |
| Stradivarius (New headquarters Cerdanyola) | Event report |
| Pull&Bear Headquarters | Self-protection Plan Work site (renovation of Set) |
| Inditex, S.A. | *Tres Millas Solidarias* Event |
| TEMPE Alicante | Fire Safety Training |
| Plataforma Europa | Platform Evacuation Drill |
| New Technology Building Inditex | Fire Safety Training |
| Plataforma Cerdanyola | Fire Safety Training |
| Zara Home Logistics | Self-Protection Plan |

Additionally, we must highlight that other courses of actions have been taken regarding special emergency situations.

For instance, in Spain there have been initiatives in this regard in stores and logistics. In the Group stores in Spain, 230 evacuation and emergency action drills have taken place. In the León Logistics Platform, an anti-choking device has been installed in the rest and medical services areas for the protection of the employees, having been trained in its usage over 250 workers.

At an international level, there are two initiatives of note: in Portugal 650 workers have been trained in basic CPR support, as well as first aid; and in Australia a training module has been given to 165 workers on prevention of discrimination and harassment conducts.

### 6.7.2. Prevention of muscle and bone injuries

Initial training is provided to all employees at all logistics centres and stores on prevention of muscle and bone injuries. Likewise in 2019 other preventive measures in the field were in place.

As for logistics centres in Spain, in Bershka Logística, 54 people have taken part in a postural coaching activity. In Massimo Dutti Logística, 107 people took part in the postural correction training action known as *Let´s Move.*

Furthermore, a new practical session on on-the-job ergonomic training was organised in Zara Logística. 79 workers have been given training on new optimal movement gestural patterns for every job. Additionally, 60 employees have taken part in a programme of functional re-adaptation to the job, maintaining the healthy programme for employees over 55 years old by fostering a healthy work environment which has benefitted a total of 35 workers in 2019.

### 6.7.3. Mobility Plan

The Mobility Plan is one of the many measures taken to increase road safety within the logistics centres. The plans address areas such as the review of road infrastructure and equipment from the point of view of the interaction of the different parties involved (pedestrians, light vehicles and heavy vehicles), detecting shortcomings and/or irregularities regarding road safety.

During 2019 the Mobility Plans for the León Logistics Platform and the Cabanillas Logistics Platform were processed.

### 6.7.4. Fostering Healthy Habits

Inditex encourages and promotes being recognised as a Healthy Company. In this regard, in 2019, Group companies of Italy, the United Kingdom and Ireland have been certified as Healthy Companies, a recognition already obtained by all Group companies in Spain in 2015. This standard identifies cross-cutting issues upon managing Health and Safety of individuals based upon physical, and psycho-social issues, in resources allocated to the health of the workers, and their participation in the community, and is based on the model upheld by the World Health Organization.

The World Day for Safety and Health at Work was celebrated on April 28$^{th,}$ and was specifically dedicated to health as a source of happiness. The day's slogan was "Your health is happiness". All the markets in which Inditex is present and all Group companies in Spain took part in the global awareness campaign that was organised on this occasion.

In addition, the Group has *InHealth,* the website dedicated to promoting health and healthy habits for Group employees. The US, Argentina, Uruguay, Bulgaria, Germany, Canada and Switzerland joined this initiative in 2019. *InHealth* is currently available in 15 countries for 98,500 employees.

Other highlights in the field of health include the breast cancer awareness campaign organised at the Headquarters of all formats in Spain, attended by 1,500 people. Likewise, Brazil organised the *Pink October* awareness campaign with the participation of 2,500 people.

Headquarters in Arteixo arranged a conference on Stroke Prevention, coinciding with the International Stroke Awareness Day, as well as resuscitation practices as part of the annual training programme in the use of defibrillators and first aid, with the participation of over 300 people.

Brazil saw the organisation of the Internal Accident Prevention Week, having trained 300 workers this year on risks and how to act in the event of an occupational accident. Likewise, the healthy habits like postural blitz, healthy eating and exercise at the workplace have been actively promoted.

Bershka, Massimo Dutti, Uterqüe and Oysho held the talk "Protect yourself and take care of your skin" to raise awareness on the matter among more than 250 attendees.

Plataforma Cabanillas held a "wellbeing at work" programme involving 40 people being interviewed by a specialist and receiving advice on healthy eating and physical exercise. In addition, 56 workers have taken part in a cardiovascular risk prevention campaign.

During 2019, the Headquarters of Pull&Bear, in Narón, have organised a wellbeing plan with activities such as lectures and training on back health, among others, in which over 120 people have taken part.

All the formats in the Inditex Group, in cooperation with the ADOS entity, have collaborated in the blood donation campaign. Over 430 donors took part in various cities in Galicia, via mobile units installed opposite the stores.

### 6.7.5.COVID-19

The outbreak of the Coronavirus COVID-19 in China in January 2020 and its recent global expansion to a large number of countries has caused the virus outbreak to be qualified as a pandemic by the World Health Organisation since March, 11th.

Since we became aware of the existence of this virus outbreak, we have continuously monitored its current impact and its potential effects in the medium and long term. Our first concern has always been to guarantee the health and wellbeing of our employees, customers and of all the people who directly or indirectly provide us goods and services required for the ordinary course of business. We have begun to implement a global contingency plan in our work centres to protect our employees from the potential risks of infection and spread of the COVID-19 virus, which include different preventive measures (such as hygiene guidelines, the restriction of visits and travel, among others) organisational and healthcare coordination measures, applicable according to the severity of the various scenarios considered.

### 6.7.6. External audits

The following ISO 45001 and OHSAS 18001:2007 external audits have been performed in 2019:

| | Number | |
|---|---|---|
| **Management System Audits** | **2019** | **2018** |
| Own stores | 182 | 628 |
| Logistics Centres | 4 | 5 |
| Own factories | 4 | 4 |
| Headquarters | 15 | 19 |

### 6.7.7.Rates

The accident rates are shown in the tables below:

**2019**

**SPAIN**

Own stores

| | Incident rate[1] | Frequency rate[2] | Seriousness rate[3] |
|---|---|---|---|
| Women | 19.28 | 10.71 | 0.19 |
| Men | 13.31 | 7.39 | 0.15 |

**EUROPE**

| | Incident rate[1] | Frequency rate[2] |
|---|---|---|
| Women | 20.80 | 17.50 |
| Men | 17.30 | 13.50 |

Logistics Centres

| | Incident rate[1] | Frequency rate[2] | Seriousness rate[3] |
|---|---|---|---|
| Women | 100.45 | 55.80 | 1.58 |
| Men | 107.94 | 59.97 | 1.53 |

Own factories

| | Incident rate[1] | Frequency rate[2] | Seriousness rate[3] |
|---|---|---|---|
| Women | 58.12 | 32.29 | 0.99 |
| Men | 64.91 | 36.06 | 1.88 |

HQ

| | Incident rate[1] | Frequency rate[2] | Seriousness rate[3] |
|---|---|---|---|
| Women | 3.51 | 1.95 | 0.03 |
| Men | 2.48 | 1.38 | 0.00 |

**ASIA & REST OF WORLD**

| | Incident rate[1] | Frequency rate[2] |
|---|---|---|
| Women | 3.50 | 2.60 |
| Men | 2.80 | 2.00 |

**AMERICAS**

| | Incident rate[1] | Frequency rate[2] |
|---|---|---|
| Women | 17.90 | 13.00 |
| Men | 15.40 | 10.70 |

[1] Incident rate with leave= (No. accidents with leave *1,000) / Average No. employees

[2] Frequency rate= (No. accidents with leave *1,000,000) / No. hours worked

(3)Seriousness rate = (Days of leave*1,000) / No. hours worked

Occupational diseases:

**SPAIN**
Own stores

| | Logistics Centres | Own stores | Own factories |
|---|---|---|---|
| Women | 10 | 1 | 9 |
| Men | 9 | | 0 |

**2018**

**SPAIN**

Own stores

| | Incident rate[1] | Frequency rate[2] | Seriousness rate[3] |
|---|---|---|---|
| Women | 18.00 | 14.70 | 0.41 |
| Men | 20.70 | 14.60 | 0.25 |

Logistics Centres

| | Incident rate[1] | Frequency rate[2] | Seriousness rate[3] |
|---|---|---|---|
| Women | 107.80 | 70.90 | 1.96 |
| Men | 126.50 | 78.80 | 1.65 |

Own factories

| | Incident rate[1] | Frequency rate[2] | Seriousness rate[3] |
|---|---|---|---|
| Women | 73.80 | 53.60 | 1.82 |
| Men | 167.70 | 102.00 | 3.00 |

**EUROPE**

| | Incident rate[1] | Frequency rate[2] |
|---|---|---|
| Women | 19.30 | 16.90 |
| Men | 17.00 | 14.70 |

**ASIA & REST OF WORLD**

| | Incident rate[1] | Frequency rate[2] |
|---|---|---|
| Women | 6.70 | 5.40 |
| Men | 3.50 | 2.80 |

**AMERICAS**

| | Incident rate[1] | Frequency rate[2] |
|---|---|---|
| Women | 12.00 | 9.10 |
| Men | 11.40 | 8.50 |

HQ

| | Incident rate[1] | Frequency rate[2] | Seriousness rate[3] |
|---|---|---|---|
| Women | 3.20 | 1.80 | 0.05 |
| Men | 2.20 | 1.20 | 0.07 |

[1] Incident rate with leave= (No. accidents with leave *1,000) / Average No. employees

[2] Frequency rate= (No. accidents with leave *1,000,000) / No. hours worked

(3)Seriousness rate = (Days of leave*1,000) / No. hours worked

In 2019, the total number of absence hours due to temporary incapacity, corresponding to 92% of the employees of the Group, amounted to 10,275,537 hours (9,107,205 hours in 2018, corresponding to 83.4% of our employees).

## 6.8. Remuneration Policy

Our stance on remuneration relies on criteria that fit at the same time the reality of each market and working environment where the Company operates, always within the framework of its culture and values, and considering the own features of each commercial format of the Group.

The remuneration policy at Inditex guarantees non-discrimination by reason of sex, age, culture, religion or ethnicity or any other circumstance. In this regard, Inditex employees are remunerated according to their professional skills, experience, dedication and responsibility assumed.

Specifically, fixed remuneration is established according to experience, personal contribution to the job, consistency with the responsibility within the organisation, and the market. On the other hand, variable pay depends in full on predefined, quantifiable and measurable indicators, all linked to Company results. In this regard, receiving variable pay does not depend on a discretionary assessment of a person's individual performance, but exclusively on the basis of objective parameters, thus guaranteeing non-discrimination.

On this last point, variable pay is one of the fundamental components of the remuneration policy at Inditex and is applied to employees in all areas of business within the Group.

Our main variable pay system is based upon monthly sales commissions, which reward the involvement of store employees regarding relevant issues such as sales results, the feedback on the product and store coordination and organisation. Decision-making and initiative are encouraged at all levels, and reward is proportionate to the responsibilities assumed.

We are a global company with employees in 60 markets, and remuneration is determined in line with applicable practices in each market and paid in local currency, which entails different wage references among the various markets.

## 6.8.1. Wage Gap

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

The outcome of the analysis carried out in 2019 shows wage parity between men and women at Inditex. In terms of aggregate remuneration, women are paid 0.2% more than men, representing a slight variation over the figure for 2018 (0.8%), due to movements in the workforce during the year.

| | Gap- Aggregate pay | |
|---|---|---|
| **Wage gap** | **2019** | **2018** |
| **TOTAL** | **0.2%** | **0.8%** |

Below is the wage gap by geographic area:

| | Wage gap- Aggregate pay | |
|---|---|---|
| **Geographic area** | **2019** | **2018** |
| Spain | 0.5% | 1.0% |
| Europe excluding Spain | -0.6% | 0.2% |
| Americas | 3.6% | 0.3% |
| Asia and rest of the world | -0.1% | 0.0% |
| **TOTAL** | **0.2%** | **0.8%** |

## 6.8.2. Global average remuneration

Average remuneration is defined as the average wages within the Group, translated into euros, using the average exchange rate in 2019[25]. Based upon this, in 2019 global average annual remuneration at Inditex was €22,073 (in terms of gross remuneration) (€20,996 in 2018). With regard to this figure, it should be noted that the number of employees in Spain, our main market, only represents 28% of the headcount, as a significant part of the remaining 72% staff are based in markets where wages translated into euros give rise to lower average remuneration (28% and 72% of workforce in 2018, respectively).

By gender, the average remuneration of women stands at €21,142 (gross annual remuneration) and that of men was €24,897 (gross annual remuneration) (€19,935 and €23,556 in 2018). It should be pointed out that these two figures are not representative in terms of equal pay: the distance between pay for men and women is due to a higher presence of women in a significant number of markets where average remuneration is lower on account of the exchange rate effect.

