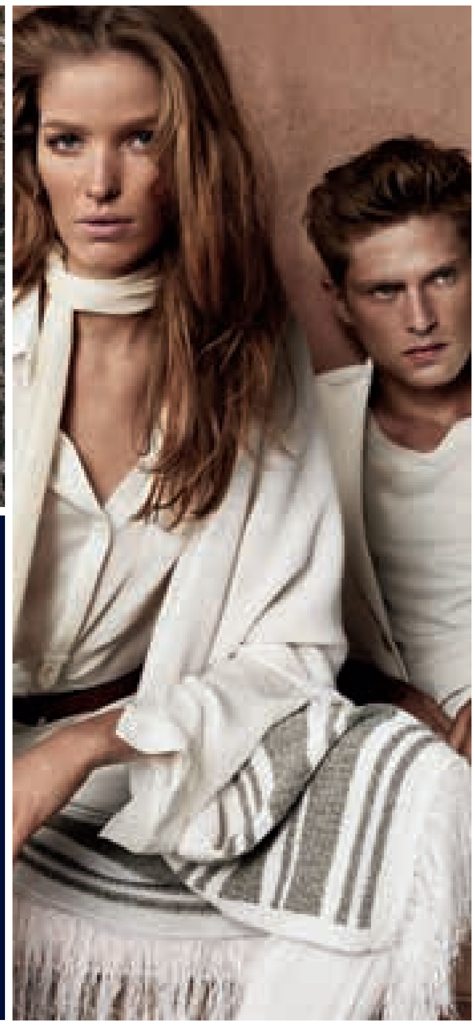


INDITEX

annual report 2014

indicators

Evolution of main indicators

Turnover (in millions of euros)

	2014	2013
Sales	18,117	16,724

Results (in millions of euros)

	2014	2013
Operating profit (EBITDA)	4,103	3,926
Operating profit (EBIT)	3,198	3,071
Net profit	2,510	2,382
Net profit attributable to the parent company	2,501	2,377

Financial and management ratios

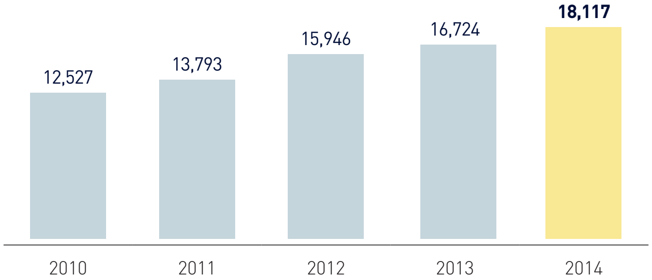
	2014	2013
ROE (Return On Equity)	25%	27%
ROCE (Return On Capital Employed)	33%	35%

Other relevant information

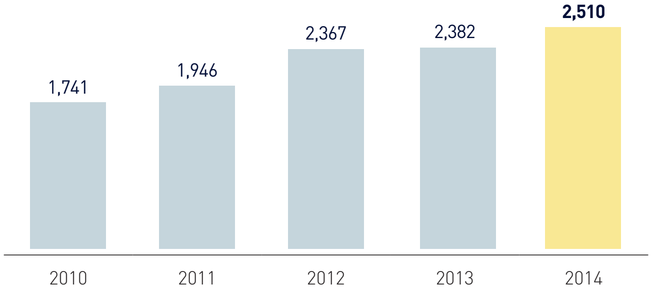
	2014	2013
Number of stores	6,683	6,340
Net openings	343	331
Number of markets with commercial presence	88	87
Number of markets with an online store	27	24
Number of employees	137,054	128,313
Percentage of women / men	77%/23%	78%/22%
Overall energy consumption (in terajoules)	6,358	6,095
Number of suppliers	1,625	1,592
Investment in social programmes (in millions of euros)	26	23

Relevant data

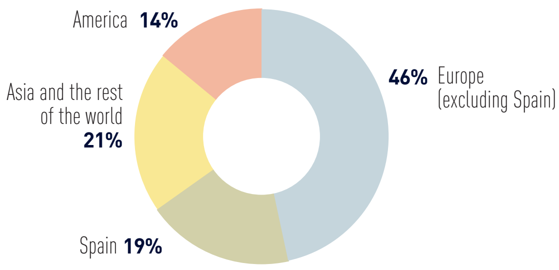
Sales (in millions of euros)



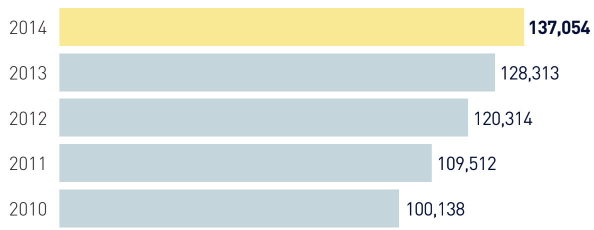
Net result (in millions of euros)



Sales by geographical area



Number of employees



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About this report

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

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

International reporting initiatives subscribe by Inditex

Global Reporting Initiative

Inditex has adhered to its criteria since 2002 and is an active member of the Organizational Stakeholders group

Member of the "G4 Pioneers" programme since its launch

The 2014 Annual Report is published in accordance with the guidelines set out in the new G4 Guide launched by GRI last year

Integrated Reporting

Member of the Integrated Reporting Pilot Programme of the International Integrated Reporting Council (IIRC) since its launch

In line with the principles established in the Framework, Inditex's 2014 Annual Report is presented as an integrated report

The Global Compact

Participant in the United Nations Global Compact since 2001

GC Advanced level (maximum level awarded by the Global Compact) in its last Communication on Progress

The Communication on Progress for this Annual Report is included in the GRI index

External verification

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

[G4-18, G4-32, G4-33]

year review

letter from the Chairman

"INDITEX SUCCESSFULLY COMBINES THE STRENGTH OF ITS BUSINESS MODEL WITH DEMANDING ECONOMIC OBJECTIVES AND INNOVATIVE STRATEGIES FOR SOCIAL AND ENVIRONMENTAL SUSTAINABILITY"

Dear Friends,

Inditex's progress during 2014 has once again provided an excellent example of how the hard work and professionalism of a great team leads to amazing results, as they continue to propose new and ambitious challenges for the future. Reviewing the milestones of the year, the large figures and the mainlines of work to which the team is committed allows us not only to ensure the strength of the Group's business model, but also that it can be combined with demanding economic objectives and innovative and sustainable social and environmental strategies.

The Group's 2014 profile was one of sustained growth, based on strong investment in the business and which has resulted in an important social contribution in the form of new jobs, both direct and indirect, a significant carry-over effect on other market operators and a relevant financial contribution. We have also continued to develop our commitment to our ethical principles, both in what we refer to as our own activity as well as our supply chain. In this section we should mention the advances in social and environmental issues, supported in the first place by the traceability of our products and as a consequence, in our capacity to ensure adequate policies for our suppliers.

Inditex reaffirms its commitment to the United Nations Global Compact and its principles, with engagements related to its participation in organisations such as Ethical Trading Initiative or Sustainable Apparel Coalition, and through the agreements signed with the international union federations Uni Global and IndustriALL, the latter renewed in 2014. These commitments form the basis of the