Regarding equal pay, wage gap is a transparent indicator of pay received by men and women. In fact, wage gap is calculated by market (weighted with the weight each of them represents), allowing for the isolation of the impact of the different local currencies, the evolution of exchange rate and the geographic distribution of the workforce. As indicated in the previous section, the global wage gap in the Group favours women by 0.2% (0.8% in 2018).

[25] This parameter will be used in the following financial years to report on the evolution of global average remuneration

Considering all the foregoing circumstances inherent in the Group, the average remuneration by age and by job classification is provided below:

| Age | Aggregate remuneration in € 2019 | 2018 |
|---|---|---|
| <30 years old | 16,444 | 15,350 |
| 30-40 years old | 27,433 | 26,320 |
| > 40 years old | 42,297 | 41,062 |

| Job classification | Aggregate remuneration in € 2019 | 2018 |
|---|---|---|
| Manager | 51,327 | 47,804 |
| Supervisor | 31,002 | 27,963 |
| Specialist | 19,260 | 18,480 |

### 6.8.3. Employees’ profit sharing Plan

In attention to the Group’s development, Inditex approved in 2015 an Extraordinary Plan for employees participating in the economic growth of the Inditex Group for financial years 2015 and 2016. A new Employees’ profit sharing Plan was approved in 2017 for financial years 2017 and 2018, similar to the previous one.

In the month of April 2019, 10% of the net profit for 2018 was shared out (7 million euros), increased by an additional 25 million euros. This total remuneration of 32 million euros was paid out to some 92,000 employees with over two years’ service to the company at 31 March 2019.

The Board of Directors of the Company approved, on 12 March 2019, a new plan for the participation of employees in the growth of the company's profits, with a unique and exclusive application for the year 2019, and also with features similar to the above. This plan is aimed at all Group employees, chains and subsidiaries worldwide, with more than two years of seniority as of 31 January 2020. During fiscal year 2020, the incentive corresponding to fiscal year 2019 will be settled.

### 6.8.4. Directors’ Remuneration

The remuneration of members of the Board of Directors in 2019 and 2018 (in €k) is shown in the table below:

**2019**

| Name | Total cash remuneration | Gross profit of consolidated shares or financial instruments | Remuneration for savings systems | Remuneration for other items | Total FY2019 company |
|---|---|---|---|---|---|
| Mr Pablo Isla Álvarez de Tejera | 5,566 | 643 | 0 | 0 | 6,209 |
| Mr Carlos Crespo González (since 16 July 2019) | 1,265 | 25 | 0 | 0 | 1,290 |
| Mr José Arnau Sierra | 330 | 0 | 0 | 0 | 330 |
| Mr Amancio Ortega Gaona | 100 | 0 | 0 | 0 | 100 |
| Pontegadea Inversiones, S.L. (represented by Ms Flora Pérez Marcote) | 100 | 0 | 0 | 0 | 100 |
| Ms Denise Patricia Kingsmill | 250 | 0 | 0 | 0 | 250 |
| Mr José Luis Durán Schulz | 300 | 0 | 0 | 0 | 300 |
| Mr Rodrigo Echenique Gordillo | 300 | 0 | 0 | 0 | 300 |
| Ms Pilar López Álvarez | 250 | 0 | 0 | 0 | 250 |
| Mr Emilio Saracho Rodríguez de Torres | 300 | 0 | 0 | 0 | 300 |
| Ms Anne Lange (since 10 December 2019) | 29 | 0 | 0 | 0 | 29 |
| **TOTAL** | **8,790** | **668** | **0** | **0** | **9,458** |

**2018**

| Name | Total cash remuneration | Gross profit of consolidated shares or financial instruments | Remuneration for savings systems | Remuneration for other items | Total FY2018 company |
|---|---|---|---|---|---|
| Mr Pablo Isla Álvarez de Tejera | 7,785 | 1,704 | 0 | 0 | 9,489 |
| Mr José Arnau Sierra | 330 | 0 | 0 | 0 | 330 |
| Mr Amancio Ortega Gaona | 100 | 0 | 0 | 0 | 100 |
| Pontegadea Inversiones, S.L. (represented by Ms Flora Pérez Marcote) | 100 | 0 | 0 | 0 | 100 |
| Ms Denise Patricia Kingsmill | 250 | 0 | 0 | 0 | 250 |
| Mr José Luis Durán Schulz | 300 | 0 | 0 | 0 | 300 |
| Mr Rodrigo Echenique Gordillo | 300 | 0 | 0 | 0 | 300 |
| Ms Pilar López Álvarez (since 17 July 2018) | 134 | 0 | 0 | 0 | 134 |
| Mr Carlos Espinosa de los Monteros Bernaldo de Quirós (until 17 July 2018) | 116 | 0 | 0 | 0 | 116 |
| Mr Emilio Saracho Rodríguez de Torres | 300 | 0 | 0 | 0 | 300 |
| **TOTAL** | **9,715** | **1,704** | **0** | **0** | **11,419** |

### 6.8.5. Remuneration of Senior Management

The average remuneration of Senior Management of Inditex in 2019 amounted to 1,434,163 euros (1,944,018 euros in 2018). The average remuneration of female Senior Managers was of 1,033,309 euros and that of male Senior Managers of 1,555,634 euros (1,725,866 euros and 2,008,180 euros in 2018, respectively).

When calculating the remunerations mentioned in the previous paragraph, in addition to the fixed remuneration, the short-term variable remuneration and the multi-annual variable remuneration have been taken into account.

As for the short-term variable remuneration, the Board of Directors of Inditex, following a favourable report from the Remuneration Committee and taking into account the exceptional situation brought about by the worldwide COVID-19 pandemic, has decided that this Senior Management remuneration, pertaining to 2019, should be reduced by half.

The multi-annual variable remuneration refers to the amount accrued in the second cycle (2017-2020) of the 2016-2020 Long-Term Incentive Plan. The incentive accrued in 2019 under such cycle has amounted to 7,262,587 euros (15,301,802 euros in 2018), and has materialised in (i) a cash incentive in the gross amount of 4,702,630 euros (8,383,967 euros in 2018); and (ii) an incentive in shares in the total number of 126,919 shares (284,100 shares in 2018), equivalent to a gross amount of 2,559,957 euros (6.917.835 euros in 2018).

To this end, we shall mention that, in order to quantify the portion of the incentive to be paid out in shares, the listing price of Inditex shares considered was the one at the close of the day on which the meeting of the Remuneration Committee assessing the degree of compliance with the second cycle of the 2016-2020 Plan took place (i.e. March, 16th 2020).

# 7. CUSTOMER SERVICE EXCELLENCE

***Related material topics:*** *customer relationship management..*

We maintain a constant dialogue with our customers, who can communicate and interact with each of the Group's formats and keep updated on any new commercial development through different channels. In 2019, the formats of the Group had more than 175 million followers in the different social media (143 million in 2018), Facebook and Instagram of each format (with upwards of 61 million and 70 million followers, respectively) (60 million and 55 million in 2018, respectively), being those with the largest number of users. In addition to social media, 30,100,931 contacts from customers made through different channels (phone calls, emails, chats and messages via social media) were attended to by the customer service area of each format. Such contacts concerned a large number of topics including, without limitation, queries regarding goods, purchasing process, shipments, potential incidents or current affairs affecting the formats (29,032,743 contacts in 2018). The service level achieved (percentage of contacts attended on total and weighted by the weight of the contacts in each format) was 95% (94% in 2018)[26].

In Spain, a total of 6,436 of Trade and Consumer Affairs proceedings were processed in 2019 (6,586 in 2018) for all our commercial formats, including requests on matters of trade and consumption, inspections, claims and complaint forms.

26 The calculation of Inditex´s global service level, 95% versus 94% in 2018, has been performed through a weighted average with the weight with each format, compared to the standard average used in past years. In the fiscal year 2018 the level of service reported within the SNFI was of 91%.

Our image campaigns, editorials and the images of the models used in our collections published on the Group websites are another way to communicate with our customers. We work with photographers, stylists and models who aim to present the collections required by our customers in the most appropriate manner. We are aware that our images have a great impact on our customers, and therefore understand it is essential that they transmit a positive, multicultural and diverse image, presenting at the same time a detailed and faithful picture of the characteristics and specifications of our products.

Part of this client dialogue involves Inditex working to guarantee accessibility to its facilities, both in stores and online sales pages. In this regard, the Group stores meet architectural accessibility standards to enable people with disabilities to access and move around the stores, as well as ensuring a satisfactory shopping experience for the customer.

Accessibility to all corporate websites, which comply with the Accessibility Guidelines or General Standards of Accessible Design established by Web Accessibility Initiative (WAI) Working Group, a part of W3C, is also important. Moreover, in 2019 and as part of the digital accessibility project with EqualWeb, the use of accessibility menus in the Group web pages has begun. These menus, visible from the home pages of each website, provide a variety of voice, browsing, colour and content adjustments to ensure an inclusive and barrier-free navigation experience for users and customers. The Inditex corporate website, as well as those of Zara, Massimo Dutti and Bershka in Spain, already offer this accessibility menu, gradually being implemented in all other websites of the various formats and markets in which we operate.

# 8. CORPORATE COMMUNITY INVESTMENT


***Related material topics:*** *investment in the community, relationship with stakeholders.*

Inditex's corporate community investment model encompasses the activities that illustrate the Company's commitment to contributing to social development, in the communities that have needs to be met, especially in the geographic areas where Inditex operates. These activities comply with the following principles:

- The contribution is voluntary: the company has no legal or contractual obligation whatsoever when it comes to making the contribution;
- Contributions shall be for non-profit and target social and/or environmental benefit, supporting any initiative aimed at social and/or environmental wellbeing. However, contributions to schools, universities or public administrations can also be included, despite the fact that they do not always meet the requirement of being non-profit organisations but their purpose is contributing to social wellbeing; and
- Beneficiaries shall not be restricted: contributions shall be open to all potential beneficiaries, without prior classifications which may be discriminatory or beneficial to them on account of their belonging to or being related to companies in their capacity as customers, offspring of employees or any other similar circumstance. This does not mean that the activity in question may not be restricted to a limited group of specific individuals (ranged by age, training or other characteristics), but instead, that it cannot be restricted on account of the relationship of such group with the benefactor company in question.

Considering all the foregoing, Inditex understands investment in social programmes as an opportunity to contribute to the UN 2030 Agenda for Sustainable Development by applying its business resources – both in cash and in kind, and in terms of time allocated by its staff.

Our strategy regarding corporate community investment is addressed in the Corporate Citizenship Policy, which is available on our website.

Inditex's investment in the community materialises in collaborating with specific projects. We prioritise long-term strategic projects for specific activities, together with community organizations, always subject to a thorough monitoring and accountability process, rather than occasional contributions for the general purposes of non-profit organisations.

Each social initiative which is part of our community investment programme is submitted to a thorough process to measure inputs, outputs and impacts. For such purposes, at Inditex we use, among others, the LBG methodology based upon the following management criteria:

- Careful assignment of contributions in the community;
- Measuring achievements obtained; and
- Evaluating the impact of the components of the project separately, in order to assess, on the one hand, the origin of profit, and on the other, the programme as a whole.

In 2019, we have gained deeper knowledge regarding the link between our corporate community investment model and the United Nations Sustainable Development Goals set in the UN 2030 Agenda. This commitment is embodied in specific projects which address the following issues:

- Emergency Relief: understanding as such all relief actions focusing on protecting life, health and wellness of people in emergency situations on account of natural disaster or similar circumstances;
- Social welfare: understanding as such all initiatives which encourage employment and entrepreneurship of vulnerable groups, encouraging labour integration of people at risk of social exclusion; and
- Education: understanding as such proceedings focused on providing opportunities through quality education which gives young people the opportunity of a decent life and encourages social justice and their personal growth.

In 2019, the investment made by Inditex in corporate community projects totalled 49,231,909 euros, 7% more than in the previous year (46,218,895 euros in 2018). This investment was made in 670 projects (622 projects in 2018), in collaboration with 421 community organisations (413 organisations in 2018).

The main examples of these three lines of action in 2019 are shown in the table below:

**2019**

| Issue adressed | Community organisations | Project | Location of activity |
|---|---|---|---|
| Emergency Relief | Entreculturas | Support to refugees and migrants from the armed conflict in Colombia | Colombia, Ecuador and Venezuela |
| | MSF | Supporting Emergency Unit | Global |
| | | Attention for Rohingya refugees | Bangladesh |
| | | Supporting Al Salamah Hospital | Syria |
| | | Care for the migrant population | Mexico |
| | Red Cross | Bush fire emergency programme | Australia |
| | Hubei Provincial Charity Federation | Coronavirus emergency programme | China |
| Social Welfare | International Labour Organisation (ILO) | Promotion of fundamental labour rights and principles in the cotton supply chain | China<br>India |

| Issue adressed | Community organisations | Project | Location of activity |
|---|---|---|---|
| | | | Mali<br>Pakistan |
| | Cáritas | Promoting employment of people at risk of social exclusion | Spain |
| | | Strengthening the management of end of life of textile products | Spain |
| | | Support for the population in the face of natural disasters and improved quality of life in the more underprivileged areas of Dhaka | Bangladesh |
| | COGAMI, Fundación Molí d'en Puigvert, Moltacte, Fundación Prodis, COMETA | For&From: labour integration of people with disabilities | Spain |
| | | | Italy |
| | Every Mother Counts | Prenatal care and attention to pregnant women | Bangladesh and USA |
| | Médicus Mundi | Improving well-being of workers in the textile sector | Morocco |
| | Water.org | Launch & scale safe water and sanitation access | Bangladesh, Cambodia |
| Education | China Youth Development Foundation | Access to education in rural areas | China |
| | Entreculturas | Access to quality education and vocational training | Asia, Americas, Africa |
| | Massachusetts Institute of Technology (MIT), Tsinghua University Educational Foundation, Beijing Normal University Educational Foundation, University of Dhaka, Universidade de A Coruña, Universidade de Santiago de Compostela | Partnership with universities to encourage investigation and quality higher education | Spain, Bangladesh, China, USA |

In addition, supporting refugees and forced migrants is one of the pillars of our social intervention strategy. In order to address it in an integral way, we carry out initiatives in various areas of our activity in cooperation with non-profit organisations such as Médecins Sans Frontières (hereinafter, "MSF"), the Jesuit Refugee Service (hereinafter, "JRS") Entreculturas, Red Cross, United Work, Ethical Trading Initiative, the ILO and Better Work, among others, which have materialised in the following initiatives:

- **Entreculturas Programme**: Since 2001 and as a result of our partnership with Entreculturas, we support vulnerable groups in Latin America, Africa and Asia. This support, which in monetary terms has exceeded 51 million euros over the last two decades, has been focused on a number of programmes that have benefitted over 1.2 million people.

  o **Programme in the Borders of Colombia**: this initiative, in partnership with the JRS, seeks to offer opportunities and support to refugees and migrants from the armed conflict in Colombia within the country itself, as well as in the neighbouring countries of Ecuador and Venezuela. As well as delivering humanitarian aid, the programme provides psycho-social support, and even the generation of livelihoods. It also offers spaces for communication and reconciliation actions, as well as violence prevention in educational centres and host communities. 6,061 people have benefitted from this initiative in 2019.

  o **EPGO Programme (*Educating People, Generating Opportunities*):** the aim of this programme, in partnership with Entreculturas and the JRS, among others, is to help forced migrants and refugees in countries such as Mexico, South Africa and Lebanon, through actions in education, employment and humanitarian aid. The education initiative consists of providing schooling for underprivileged people and training for teachers. In terms of employment, projects to offer technical and professional training for young people at risk of social exclusion are under way. Lastly, humanitarian aid has been provided for people in situations needing international protection.

  2019 saw the completion of the second edition (EPGO II) of this three year programme which has benefitted 165,557 people overall through 23 projects in 11 countries: Argentina, Bolivia, Brazil, Ecuador, Mexico, Paraguay, Peru, Uruguay, Venezuela, South Africa and Lebanon. In 2019 alone, a total of 70,658 people benefitted from these projects.

  o **MSF programmes**: our partnership with MSF is set out in the Framework Agreement entered into in 2008, which has led to over 26 million euros in contributions from Inditex to the regular work carried out by MSF in 52 countries, directly benefitting over 5.4 million people. In 2019, our support for MSF has focused on the following activities:

  **1) Support for the Al Salamah Hospital in Syria**: in this medical centre located in the district of Azzaz in the province of Aleppo, primary and secondary health care (emergency outpatient and regular care) has been provided. During 2019, it has catered for a total of 87,534 outpatient consultations, 1,206 normal births and 73 C-sections. Additionally, the MSF teams have attended to 21,976 patients with chronic conditions and have vaccinated 15,840 children.

  2) **Health care for the Rohingya people in Bangladesh**: in light of the current scale of this humanitarian crisis, we began a joint programme in 2017 to provide aid for the Rohingya people in two key areas: medical care for adults, children and pregnant women; and access to clean drinking water and sanitation systems. In 2019, the MSF teams carried out 79,126 outpatient consultations and 4,012 hospital admissions. Moreover, 6,034 children have been vaccinated and MFS has catered for 800 births. In addition, a total of 12,475 patients have required mental health care.

  3) **Care for the migrant population in Mexico:** Mexico is a transit, destination and return country for the migratory flow mostly hailing from Central America (El Salvador, Honduras and Guatemala) on its way to the United States. The people

who decide to set out on this journey are undocumented people who have left their homes due to poverty, marginalisation and violence in their countries of origin. MSF attends to them in several hostels and stopover points for migrants along the way, offering basic medical and psychological care. There is also an Integral Care Centre in Mexico City providing specialist medical care for migrants who are victims of ill-treatment, torture or extreme violence. In 2019, a total of 20,650 medical consultations and 5,509 mental health consultations have been carried out.

4) **Support for Emergency Relief Units**: since 2011 we have been strategic partners of the MSF Emergency Unit, to help MSF provide medical assistance in humanitarian and emergency crises. This support is key to guaranteeing the immediacy of the organisation and a professional and safe response to humanitarian alerts anywhere in the world, as well as to be able to organise independent emergency missions based exclusively on medical criteria and requirements. In 2019 we have helped to maintain the structure of the Emergency Unit (based in Barcelona) in full, as well as part of the regional teams in the Democratic Republic of Congo (the RUSK), in the Central African Republic (the EURECA) and in Ethiopia (the ESS). Thanks to this support, response in 2019 has been provided to two large scale humanitarian crises provoked by violence between opposing groups, both in Burkina Faso and in English speaking regions in Cameroon. The fast deployment of teams after cyclone Idai was also possible with our support.

• **Inditex Chair of Refugees and Forced Migrants in the Universidad Pontificia Comillas**: This Chair was created in 2016 to drive academic research in the field of migration, to encourage the application of these studies to the care for displaced persons and to publicly disseminate the reality of this phenomenon and help raise awareness. The Chair includes a doctoral grant programme and internships in the field working with specialist organisations. Through this initiative, 12 postgraduates have joined various social welfare organisations to attend to migrants in the Democratic Republic of Congo, South Africa, Ethiopia and Cameroon. In 2019, we have renewed our support for this initiative, which supplements our efforts in the direct intervention of refugees via the abovementioned programmes.

In addition to these actions, in line with our strategy of contribution to community welfare, our support for refugees and forced migrants also translates into two lines of action:

- **Joining our workforce**: beyond the ordinary recruitment channels, our Salta Project is a socio-occupational integration initiative that includes the group of forced migrants and refugees as one of its main beneficiaries. This initiative, which was started in France as *Project Jeunes* in 2008, seeks to improve the employability of vulnerable young people by employing them in our stores, warehouses and factories, as part of a specifically designed training itinerary which includes workshops on skills and representative values of Inditex. In addition, the project includes internships in our work centres, accompanied by employees who voluntarily take part in the programme. The Salta Project, which has managed to provide employment to 1,300 people since its inception, takes place in 13 markets: Spain, France, Italy, Greece, Germany, UK, Poland, Portugal, Mexico, Brazil, Turkey, South Korea and the United States.

- **Integration into our supply chain:** migratory flows may cause some workers to experience a feeling of vulnerability in which their social and occupational rights are affected due to being migrants. In this regard, the protection of these workers is one of the seven Priority Impact Areas included in the “Workers at the Centre Strategy 2019-2022”, explained earlier as one of the pillars of the socially sustainable management of the supply chain. Within the framework of this Strategy, at Inditex we cooperate with organisations like the *Ethical Trading Initiative*, the International Labour Organisation and *United Work*, among others, with the aim of guaranteeing fundamental Human and Labour Rights of the migrants in our supply chain.

As for the form of contributions made to community welfare, the information is classified into the following categories:

- Cash contribution, which is the aggregate amount invested by Inditex in social programmes together with non-profit organisations;
- Time contributions, which is the proportional cost to the company of employees' time paid by the company but spent on community activities of a social nature during working hours;
- In-kind contributions, which include donations of products —garments, mainly— to charities; and
- Management costs, which refer to estimated expenses which are incurred by the company for general management of community projects.

| | 2019 | | 2018 | | Variation | |
|---|---|---|---|---|---|---|
| **Form of contribution** | **Euros** | **%** | **Euros** | **%** | **%** | |
| Cash | 33,248,048 | 68% | 30,109,825 | 65% | 10% | % management costs included |
| Time | 3,668,531 | 7% | 3,542,309 | 8% | 4% | |
| In-kind | 11,684,094 | 24% | 11,935,563 | 26% | -2% | |
| Management costs | 631,236 | 1% | 631,198 | 1% | 0% | |
| **TOTAL** | **49,231,909** | **100%** | **46,218,895** | **100%** | **7%** | |

Likewise, we at Inditex report our voluntary contributions to the community, according to the following classification:

- Charitable gifts, which consist of institutional one off donations to the general goals of charities;
- Community investment, as part of a long-term strategic commitment to collaborating with the community to support specific social activities; and
- Commercial initiatives in the community, which are initiatives of social interest directly related to the company's retail activity.

For the purpose of maximising the effectiveness of our social initiatives, in 2019 we have increased our investment in strategic projects (community investment and commercial initiatives in the community), rather than charitable gifts.

| | 2019 | | 2018 | | Variation | |
|---|---|---|---|---|---|---|
| **Driver for contribution** | **Euros** | **%** | **Euros** | **%** | **%** | |
| Charitable gifts | 1,633,093 | 3% | 1,801,149 | 4% | -9% | % management costs excluded |
| Community investment | 36,668,336 | 76% | 36,179,975 | 79% | 1% | |
| Commercial initiatives in the community | 10,299,244 | 21% | 7,606,572 | 17% | 35% | |
| **TOTAL** | **48,600,673** | **100%** | **45,587,696** | **100%** | **7%** | |

As for issues addressed, 40% of our corporate community investment was made towards social welfare —mainly through fostering the employment of vulnerable groups—, 20% to emergency relief and 18% to education (42%, 20% and 16% to each of these investment activities in 2018, respectively). In 2019, in line with the community intervention strategy defined by our Corporate Citizenship Policy, 78% of the corporate community investment has been used to reinforce the three priority activity areas: social welfare, emergency relief and education(78% of the investment in 2018).

| | 2019 | | 2018 | | Variation | |
|---|---|---|---|---|---|---|
| Issue addressed | Euros | % | Euros | % | % | |
| Social welfare | 19,646,921 | 40% | 19,098,184 | 42% | 3% | % management costs excluded |
| Emergency relief | 9,681,616 | 20% | 9,044,622 | 20% | 7% | |
| Education | 8,501,897 | 18% | 7,468,318 | 16% | 14% | |
| Health | 2,798,355 | 6% | 3,861,618 | 9% | -28% | |
| Environment | 5,446,742 | 11% | 3,586,327 | 8% | 52% | |
| Economic development | 1,304,020 | 3% | 1,610,820 | 4% | -19% | |
| Arts and culture | 1,221,122 | 3% | 870,924 | 2% | 40% | |
| Others | 0 | 0% | 46,884 | 0% | -100% | |
| TOTAL | 48,600,673 | 100% | 45,587,697 | 100% | 7% | |

With regard to the territories where social programmes are implemented, our Company gives priority to regular contributions to the communities made at corporate level in such geographic areas where the Group operates, namely at Inditex clusters (defined and listed in section 5.3 herein). Likewise, the Group's subsidiaries act within their borders in terms of social programmes, implementing projects in proximity that maximise the positive impact thereof within their sphere of influence.

The corporate community investment in 2019 and 2018 broken down per location of activity is shown below:

| | 2019 | | 2018 | | Variation | |
|---|---|---|---|---|---|---|
| Location of activity | Euros | % | Euros | % | % | |
| Spain | 17,529,175 | 36% | 20,297,453 | 45% | -14% | % management costs excluded |
| Americas | 13,328,564 | 27% | 10,208,058 | 22% | 31% | |
| Asia | 8,222,164 | 17% | 7,291,146 | 16% | 13% | |
| Europe | 7,464,704 | 15% | 5,643,921 | 12% | 32% | |
| Africa | 1,711,431 | 4% | 1,745,070 | 4% | -2% | |
| Australia | 344,636 | 1% | 402,049 | 1% | -14% | |
| TOTAL | 48,600,673 | 100% | 45,587,697 | 100% | 7% | |

As for the contribution made by our Company towards the UN Sustainable Development Goals, the main (or primary) SDG and secondary SDG, if applicable, has been identified in respect of each of the 670 corporate community investment projects carried out during the year. As a result of this, during 2019 we have focused our efforts on SDGs no. 8, 10 and 12. Additionally, in Inditex, we have significantly contributed to Sustainable Development Goals no. 3, 4 and 5. Specifically, we have allocated more than 86% of our corporate community investment in social programmes to initiatives mainly targeted at some of those Sustainable Development Goals.

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| | 2019 | | 2018 | | Variation | |
|---|---|---|---|---|---|---|
| **SDG** | **Euros** | **%** | **Euros** | **%** | **%** | |
| 10. Reduce inequality | 9,870,828 | 20% | 9,294,145 | 20% | 6% | % management costs excluded |
| 12. Sustainable consumption and production patterns | 8,818,385 | 18% | 7,745,279 | 17% | 14% | |
| 8. Decent work and economic growth | 7,859,961 | 16% | 8,334,396 | 18% | -6% | |
| 3. Good health and well-being | 7,375,925 | 15% | 7,260,232 | 16% | 2% | |
| 4. Quality education | 5,405,862 | 11% | 5,824,809 | 13% | -7% | |
| 5. Gender Equality | 2,581,715 | 6% | 1,687,518 | 4% | 53% | |
| Others | 6,687,997 | 14% | 5,441,318 | 12% | 23% | |
| **TOTAL** | **48,600,673** | **100%** | **45,587,697** | **100%** | **7%** | |

Corporate community investment projectsimplemented throughout 2019 have directly benefitted 2,441,300 people, 1% over that in the previous year (2,425,639 people in 2018). With regard to direct beneficiaries, below is a breakdown by situation:

| | 2019 | | 2018 | | Variation |
|---|---|---|---|---|---|
| **Situation of direct beneficiaries** | **No. of people** | **%** | **No. of people** | **%** | **%** |
| Living in developing countries | 923,118 | 38% | 851,196 | 35% | 8% |
| In situation of vulnerability | 219,275 | 9% | 595,727 | 25% | -63% |
| Refugees | 131,085 | 5% | 315,130 | 13% | -58% |
| Immigrants | 92,601 | 4% | 101,171 | 4% | -8% |
| Other profiles[27] | 1,075,221 | 44% | 562,415 | 23% | 91% |
| **TOTAL** | **2,441,300** | **100%** | **2,425,639** | **100%** | **1%** |

We analyse the effects on beneficiaries resulting from corporate community investment projectsimplemented, both in terms of depth and of type of impact.

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

- Connection: the number of people reached by an activity who have reported some limited change as a result of an activity;

[27] "Other profiles" refers to people ill or suffering a disease, with a disability, unemployed or belonging to ethnic minorities, among others.

- Improvement: the number of people who have reported some substantial improvement in their lives as a result of the activity;
- Transformation: number of people who have reported an enduring change in their circumstances as a result of the improvements made.

With regards to the type of impact, the changes experienced by beneficiaries are broken down into the following three categories. In this case, the same beneficiary can experience more than one type of impact:

- Behaviour or attitude change, meaning that the activity has helped generate behavioural changes that improve the life of the people. Likewise, the activity has brought about a change in negative attitudes or prejudices, allowing people to make better decisions;
- Skills or personal effectiveness, meaning that the activity has helped to develop new skills or improve existing skills, enabling them to develop academically, physical well-being or socially;
- Quality of life or well-being, meaning that the activity has helped people to be healthier, happier or more comfortable, through improved emotional, social or physical wellbeing.

**2019**

| | | |
|---|---|---|
| **Number of direct beneficiaries where results were measured** | **2,406,380** | |
| **Depth of impact: people that:** | | |
| Made **a connection** through the community activity | 1,108,752 | 46% |
| Made **an improvement** through the community activity | 890,818 | 37% |
| Made **a transformation** through the community activity | 406,810 | 17% |
| **Number of direct beneficiaries where results were measured** | **2,406,380** | |
| **Type of impact: number that:** | | |
| Experienced a **positive change** in their behaviour or attitude | 374,548 | 16% |
| Developed **new skills** or an increase in their personal effectiveness | 71,321 | 3% |
| Experienced a **direct positive impact on their quality of life** | 1,300,898 | 54% |

| 2018 | | |
|---|---|---|
| **Number of direct beneficiaries where results were measured** | **2,401,097** | |
| | | |
| **Depth of impact: people that:** | | |
| Made **a connection** through the community activity | 599,741 | 25% |
| Made **an improvement** through the community activity | 1,450,128 | 60% |
| Made **a transformation** through the community activity | 351,262 | 15% |
| **Number of direct beneficiaries where results were measured** | **2,401,097** | |
| | | |
| **Type of impact: number that:** | | |
| Experienced a **positive change** in their behaviour or attitude | 324,788 | 14% |
| Developed **new skills** or an increase in their personal effectiveness | 59,921 | 2% |
| Experienced a **direct positive impact on their quality of life** | 1,743,085 | 73% |

# 9. MEASURES FOR THE PREVENTION OF CORRUPTION AND BRIBERY

***Related material topics:*** *corporate governance; corruption and bribery; regulatory compliance and responsible practices.*

## 9.1. Strategy

In order to reduce exposure to criminal regulatory risks, namely the risk of commission of offences related to corruption, fraud and bribery, at Inditex we rely, first of all, on a structure of high level basic standards, and a number of organisational documents which constitute the main pillars of the Company's cross-cutting Compliance system. Such high level standards are:

- The Code of Conduct and Responsible Practices, which reflects our corporate culture and sets out the yardsticks for ethical behaviour that must be observed by all the Group's employees in the performance of their professional duties.

  Additionally, the Code includes a number of commitments to ethical conducts and responsible practices, including, as far as this section is concerned: compliance with applicable laws and regulations and with Inditex's internal regulations; establishing lawful, ethical and respectful relationships with suppliers and public authorities, in line with international provisions to prevent corruption and bribery; the obligation to avoid and control conflict of interest situations; the duty to make an efficient use of the goods and services of our Company and to protect Company information; the duty to record transactions of economic significance in a clear and accurate manner in the appropriate accounting records.

The Code of Conduct for the United States and Puerto Rico, brought into line with the applicable regulations and best practices in such countries, is inspired by the Code of Conduct and Responsible Practices of the Inditex Group. In addition, in August 2019 a new Code of Conduct was produced for Canada.

- The CCMS, which defines the minimum standards for an ethical and responsible behaviour that must be observed by all the manufacturers and suppliers of the Group, discussed in more detail in the previous section herein.

  The Code of Conduct and Responsible Practices and the CCMS are available on our corporate website.

At Inditex we also rely on an organisational and management model to prevent criminal offences, the Model of Criminal Risk Prevention, composed of the following documents:

- The Policy on Criminal Risk Prevention, which associates commitments to an ethical conduct undertaken under the Code of Conduct and Responsible Practices with such offences whose perpetration by the employees and/or the Group itself the Policy intends to prevent. It expressly forbids the offering, granting, solicitation or acceptance, directly or indirectly, of gifts or handouts, favours or compensations, in cash or in kind, irrespective of their nature, to or from any authorities or public servants, and includes specific guidelines to deal with public servants and administrators.

  This Policy is available to all the employees on our corporate intranet.

- The Criminal Risk Prevention Procedure, which sets out the duties of the Committee of Ethics in the field of criminal risk prevention and the organisational measures of our Company in this area.
- The Scoping Matrix of Criminal Risks and Controls, which sets out the criminal risks and controls established to prevent perpetration of offences.

The Model of Criminal Risk Prevention was approved by the Board of Directors in 2016 and is subject to a continuous evaluation and improvement process to adapt it to our Group’s growth and to statutory requirements, recommendations and best practices from time to time applicable in the field, thus ensuring its effectiveness.

Within the scope of this Model of Criminal Risk Prevention, a number of standards have been approved, in furtherance of statutory obligations or obligations arising from the Articles of Association and from the regulatory framework wherein our Company operates. Namely, for the purposes of ensuring that all Inditex employees, and those third parties with whom they are engaged in any business relationship, comply with the main anti-bribery and anti-corruption regulations existing in the markets where our Group is present, the so-called Integrity Policies have been approved.

These Policies implement certain elements of the Policy on Criminal Risk Prevention and reflect the ethical values of our Group, as defined in the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers.

The Integrity Policies consist of:

- The Policy on Donations and Sponsorships, which defines the notions of donation and sponsorship, for ease of reference of its recipients, and covers a number of requirements that donations and sponsorships must meet in order for them to be validly made and/or accepted.

- The Policy on Gifts and Business Courtesies, which defines the notions of gift and business courtesy, for ease of reference of its recipients, and covers a number of requirements that must be met for the offering and/or acceptance thereof to be valid and compatible with Inditex’s conduct policies.

- The Policy on Dealings with Public Servants, which (i) defines the notion of bribery and of public servant; (ii) expressly forbids briberies in the public or private sectors; (iii) covers extortion payments; (iv) expressly forbids facilitation payments, even where such payments are not forbidden under the laws and regulations of the country or territory in question; and (v) establishes due diligence processes to be implemented to ensure that the conduct of such third parties with whom Inditex has relationships is in line with the ethical values, regulations and standards of the Company, the applicable regulations in the markets and the existing best practices regarding anti-bribery.

Additionally, during 2019 the Board of Directors of our Company approved the so-called Conflict of Interest Policy, which establishes the principles and criteria to be taken into consideration to prevent, detect, report and manage any conflicts of interest that might arise in the performance of the professional activities of Inditex employees, and which could compromise the objectivity or professionalism required in the performance of their duties.

As a demonstration of our unwavering commitment to anti-money laundering and the prevention of terrorist financing activities and our will to work with the competent authorities in the area, Inditex has an Anti-Money Laundering and Terrorist Financing Policy. This Policy defines the due diligence processes implemented within the Company taking into account the different types of business activities we conduct:

- The process to limit cash payments at stores, whereby certain mechanisms are developed to monitor payments in cash by customers at stores; and

- The process to identify and review business partners, suppliers and other third parties, in accordance with due diligence measures provided in our internal regulations and, as the case may be, in the applicable laws.

Such due diligence processes have been added to the internal regulations of our Company, mainly through:

- The Due Diligence Policy, approved in September 2019, designed to align the relationships we have with our business partners, suppliers and large customers, with the processes described in the international standard ISO 37001 Anti-Bribery Management Systems in organisations, as well as the regulations and the most exacting anti-bribery standards.

The due diligence process regulated by the Policy consists of the identification and analysis of all business partners and third parties with whom we engage in business relations, from the perspective of corruption, fraud, international trade sanctions and/or any other risks of a similar nature. Consequently, this is a process that is separate from any other of a social, environmental, operational, financial, commercial or of any other nature which the Group may be engaged in with suppliers and other third parties.

The development and implementation of this Policy shall be carried out on the basis of a number of principles:

(i) It sets forth the obligation to submit all business partners, large clients, suppliers and third parties with whom Inditex engages in business relations to this due diligence process.
(ii) It shall be carried out in accordance with the principles of reasonableness and proportionality, by applying different levels according to the relationship of third parties with the Group (based on criteria such as business turnover, industry or market risk or other factors).
(iii) It is a previous and necessary requirement in order to commence business relations with third parties.
(iv) It prohibits any business relationships with third parties for whom risks have been detected in relation to corruption, fraud, international trade sanctions or similar, when no action plan to mitigate or remedy such risks is under way.

As well as this Policy, at Inditex we have a Due Diligence Procedure in place which sets out the organisational measures implemented with regard to the due control of the third parties with whom the Company engages. Thus, in 2019, the third party due diligence project has been under way and expected to become fully operational in 2020.

- The Procedure for Limiting Trade Relations with Suppliers in Restricted or Unauthorised Markets, that sets limits on hiring suppliers, only allowing those based in markets authorised by the Group to be hired (i.e. those who meet legal and business operation criteria); and on making payments only to those suppliers which, having met the foregoing requirement, have a bank account opened in such markets.

The basic high level standards and the Model of Criminal Risk Prevention are part of the above mentioned general cross-cutting Compliance System in place in our Company, which is comprised of the following regulations:

- The Policy on Compliance, which sets out the commitments that all Group employees must undertake, regardless of their location and position.
- The Compliance Management Procedure, which implements the contents of the Policy and sets out the organisational measures to prevent, detect and manage Non-compliance Risk events, reinforcing a culture of ethical compliance.

The Scoping Matrix of Criminal Risks and Controls has been updated during 2019 by analysing and reviewing potential risks inherent to the processes in the various activities performed, taking into account regulatory developments, the approval and/or amendment of internal regulations and changes in the organisational structure and in certain Company processes.

Likewise, in order to reduce criminal risks inherent in the business conducted by Inditex, and in the offences of public corruption and/or corruption among private persons, identified in the Scoping Matrix of Criminal Risks and Controls, a number of controls have been monitored based upon risk prioritisation as determined in the risk map.

In addition, in 2019 the implementation of a new specific anti-corruption model has begun in Ireland, ITX Re, Mexico and the United Kingdom, for the purpose of complying with the legal requirements existing in these territories. In the case of the UK, the model has been submitted for a previous internal audit diagnosis, so as to review its adaptation to the regulations, recommendations and good practices. Additionally, the monitoring phase of the model implemented in France has now been completed, and progress has continued in the review and update of the criminal risk prevention model in Italy.

## 9.2. Circulation, communication and training

### a) Communication and internal and external circulation

We encourage the communication and the circulation of internal regulations related to the Group's Criminal Risk Prevention Model, as provided in section 6.1 of the Criminal Risk Prevention Procedure (hereinafter, the "Procedure") that reads: *"Inditex has set as a goal to inform and disclose to all who are subject to this Model any and all standards of behaviour embraced. All recipients of the Model need to be informed both about goals of correction and transparency sought and about the manner whereby Inditex has resolved to fight crimes"*.

In addition, Section 6.1 provides that: *"Inditex will embrace a specific information and training plan for the purposes of disclosing to all its employees the obligations and duties enforced on them (…). This plan shall be managed by the relevant areas of the Company together with the Committee of Ethics…"*

The Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers and the Integrity Policies of the Group stand at the apex of the pyramid of the conduct policies of the Group and are the keystone upon which the Inditex Model of Criminal Risk Prevention is built.

The above policies and procedures are available for all employees in our intranet, accessible from any device, as well as on our corporate website (www.inditex.com), under the new *Compliance* tab.

In order to ensure the commitment of our Company's top officers to ethical and responsible behaviour, which lies at the core of the Group's corporate culture, and to the Model on Criminal Risk Prevention, the General Counsel's Office–Office of the Chief Compliance Officer is responsible for:

- Duly apprising the members of Inditex's Board of Directors and keeping them posted on a quarterly basis, on the following issues: (i) the enforcement of the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers; (ii) the outcome of the supervision of the Model on Criminal Risk Prevention of the Inditex Group; and (iii) the proceedings to implement it at national and international level (i.e. proceedings regarding acceptance of the Code of Conduct and Responsible Practices and the circulation, communication and training in this area).

- Regularly communicating the corporate internal regulations to the officers and areas supervisors (i.e. directors of formats, heads of corporate areas, heads of subsidiaries in other markets and their CFOs and other directors, supervisors and heads of departments), reminding them of their obligation to disclose the purpose of such communication as well as the regulations themselves, to all staff members under their respective remit. When determining any other potential recipients of this communication, the General Counsel's Office–Office of the Chief Compliance Officer also considers the specific scope of application of each policy and procedure disclosed.

On the other hand, highlights of 2019 regarding communication and internal circulation initiatives carried out include: (i) notices on Code of Conduct and the Ethical Channel have been placed at our stores of the different formats and markets, and they can be accessed in the local language through a QR code; and (ii) several online news capsules have been posted on our intranet.

In addition, an email was sent from the Committee of Ethics to remind recipients of the provisions of the Code of Conduct and Responsible Practices and of the Policy on Gifts and Business Courtesies, regarding both of them the acceptance and reception of gifts from suppliers, along with a standard form of letter to be sent to the suppliers reminding them of such prohibitions. As well as to the Group's officers and middle managers, the email was sent for the first time to all employees in the formats in Spain bearing in mind that, as a result of their relationship with suppliers and other third parties, they must be expressly informed of the risks arising from corruption crimes among private individuals or in business.

**b) Training**

During 2019 we have continued to work on the development of specific contents, according to the needs of each group and, particularly, on the training methodologies and systems in the area of Criminal Compliance. As a result thereof, in its meeting of 2 December 2019, the Committee of Ethics approved a new 2020 Criminal Compliance Training Plan, designed to meet the demands for criminal compliance training required by the international standards and Circular 1/2016 from the General Prosecution Office.

This training plan has been based on the Criminal Risk and Controls Map, created from the Matrix following its review and update and, consequently, has become the target when delivering training on the various risk events that are significant for our Company.

Consequently, the Plan determines and identifies the beneficiaries of the training, namely Inditex employees who perform their jobs in areas with associated risks qualified as “high” in the Matrix, that is: (i) those who are responsible for the management of controls linked with a risk event; (ii) those who are involved in product purchase or engage third party supplies or services; (iii) those who, although not responsible for the management of a given control, take part in the control configuration process; and (iv) Group directors and representatives.

In addition, the Plan distinguishes and develops five different training categories, according to the group to which the training is addressed or the person responsible for delivering the training, and it contains the general criteria that the different areas and/or departments with a Compliance function must take into account when designing, developing and reporting their respective training actions.

The Plan sets forth the obligation of all attendees to such training sessions to assume a statement of conformity and a commitment to comply with relevant internal regulations.

During 2019 we have worked in the design and development of this Plan and its implementation, which has mainly consisted of identifying recipients, in accordance with the risks identified in the criminal risk map of 2018, and in defining the exact contents of the training. During 2020 we expect to continue advancing in the definition of contents and for the delivery of training to commence.

On 10 March 2020, the Committee of Ethics approved the 2019 Criminal Compliance Training Report, which analysed all training, circulation and communication actions carried out in 2019 as well as corresponding plans for improvement.

Among the more significant training and circulation actions carried out in 2019 are the following:

- Training run for new employees on the Code of Conduct and Responsible Practices, the Committee of Ethics and the Ethical Channel (formerly known as the Whistle Blowing Channel), in the following formats: (i) onsite, during the Welcome Day, at Inditex and the Group’s formats; and (ii) online, through the *OnAcademy* e-learning platform.

  On the other hand, it should be noted that upon their recruitment, all Group employees are provided specific training on the Code of Conduct and Responsible Practices, which they undertake to observe upon signing their employment contract, which includes a clause on adherence to this Code, or the pertaining certification.

  Consequently, and taking into consideration the number of new employees in our Group in 2019 over the average workforce, 29% of the Group employees have received training on the Code of Conduct and Responsible Practices in 2019 (29% of employees in 2018), broken down as follows:

| | % TOTAL | |
|---|---|---|
| **Geographic area** | **2019** | **2018** |
| Spain | 14.9% | 13.7% |
| Rest of Europe | 31.5% | 33.2% |
| Americas | 34.2% | 42.0% |
| Asia & Rest | 44.9% | 45.6% |
| **TOTAL** | **29%** | **29%** |

| | % TOTAL | |
|---|---|---|
| **Job classification** | **2019** | **2018** |
| Manager | 1.8% | 3.3% |
| Supervisor | 1.6% | 4.2% |
| Specialist | 34.6% | 33.9% |
| **TOTAL** | **29%** | **29%** |

- During 2019, the circulation and acceptance plan of the Code of Conduct and Responsible Practices for the United States, which had begun the previous year, continued with its implementation, and at 31 December 2019, 99.99% of the US workforce had adhered to and received training on the Code of Conduct and Responsible Practices (99% of the workforce at 31 December 2018).

  Our campaign of communication, awareness and internal training on the Code of Conduct and Responsible Practices for Canada, launched in August 2019, is also worth mentioning.

  After its publication by the management of the subsidiary, as well as on the corporate website and the local intranet, an intensive plan of circulation and acceptance of the Code was begun among its employees: (i) notices have been placed on the Code of Conduct and the Ethics Line in the stores of the various formats and in the corporate office, with direct access via a QR code; and (ii) trainings on the matter have been given in morning meetings held in the stores of the various formats.

  At 31 January 2020, 86% of the workforce in Canada had adhered to and received training on the Code of Conduct and Responsible Practices.

- It is also worth mentioning the training campaign on the Code of Conduct and Responsible Practices that began in 2019 in stores of all the Group formats in China, France and Turkey. This training included the module on anti-corruption and the Ethical Channel.

  At 31 January 2020, training has been provided on the Code of Conduct and Responsible Practices in 550, 265 and 230 stores in China, France and Turkey of the total number of stores of all the Group formats in China (569), France (284) and Turkey (230), respectively. This means that, at 31 January 2020, approximately 95%, 56% and 99% of the total store workforce in China, France and Turkey, respectively, have received training on the Code of Conduct and Responsible Practices.

- Onsite training provided to the following groups exposed to a higher risk of commission of offences related to private corruption, on account of their position and responsibilities or the activities they carry out:

  - Officers and members of governing bodies of the Group:

    - All directors of Group formats and other corporate supervisors and area directors have been given training on the Code of Conduct and Responsible Practices and the Conflict of Interest Policies of the Group.

    - We have provided onsite and videoconference training to all subsidiary heads, heads of formats, corporate supervisors and area directors of several foreign subsidiaries in our Group in Europe (France, Italy and the UK) and the Americas (Argentina, Canada, Chile, the US and Mexico) on, among other topics, the Code of Conduct and Responsible Practices, our Group's Integrity Policies and the Conflict of Interest Policy and, in particular, in France, Italy, Mexico and the UK, on their own anti-corruption or criminal risk prevention models.

    - We have offered specific training on the Policy and due diligence on third parties to 10 CFOs from foreign subsidiaries of the Group.

- This means that, overall, 20.20% of the Group executives and, in particular, 33.33% of Senior Managers, have received training on Criminal Compliance (34.7% of executives and 100% of Senior Managers in 2018 respectively).

  - Other groups of employees:

    - The employees of Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Zara Home, Oysho, Uterqüe and Tempe who, when performing their jobs, have regular contact with suppliers and/or public servants or public administrations (namely the commercial teams), have received training on the Code of Conduct and Responsible Practices —particularly on the prevention of corruption, fraud and bribery and conflicts of interest—, and the Ethical Channel (94.2% of Zara sales teams in 2018).

      This is one of our most important training area, insofar as: (i) the workforces of the commercial teams of those formats represent 30% of the total number of employees in the Group commercial teams (36.9% employees in 2018); and (ii) the groups of employees to who such training is addressed have increased, as training is now also imparted to those employees of other departments and/or areas who, without being part of the commercial teamsare also largely exposed to a high risk of corruption.

      During 2020, this initiative is expected to be extended to Lefties, to the ecommerce commercial team and to other groups of employees who, in light of the jobs they perform, also have a high exposure to this type of risk.

    - The buyers team of the subsidiary of ITX Trading in China has been given training on the Code of Conduct and Responsible Practices and, in particular, on corruption, bribery and conflicts of interest and the Ethical Channel.

      At Inditex we have several product purchases offices that are not located in the main headquarters of the Group formats. The purchases office in China accounts for approximately 30% of the total number of employees in the workforce of China and the employees of the buyers team that received training represent 16% of the total number of the workforce in those purchases offices (35% in 2018, taking into account the employees from the purchases office of Turkey who were given training).

      In 2020 this initiative is expected to continue to be extended to the rest of purchases offices in the Group.

    - We have provided specific training on Due Diligence Policy and Procedure for third parties to 21 accounting heads of the Group's foreign subsidiaries and to all heads of legal departments in the Group.

## 9.3. Management and supervisory bodies of the model

The management and supervisory bodies of the model are:

- The General Counsel's Office – Office of the Chief Compliance Officer, tasked with generally managing the Compliance System of the Company and its Group, namely of the Model of Criminal Risk Prevention.

- The Committee of Ethics, that reports to the Board of Directors through the Audit and Compliance Committee. It is charged with overseeing compliance with the Codes of Conduct and with the Model of Criminal Risk Prevention, as well as ensuring the effectiveness of the controls set in such Model. This collegiate body is composed of the General Counsel and Chief Compliance Officer, who acts as Chairman of the body, the Chief Human Resources Officer, the Chief Audit Officer and the Chief Sustainability Officer.

  The Committee of Ethics submits, at least every six months, a report to the Audit and Compliance Committee to review its proceedings and the enforcement of the Code of Conduct and Responsible Practices, as well as the results of the supervision of the Model of Criminal Risk Prevention.

- The Audit and Compliance Committee is responsible, among others, for the following functions: (i) evaluate the efficacy of the internal systems of control and management of financial and non-financial risk, included those related to corruption, and of the measures in place to prevent or mitigate the impact of the risks detected and identified in the Matrix; (ii) identify and reassess the most significant financial and non-financial risks; (iii) ensure that these are maintained and managed within accepted tolerance limits; and (iv) supervise compliance and efficacy of the Compliance policies and procedures.

  Additionally, the Audit and Compliance Committee reports to the Board of Directors on a quarterly basis and whenever requested, on compliance with the Code of Conduct and Responsible Practices and the Criminal Risk Prevention Model; and may submit proposals for the adoption of measures designed to improve compliance with the Model and the Compliance system.

The Committee of Ethics, as the decision-making body, and the General Counsel's Office – Office of the Chief Compliance Officer, are responsible for the so-called Compliance Function.

We have an Ethical Channel where all employees of the Group, manufacturers, suppliers or third parties with a direct relationship and a legitimate business or professional interest, irrespective of their rank and geographic or functional location, may report, even anonymously, any breach of the Codes and of any other internal conduct regulations in the Group within the scope of action of the Committee of Ethics, that may have been committed by Group employees, by manufacturers, suppliers or third parties with whom the Group has a direct labour, business or professional relationship and which affect Inditex or its Group.

Consequently, any breaches or irregularities related to corruption, fraud and bribery can also be reported via this channel.

The Committee of Ethics is the body in charge of supervising the operation of the Ethical Channel and the compliance with its procedure, pursuing any investigations that may be necessary. The operation of this Ethical Channel is set out in the Ethical Channel Procedure.

This Procedure has been recently modified in order to adapt it to the regulatory requirements of personal data protection and the rights of users of reporting mechanisms, as well as international best practices in the field of Human Rights. In summary, the Ethical Channel Procedure appropriately clarifies and reinforces the guarantees and protection measures of the parties in the process, that is (i) utmost confidentiality; (ii) prohibition of reprisals, (iii) presumption of innocence and the preservation of the right to honour of the accused; (iv) the parties' rights to be heard; and (v) the appropriate use of the personal data processed.

Through the modification of the Procedure, its name has also been changed from the former “Whistle blowing Channel” to that of the “Ethical Channel”.

All the information regarding the Committee of Ethics and the Ethical Channel is available on our intranet and on our corporate website (www.inditex.com), under the new *Compliance* tab, which provides direct access to this channel.

In light of the conclusions reached following the appropriate investigations, and once the party has been heard, the Committee of Ethics adopts one or several of the following measures:

- The immediate correction of the breach and the adoption of applicable reparation and prevention measures regarding future breaches;
- The pertaining disciplinary measures (which may range from a simple warning or a caution to dismissal); and/or
- The closing of proceedings, in the event of absence of any breach whatsoever.

The decisions of the Committee of Ethics are binding for the Inditex Group and for the employees.

During 2019, the Committee of Ethics has processed a total of 310 cases (302 cases in 2018), and following the appropriate investigations, no proof of violations of Human Rights have been observed, either regarding Inditex employees or regarding its suppliers of goods and services.

Our Company also makes the Ethics Line available for Group employees and third parties in the United States and Puerto Rico, as an additional channel for reporting possible breaches of the Code of Conduct and Responsible Practices and other Inditex conduct regulations. Moreover, during the reference reporting period, the Ethics Line has been implemented and put into practice in Canada. Based on local best practices, the management and administration of this channel has been entrusted to an external supplier. It can be accessed by telephone and via the website, and is available 24/7.

During 2019, the Ethics Line has handled a total of 76 cases (64 concerning the US and 12 concerning Canada).

## 9.4. Cases regarding corruption, fraud and bribery

During 2019 and 2018, the Group has not been aware, either through its Committee of Ethics or through other means, of the processing of legal proceedings concerning corruption or bribery that affect the Company.

## 9.5. Contributions to foundations and non-profit organisations

With regard to the statutory provision according to which the Company should report about the “contributions to foundations and non-profit organisations”, besides what has been disclosed in section 8 of this document regarding our corporate community investment, Inditex is a member of the following associations: *Emisores Españoles*, European Retail Round Table, European Branded Clothing Alliance, European Round Table of Industrialists and EuroCommerce. During 2019 and 2018, contributions to all such associations have consisted of the annual membership fees, the amount of which is not significant.

# 10. TAX INFORMATION

***Related material topics:*** *Transparency and tax contribution; socioeconomic impact on society.*

Pursuant to the principles set out in the Tax Policy and the Tax Strategy, approved by the Board of Directors in the meeting held on 9 December 2015, Inditex fulfils tax obligations applicable in the markets where it conducts business.

Such principles materialise in an unwavering commitment to contributing to the economic and social development of the different markets where Inditex is present. In this regard, taxes paid are key to the above referred contribution, helping the communities where the Group operates rendering valuable public services and building infrastructures to drive economic growth.

From a tax perspective, this commitment materialises upon fulfilling tax obligations resulting from the business activity, in accordance with applicable local, EU and international regulations (Treaties and Conventions, OECD Guidelines, etc.,) pursuant to tax best practices and in line with sustainability and corporate social responsibility principles set by the Group.

The Inditex Group is based upon a vertical organisation and takes part at all stages of the value chain of the textile industry (design, production, procurement, distribution and sale). Since all such activities are carried out in different territories, the part of profit created in the value chain attributed to each territory needs to be determined. Profit attribution is done pursuant to the arm's length principle, in accordance with local regulations and OECD Transfer Pricing Guidelines.

Below is a breakdown of the contribution to profit before taxes by market for 2019 y 2018 (€ million):

Contribution to Profit Before Taxes*

| Markets | 2019 | 2018 |
|---|---|---|
| **Americas** | **359** | **294** |
| Brazil | 63 | 74 |
| Canada | 27 | 17 |
| United States | 84 | 50 |
| Mexico | 146 | 116 |
| Others | 39 | 37 |
| **Asia & Rest** | **635** | **546** |
| Australia | 13 | 11 |
| China | 375 | 364 |
| South Korea | 57 | 24 |
| Japan | 83 | 56 |
| Others | 107 | 91 |
| **Spain** | **1,805** | **1,650** |
| Spain | 1,805 | 1,650 |
| **Europe** | **1,742** | **1,432** |
| Germany | 51 | 14 |
| Belgium | 26 | 83 |
| France | 101 | 139 |
| Greece | 41 | 31 |
| Netherlands | 328 | 274 |
| Hungary | 11 | 12 |
| Italy | 93 | 83 |
| Kazakhstan | 22 | 15 |
| Poland | 44 | 38 |
| Portugal | 77 | 63 |
| United Kingdom | 78 | 34 |
| Romania | 67 | 67 |
| Russia | 229 | 154 |
| Switzerland | 307 | 257 |
| Ukraine | 54 | 28 |
| Others | 213 | 140 |
| **Consolidation** | **140** | **506** |
| Consolidation | 140 | 506 |
| **PBT Consolidation** | **4,681** | **4,428** |

**Contribution to profit before taxes: the contribution to profit before taxes is the result of applying the International Financial Reporting Standards (IFRS) including the application of the new leases standard IFRS 16 and excluding the result of the dividend distribution of other Group subsidiaries, capital gains from intragroup share sales, as well as the provisions for investment valuation in Group subsidiaries. Additionally, the contribution to the profit before taxes does not show the profitability of the Group in each market inasmuch as it is conditioned by "headquarters effect" and the compliance with international transfer pricing standards (OECD Guidelines) that allocates to certain markets the contribution related to the development of the design, supply, logistics and distribution functions.*

Likewise, the Group undertakes not to use structures of shady nature for tax purposes, putting shell companies located in territories considered as tax havens or uncooperative territories by the Spanish tax authorities. In this regard, the incorporation of companies located in territories considered as tax havens will be limited to situations where it is absolutely indispensable for the development of the Group's typical business, such as the companies which operate the stores located in Macau SAR and Monaco.

To achieve such objectives, the Group maintains relationships with the local tax authorities in the territories where it operates based on principles of good faith, collaboration and mutual trust, and tries to avoid tax disputes by applying preferential interpretation criteria on the tax regulations set by the authorities or courts of law.

Furthermore, the Inditex Group is part of *Foro de Grandes Empresas* ("Large Companies Forum") in Spain, whose primary objective is to promote greater collaboration among large companies and the State Tax Administration. We comply with the Code of Good Tax Practices promoted in the Forum, and have followed its recommendations, proposals and subsequent development.

The Group's corporate income tax generated from the business conducted in the markets where it operates is shown below (€ million):

| | Corporate Income Tax | |
|---|---|---|
| **Markets** | **2019** | **2018** |
| **Americas** | **120** | **93** |
| Brazil | 14 | 18 |
| Canada | 6 | 5 |
| United States | 41 | 20 |
| Mexico | 42 | 38 |
| Others | 17 | 12 |
| **Asia & Rest** | **118** | **115** |
| Australia | 4 | 3 |
| China | 56 | 71 |
| South Korea | 14 | 6 |
| Japan | 28 | 21 |
| Others | 16 | 14 |
| **Spain** | **372** | **360** |
| Spain | 372 | 360 |
| **Europe** | **397** | **387** |
| Germany | 12 | 5 |
| Belgium | 6 | 24 |
| France | 30 | 52 |
| Greece | 10 | 12 |
| Netherlands | 127 | 101 |
| Hungary | 1 | 1 |
| Italy | 21 | 25 |
| Kazakhstan | 5 | 4 |
| Poland | 14 | 12 |
| Portugal | 16 | 14 |
| United Kingdom | 15 | 7 |
| Romania | 9 | 10 |
| Russia | 41 | 34 |
| Switzerland | 58 | 60 |
| Ukraine | 10 | 5 |
| Others | 22 | 21 |
| **Consolidation** | **116** | **110** |
| Consolidation | 116 | 110 |
| **Corporate Income Tax** | **1,123** | **1,065** |

The total tax contribution paid amounted to 6,749 million euros, of which 3,040 million euros are direct taxes, among which we highlight corporate income tax, custom duties, property tax and social security payments supported by the Company; and 3,709 million euros as collected taxes, including income tax withholdings for employees and shareholders, social security payments supported by the employee and taxes on the production and consumptions of good and services, in accordance with PWC's Total Tax Contribution method.

Below is a breakdown of direct taxes paid during 2019 and 2018 (in € million):

| | Own Taxes | |
|---|---|---|
| **Markets** | **2019** | **2018** |
| **Americas** | **623** | **489** |
| Brazil | 108 | 100 |
| Canada | 53 | 43 |
| United States | 213 | 151 |
| Mexico | 194 | 136 |
| Others | 55 | 59 |
| **Asia & Rest** | **331** | **345** |
| Australia | 12 | 10 |
| China | 138 | 173 |
| South Korea | 32 | 27 |
| Japan | 66 | 64 |
| Others | 83 | 71 |
| **Spain** | **1,049** | **928** |
| Spain | 1,049 | 928 |
| **Europe** | **1,037** | **1,002** |
| Germany | 32 | 33 |
| Belgium | 18 | 35 |
| France | 190 | 229 |
| Greece | 31 | 23 |
| Netherlands | 166 | 108 |
| Hungary | 4 | 4 |
| Italy | 75 | 82 |
| Kazakhstan | 14 | 14 |
| Poland | 22 | 11 |
| Portugal | 29 | 46 |
| United Kingdom | 65 | 72 |
| Romania | 10 | 13 |
| Russia | 109 | 96 |
| Switzerland | 94 | 70 |
| Ukraine | 18 | 16 |
| Others | 160 | 150 |
| **Total** | **3,040** | **2,764** |

Likewise, here is the list of collected taxes paid during 2019 y 2018 (in € million):

| | Taxes Collected | |
|---|---|---|
| **Markets** | **2019** | **2018** |
| **Americas** | **320** | **271** |
| Brazil | 84 | 79 |
| Canada | 35 | 33 |
| United States | 129 | 107 |
| Mexico | 52 | 35 |
| Others | 20 | 17 |
| **Asia & Rest** | **185** | **184** |
| Australia | 25 | 21 |
| China | 96 | 109 |
| South Korea | 12 | 12 |
| Japan | 34 | 28 |
| Others | 18 | 14 |
| **Spain** | **825** | **764** |
| Spain | 825 | 764 |
| **Europe** | **2,379** | **2,183** |
| Germany | 228 | 201 |
| Belgium | 99 | 97 |
| France | 347 | 324 |
| Greece | 135 | 124 |
| Netherlands | 85 | 86 |
| Hungary | 35 | 31 |
| Italy | 384 | 356 |
| Kazakhstan | 4 | 3 |
| Poland | 111 | 98 |
| Portugal | 203 | 191 |
| United Kingdom | 132 | 129 |
| Romania | 78 | 73 |
| Russia | 191 | 164 |
| Switzerland | 17 | 15 |
| Ukraine | 15 | 9 |
| Others | 315 | 282 |
| **Total** | **3,709** | **3,402** |

Lastly, during 2019, taking into account all of the markets in which Inditex operates, our Company has received 0.4 million euros by way of public grants (0.7 million euros in 2018).

# 11. MEMBERSHIP OF ASSOCIATIONS AND EXTERNAL ACTIVITIES

17 PARTNERSHIPS FOR THE GOALS

***Related material topics:*** *relationship with stakeholders.*

The main initiatives, agreements and codes entered into by Inditex are as follows (some are described in greater detail in this statement):

- *Global Framework Agreement with UNI Global Union*. It encourages respect and promotion of fundamental rights and decent work within the retail and distribution network. Date of endorsement: 2 October 2009.

- *Fashion Pact*. Agreement among companies in the fashion sector to set specific goals to handle the challenges of the industry in terms of fighting climate change, caring for oceans and conservation of biodiversity. Date of endorsement: 23 August 2019.

- *Global Fashion Agenda* (https://globalfashionagenda.com/). Promotes a series of commitments for advancing towards a circular economy by 2020, known as the *GFA 2020 Commitments*. Date of endorsement of the GFA 2020 Commitments: 11 May 2017.

- *The United Nations Global Compact*. A United Nations initiative that encourages social dialogue between companies and civil society. Date of endorsement: 31 October 2001.

- *Ethical Trading Initiative* (ETI). A dialogue platform to improve working conditions of workers of the distribution sector in developing countries. It is an alliance of companies, international trade unions, and non-governmental organisations. Date of endorsement: 17 October 2005.

- Global Framework Agreement with *IndustriALL Global Union* (formerly, ITGLWF). To promote fundamental Human and labour rights across our supply chain, including the definition of mechanisms of joint action within the supply chain to implement the CCMS. Date of endorsement: 4 October 2007. Inditex and IndustriALL executed on 4 May 2012 the “Protocol to specify the role of trade unions in the enforcement of the International Framework Agreement within Inditex’s supply chain”. On 8 July 2014, the Framework Agreement was renewed by both parties at ILO headquarters in Geneva (Switzerland). A new Agreement was executed on 25 April 2016 between Inditex and IndustriALL Global Union, that introduces the concept of “union experts” to enforce the Global Framework Agreement. On 13 November 2019 the Agreement was renewed with the creation of a Global Committee.

- *Zero Discharge of Hazardous Chemicals*. Commitment to the restriction and elimination of certain chemicals in the product manufacturing process. Date of endorsement: 27 November 2012.

- ILO’s *Better Work* Programme. Platform to improve compliance with labour regulations and competitiveness of supply chains on a global scale. Date of endorsement: October 2007. In the course of this partnership, Inditex and Better Work executed on 9 October 2013 a specific collaboration agreement whereby Inditex became a direct buyer partner of the Better Work programme.

- *The CEO Water Mandate*. A United Nations initiative to support companies in the development, implementation and disclosure of their water-related strategies and policies. Date of endorsement: 30 June 2011.

- *Sustainable Apparel Coalition*. An initiative of the textile sector to set in train a joint sustainable index to assess the environmental performance of their suppliers during the production process. Date of endorsement: 20 October 2011.

- *Textile Exchange*. A Platform to promote the growing of organic cotton, and global sustainability within the textile sector. Date of endorsement: 8 September 2010.

- *Better Cotton Initiative*. An initiative that develops and promotes best practices in the traditional growing of cotton to benefit the farmers and the environment, and to ensure the future of the sector. Date of endorsement: 1 July 2011.

- *Code of Good Tax Practices*. It encourages a mutually cooperative relationship between the [*Spanish*] Tax Administration Authority and the companies. Date of endorsement: 21 September 2010.

- Cooperation Agreement between the Spanish Ministry of Health and Consumption and the fashion sector in Spain. Date: 23 January 2007. It promotes the defence and encouragement of the rights of Spanish customers in the world of fashion, namely as regards creating and encouraging a healthy-looking appearance.

- *Cotton Campaign*. This is an initiative led by companies and organisations of the third sector to improve working conditions and defend Human Rights with regard to the production and supply of cotton. Date of endorsement: 26 October 2012.

- *Accord on Fire and Building Safety in Bangladesh* dated 13 May 2013. This agreement has been executed by international brands and retailers, local and international trade unions and NGOs, for the purposes of ensuring lasting improvements in working conditions of the textile industry in Bangladesh. This agreement was renewed in June 2018.

- *Fur Free Alliance*. This is an international coalition of animal protection organisations working to bring an end to the exploitation and killing of animals for their fur. Date of endorsement: 1 January 2014.

- *Sustainable Fibre Alliance*. International non-profit organisation working with cashmere supply chains, from shepherds to retailers. Its purpose is to promote a global sustainability standard in cashmere production so as to preserve and restore pastureland, ensure animal welfare and guarantee livelihood. Year of endorsement: 2019.

- *Bangladesh Water PaCT* (*Partnership for Cleaner Textile*). An initiative that seeks to foster changes within the textile sector in Bangladesh by improving the so-called wet processes (dying, washing, printing and other finishes) from an environmental perspective, thus contributing to the competitiveness of the sector in the long run. Date of endorsement: 20 June 2013.

- ACT (*Action, Collaboration, Transformation*). This is a cooperation initiative of international brands & retailers, manufacturers and trade unions to address the issue of living wages in the textile and garment supply chain. In the development thereof, a Memorandum of Understanding was subscribed by ACT's brands and IndustriALL Global Union to establish within the supply chains the principles of freedom of association, collective bargaining and living wages. Date of endorsement: 13 March 2015.

- *CanopyStyle Initiative*. This is a commitment to protecting HCV primary forests, and namely, to ensuring that from 2017 on, no cellulose originating in this type of forests will be used in man-made fibres (viscose, modal, lyocell). Year of endorsement: 2014.

- *Organic Cotton Accelerator* (*OCA Foundation*). This initiative seeks the commitment to help develop a responsible and healthy market of organic cotton for all parties involved. Year of endorsement: 2016.

- International Labour Organization (ILO). On 11 May 2017, Inditex and the ILO entered into a PPP (Public Private Partnership) aimed at promoting respect for the fundamental principles and rights at work in the cotton sector.

- LBG. Methodology to measure business contributions to the community. Upwards of 200 global and mid-size companies from 15 sectors worldwide currently form part of the LBG network. Year of endorsement: 2012.

- *ClosingGap*. Platform made up of eleven large companies with the goal of quantifying the economic impact of gender gap. To achieve this, companies review every two months existing gaps in the field of health, pensions, digital environment, work-family balance and co-responsibility, leisure, tourism, consumption or mobility. Within the scope of this initiative, Inditex will issue a report on the gender gap in education.

- *Open for Business*. Coalition of leading global companies dedicated to LGBT+ inclusion and the rights of the LGBT+ community (lesbian, gay, bisexual and transgender) to prove that inclusive societies are better for business and that companies that promote LGBT+ inclusion are more dynamic, productive and innovative.

- *Better Than Cash Alliance*. Based in the UN, this is an alliance of governments, companies and large international organisations that seek to globally promote the transition from cash to digital payments. Inditex participation is focused on achieving digitalisation and financial education across its supply chain. Year of endorsement: 2018.

- *Tent Partnership for Refugees*. Founded by Tent Foundation, a non-profit organisation, this is a global network of more than 100 companies that seeks to mobilise the private sector to create partnerships to improve the lives of refugees.

- *Fashion Industry Charter for Climate Action*. This Charter was subscribed with the United Nations Climate Change Office, and is aligned with the goals of the Paris Agreement. It establishes an initial target of 30% GHG emission reductions by 2030.

- *New Plastics Economy*. Commitment undertaken with the Ellen MacArthur Foundation to establish a circular economy for plastic and prevent that it becomes waste, on account of not being reused or recycled.

# 12. INDITEX CORPORATE RECOGNITIONS

During 2019, the main recognitions we have received at Inditex have been:

- *Dow Jones Sustainability Index*. Inditex continues to be one of the most sustainable retail companies, according to the Dow Jones Sustainability Index, with a result of 68 points out of 100, 40 points above the average score for the sector (68 points out of 100 in 2018).

- *FTSE4Good*. The *FTSE4Good* sustainability index granted Inditex in 2019 a score of 4.9 out of 5 (4.3 out of 5 in 2018). This sustainability stock index includes the companies worldwide with the strongest sustainability commitment, taking into account their environmental, social and corporate governance practices.

- CDP (formerly known as the *Carbon Disclosure Project*) continues to recognise the ambition and good performance of the Group in matters of climate change, maintaining *Leadership* category and granting the Group a rating of A-.

- For the second year running, Inditex is included in the global ranking *Global 100 Most Sustainable Corporations*, from *Corporate Knights*, which evaluates economic, environmental, social and governance indicators of 7,395 global companies. Inditex ranks 94th in the general list and second in the fashion industry.

- The report *The Dirty Fashion Disrupted: Leaders and Laggards Revealed* prepared by the *Changing Markets Foundation*, places Inditex, for the second year in a row, as a frontrunner in the retail industry “for its clear encouragement of production and sale of responsible viscose”. This report has evaluated efforts made in terms of transparency, sustainability and environmental impact in the production and sale of viscose and other cellulose fibres in 91 textile companies all over the world, as well as their main suppliers.

- *Greenpeace* recognises our commitment to Zero Discharge, placing us within the leadership category of the Detox *Catwalk,* which is the way the organisation measures compliance by textile brands with its Detox Plan 2020.

- In 2019, Inditex achieved first place in the ranking of Best Reputed Companies in Spain for the eighth year running and has kept at the top of the Merco Responsibility and Corporate Governance ranking, with third place on a national level and first in the fashion sector. In its edition of Merco Personas, Inditex consolidates its position as the “Best Company to work for in Spain” for the ninth year in a row.

- The Company is included in the *Forbes Global 2000* list for the fifth consecutive year. For this ranking Forbes selects 2,000 private companies based on a combination of four indicators: sales, utilities, assets and market value.

- *Universum Most Attractive Employers* identifies the 100 best companies to work for based on polls made of university students. Inditex has managed to maintain its third place in the category of business administration students, which it also obtained in 2015, 2016 and 2017.

- Inditex once again appears in Deloitte’s *Global Powers of Retailing* report. In this edition the Company has achieved the 33$^{rd}$ position (35$^{th}$ in 2018).

- In addition, the chairman of Inditex, Mr Pablo Isla, has been chosen by Forbes as the best chief executive officer of the decade for, among other reasons, establishing sustainability as the main benchmark of its activity.

# 13. ABOUT THIS REPORT

The Social Advisory Board (the Group’s advisory body on sustainability matters, composed of independent external members) gave a favourable report to this Statement on non-financial Information.

Act 11/2018 of 28 December, which entered into force in December 2018, amends the Code of Commerce, the revised text of the Companies Act approved by Royal Legislative Decree 1/2010, of 2 July and Act 22/2015, of 20 July on Statutory Audit, as regards non-financial information and diversity (hereinafter, Act 11/2018), which supersedes Royal Decree Law 18/2017, of 24 November which transposed into Spanish law Directive 2014/95/EU of the European Parliament and of the Council, regarding disclosure of non-financial information and information on diversity.

Pursuant to the provisions of said Act 11/2018, certain companies, including Inditex, must draft a statement on non-financial information that must be a part of the management report, or of a separate report for the same financial year, including the same contents and fulfilling all requirements, and covering, among others: the necessary information to understand the evolution, results and situation of the Group and the impact of its activities in respect of environmental and social issues, respect for Human Rights and the fight against corruption and bribery, as well as questions regarding the workforce, being compelled to include, if any, such measures taken by the company to promote equal treatment and equal opportunities between women and men, non-discrimination and inclusion of disabled people, and universal accessibility.

In this context, Inditex has included this Statement on non-financial information and made it a part of the Consolidated Management Report. The scope of the reported information includes all the companies over which Inditex has control or joint control (contained in Annex I of the financial statements), with no significant variations in comparison with that of 2018.

To prepare this statement, Inditex has followed the principles and directions included in the *Global Reporting Initiative* (GRI) standards, the international reporting framework addressed in section 49.6(e) of the Code of Commerce, as amended by abovementioned Law 11/2018.

The Company has followed the directions provided in "GRI 101: Foundations 2016" standard, upon determining the contents to include in this report and how to report on them. This standard covers the essential reporting principles to draft sustainability reports. One of these principles is materiality, which has been implemented by Inditex through a materiality analysis carried out with its stakeholders, which has resulted in the Materiality Matrix addressed in section 2 above.

Thus, and based upon GRI principles, this report addresses the issues which reflect significant economic, environmental and social impacts of the Company which may affect in a substantial manner the assessment process and the decision making of its stakeholders. Both these issues, as well as any other not covered herein, shall be included in the 2019 Annual Report to be published by Inditex in July of this year.

The information disclosed in this Statement on non-financial information has been subject to the independent review of Deloitte. The scope and results of such independent review are described in the Review Report attached hereto.

This report has been reviewed in accordance with the revised International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Review of Historical Financial Information, and with Guideline no. 47 on attestation engagements of the Statement on Non-financial Information issued by the *Instituto de Censores Jurados de Cuentas* [Institute of Certified Public Accountants] of Spain.

## 14. INDEX OF THE CONTENTS REQUIRED BY LAW 11/2018, OF 28 DECEMBER

| **Information required by Law 11/2018** | **Materiality** | **Page in SNFI containing reply** | **Reporting criteria: selected GRI** (Version 2016 unless otherwise indicated) |
|---|---|---|---|
| **General Information** | | | |
| Business model | Material | 8-9 | GRI 102-2 |
| Markets in which it operates | Material | 4-5, 8-9 | GRI 102-4<br>GRI 102-6 |
| Goals and strategies of the organisation | Material | 4-5; 8-10; 21-22; 34-35; 40-42 | GRI 102-14 |
| Main factors and trends that may affect is future performance | Material | 8-9 | GRI 102-15 |
| Reporting framework used | Material | 7; 99-100 | GRI 102-54 |
| Materiality principle | Material | 5-7 | GRI 102-46<br>GRI 102-47 |
| **Environmental issues** | | | |

| Information required by Law 11/2018 | Materiality | Page in SNFI containing reply | Reporting criteria: selected GRI (Version 2016 unless otherwise indicated) |
|---|---|---|---|
| **Management approach** | Material | 9-11; 36 | GRI 102-15<br>GRI 103-2 |
| **General detailed information** | | | |
| Current and foreseeable effects of the company's activities on the environment and, as the case may be, on health and safety | Material | 36 | GRI 102-15 |
| Environmental assessment or certification procedures | Material | 36; 39-40 | GRI 102-11<br>GRI 102-29 |
| Resources dedicated to environmental risk prevention | Material | 36 | GRI 103-2<br>GRI 102-29 |
| Application of the precautionary principle | Material | 36 | GRI 102-11 |
| Amount of provisions and guarantees for environmental risks | Material | 36 | GRI 103-2<br>GRI 307-1 |
| **Pollution** | | | |
| Measures to prevent, mitigate or repair emissions which severely affect the environment; taking into account any form of atmospheric pollution specific to an activity, including noise and light pollution | Material | 37-43 | GRI 103-2<br>GRI 302-4<br>GRI 305-5 |
| **Circular economy and waste prevention and management** | | | |
| Prevention, recycling, reuse, other forms of recovery and disposal of waste and actions to fight food waste | Material | 9-10; 11-14; 31-35 | GRI 103-2<br>GRI 301-3<br>GRI 306-1<br>GRI 306-2 |
| **Sustainable use of resources** | | | |
| Water consumption and supply in accordance with local limitations | Material | 25-26, 36-37 | GRI 303-1<br>GRI 303-2 |
| Consumption of raw materials and measures implemented to improve usage efficiency | Material | 9-16 | GRI 301-1<br>GRI 301-2<br>AF20 |
| Direct and indirect energy consumption | Material | 37-43 | GRI 302-1<br>GRI 302-2<br>GRI 302-4 |
| Measures taken to improve energy efficiency | Material | 37-43 | GRI 103-2<br>GRI 302-4 |
| Use of renewable energies s | Material | 37-43 | GRI 302-1<br>AF21 |
| **Climate change** | | | |
| Greenhouse gas emissions | Material | 37-43 | GRI 305-1<br>GRI 305-2<br>GRI 305-3<br>GRI 305-5 |

| Information required by Law 11/2018 | Materiality | Page in SNFI containing reply | Reporting criteria: selected GRI (Version 2016 unless otherwise indicated) |
|---|---|---|---|
| Measures to adapt to climate change | Material | 36-43 | GRI 201-2<br>GRI 305-5 |
| Reduction goals voluntarily set in the medium to long term to reduce greenhouse gas emissions and means implemented to this end | Material | 36-43 | GRI 103-2<br>GRI 305-5 |
| **Protection of biodiversity** | | | |
| Measures taken to preserve or restore biodiversity | Material | 14-15; 36-38 | GRI 304-3 |
| Impacts caused by the activities or operations in protected areas | Material | 36 | GRI 304-2 |
| **Social and staff-related issues** | | | |
| **Management approach** | Material | 21-22; 44-70 | GRI 102-15<br>GRI 103-2 |
| **Employment** | | | |
| Total number and distribution of employees by country, sex, age and job classification | Material | 45-47 | GRI 102-8<br>GRI 405-1 |
| Distribution of employment contract modalities and annual average by sex, age and job classification | Material | 51-52 | GRI 102-8 |
| Number of dismissals by sex, age and job classification | Material | 53 | GRI 401-1 |
| Average remuneration by sex, age and job classification | Material | 66-67 | GRI 405-2 |
| Wage gap | Material | 66 | GRI 405-2 |
| Average remuneration of directors and senior managers broken down by sex | Material | 67-69 | GRI 405-2 |
| Implementation of policies of disconnection in the workplace | Material | 51 | GRI 103-2 |
| Employees with disabilities | Material | 49-50 | GRI 405-1 |
| **Work organisation** | | | |
| Organisation of working time | Material | 57 | GRI 103-2 |
| Number of hours of absenteeism | Material | 65 | GRI 403-2 |
| Measures to promote work-family balance | Material | 51 | GRI 401-3 |
| **Health and safety** | | | |
| Conditions of health and safety at work | Material | 58-65 | GRI 103-2 |
| Accident rate and occupational disease indicators by sex | Material | 62-65 | GRI 403-2 |
| **Social relations** | | | |
| Organisation of social dialogue | Material | 55-57 | GRI 103-2<br>GRI 102-43 |
| Percentage of employees adhered to a collective bargaining agreement by country | Material | 56-57 | GRI 102-41 |

| **Information required by Law 11/2018** | **Materiality** | **Page in SNFI containing reply** | **Reporting criteria: selected GRI** (Version 2016 unless otherwise indicated) |
|---|---|---|---|
| Balance of collective bargaining agreements, particularly regarding occupational health and safety | Material | 56-57 | GRI 403-4 |
| **Training** | | | |
| Training policies implemented | Material | 53-55; 85-86 | GRI 103-2<br>GRI 404-2 |
| Total hours of training by job category | Material | 55 | GRI 404-1 |
| **Universal accessibility for people with disabilities** | Material | 49-50 | GRI 103-2 |
| **Equality** | | | |
| Measures in place to promote equal treatment and equal opportunities for men and women | Material | 48-51 | GRI 103-2 |
| Equality plans | Material | 48-50 | GRI 103-2 |
| Policy against all types of discrimination | Material | 48-50 | GRI 103-2 |
| **Respect for Human Rights** | | | |
| **Management approach** | Material | 42-43 | GRI 103-2 |
| **Application of due diligence procedures** | | | |
| Application of due diligence procedures in Human Rights and prevention of Human Rights violations and, as the case may be, measures designed to mitigate, manage and repair any possible abuses committed | Material | 42-43; 80-89 | GRI 102-16<br>GRI 102-17<br>GRI 412-2<br>AF16, AF18 |
| Complaints regarding Human Rights violations | Material | 89 | GRI 102-17<br>AF12, AF13, AF14, AF16 |
| Promotion and compliance with the provisions of ILO fundamental agreements | Material | 18-19; 22-24; 55-57; 96-98 | GRI 407-1<br>GRI 408-1<br>GRI 409-1 |
| **Fighting corruption and bribery** | | | |
| **Management approach** | Material | 81-90 | GRI 102-15<br>GRI 103-2 |
| Measures adopted to prevent corruption and bribery | Material | 81-90 | GRI 103-2<br>GRI 102-16<br>GRI 102-17<br>GRI 205-2<br>GRI 205-3 |
| Measures to prevent money laundering | Material | 81-90 | GRI 103-2<br>GRI 102-16<br>GRI 102-17 |
| Contributions to non-profit organisations and foundations | Material | 72-81; 90 | GRI 102-13<br>GRI 201-1 |
| **Information on the Company** | | | |

| Information required by Law 11/2018 | Materiality | Page in SNFI containing reply | Reporting criteria: selected GRI (Version 2016 unless otherwise indicated) |
|---|---|---|---|
| **Management approach** | Material | 9-10; 17-19; 70-71; 71-76; 90-95; 96-98 | GRI 103-2 |
| **Company sustainable development commitments** | | | |
| Impact of company activity on employment and local development | Material | 71-80 | GRI 103-2<br>GRI 203-2<br>GRI 204-1<br>AF7 |
| Impact of company activity on local populations and in the territory | Material | 71-80 | GRI 103-2<br>GRI 413-1<br>GRI 413-2 |
| Relations with representatives of local communities and types of dialogue with them | Material | 71-80 | GRI 102-43 |
| Association and sponsorship actions | Material | 71-80; 96-98 | GRI 102-13 |
| **Subcontracting and suppliers** | | | |
| Inclusion of social, gender equality and environmental issues in the procurement policy | Material | 17-26 | GRI 308-1<br>GRI 414-1<br>AF6, AF7 |
| Consideration in relations with suppliers and subcontractors of their social and environmental responsibility | Material | 17-26 | GRI 102-9<br>GRI 308-1<br>GRI 414-1 |
| Monitoring systems and audits and results thereof | Material | 17-21 | GRI 102-9<br>GRI 308-2<br>GRI 414-2<br>AF2, AF3, AF8, AF12, AF13, AF14, AF16 |
| **Consumers** | | | |
| Measures for health and safety of consumers | Material | 27-31; 70-71 | GRI 416-1<br>GRI 416-2<br>GRI 417-1 |
| Complaint systems, complaints received and resolution thereof | Material | 31; 70 | GRI 103-2 |
| **Tax information** | Material | 90-95 | GRI 207-4 (Version 2019) |
| Profits obtained country by country | Material | 91-93 | GRI 207-4 (Version 2019) |
| Taxes earned on profits paid | Material | 94-96 | GRI 201-4 |
| Public grants received | Material | 96 | GRI 201-4 |

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*Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.*

# INDEPENDENT LIMITED ASSURANCE REPORT

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

In accordance with Article 49 of the Spanish Commercial Code, we have performed the verification, with a scope of limited assurance, of the Consolidated Non-Financial Information Statement ("NFIS") for the year ended 31 January 2020 ("2019") of Industria de Diseño Textil, S.A. ("Inditex") and Subsidiaries ("the Group"), which forms part of the accompanying Consolidated Directors' Report.

The Consolidated Directors' Report includes information, additional to that required by current Spanish corporate legislation, relating to non-financial reporting that was not the subject matter of our verification. In this regard, our work was limited solely to the verification of the information identified in Section 14 "Index of the contents required by Law 11/2018, of 28 December" included in the accompanying Consolidated Directors' Report.

## Responsibilities of the Directors and Management

The preparation and content of the NFIS included in the Group's Consolidated Directors' Report are the responsibility of the Board of Directors of Inditex. The NFIS was prepared in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in Section 14 of the aforementioned Consolidated Directors' Report.

These responsibilities of the Directors and Management also include the design, implementation and maintenance of such internal control as is determined to be necessary to enable the NFIS to be free from material misstatement, whether due to fraud or error.

The Directors of Inditex are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFIS is obtained.

## Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is based on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 (ISQC 1) and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our engagement team consisted of professionals who are experts in reviews of non-financial information and, specifically, in information about economic, social and environmental performance.

## Our Responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, which refers exclusively to 2019. The NFIS for 2018 was reviewed by another assurance provider who issued a report without any reservations.

We conducted our review in accordance with the requirements established in International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information, currently in force, issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the guidelines published by the Spanish Institute of Certified Public Accountants on attestation engagements regarding non-financial information statements.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement and, consequently, the level of assurance provided is also lower.

Our work consisted in submitting inquiries to Management of Inditex and to the Management of various units of the Group that participated in the preparation of the NFIS, reviewing the processes used to compile and validate the information presented in the NFIS, and carrying out the following analytical procedures and sample-based review tests:

- Meetings held with Group personnel to ascertain the business model, policies and management approaches applied, and the main risks relating to these matters, and to obtain the information required for the external review.

- Analysis of the scope, relevance and completeness of the contents included in the NFIS based on the materiality analysis performed by the Group and described in Section 2 "Materiality" of the NFIS, taking into account the contents required under current Spanish corporate legislation.

- Analysis of the processes used to compile and validate the data presented in the 2019 NFIS.

- Review of the information relating to risks and the policies and management approaches applied in relation to the material matters presented in the NFIS.

- Verification, by means of sample-based tests, of the information relating to the contents included in the 2019 NFIS and the appropriate compilation thereof based on the data furnished by information sources.

- Obtainment of a representation letter from the Directors and Management.

## Conclusion

Based on the procedures performed in our verification and on the evidence obtained, nothing has come to our attention that causes us to believe that the 2019 Consolidated Non-Financial Information Statement of Industria de Diseño Textil, S.A. and Subsidiaries was not prepared, in all material respects, in accordance with the content specified in current Spanish corporate legislation and with the criteria of the selected GRI standards, as well as other criteria described as indicated for each matter in Section 14 of the aforementioned NFIS.

## Use and Distribution

This report has been prepared in response to the requirement established in corporate legislation in force in Spain and, therefore, it might not be appropriate for other purposes or jurisdictions.

DELOITTE, S.L.

Germán de la Fuente
17 March 2020

Pursuant to the provisions of section 253 of the Revised Text of the Companies Act, and section 34 of the Code of Commerce, the Directors of the company Industria de Diseño Textil, S.A. proceeded at the meeting held on 17 March 2020, to issue the consolidated annual accounts and the management report for the financial year ended 31 January 2020. The annual accounts consist of the documents preceding this page (consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements).

Mr Pablo Isla Álvarez de Tejera
Executive Chairman

Mr Amancio Ortega Gaona
Ordinary Member

Mr José Arnau Sierra
Deputy Chairman

Mr Carlos Crespo González
CEO

Pontegadea Inversiones, S.L
Ordinary Member
Ms Flora Pérez Marcote

Bns Denise Patricia Kingsmill
Ordinary Member

Ms Pilar López Álvarez
Ordinary Member

Ms Anne Lange
Ordinary Member

Mr José Luis Durán Schulz
Ordinary Member

Mr Rodrigo Echenique Gordillo
Ordinary Member

Mr Emilio Saracho Rodríguez de Torres
Ordinary Member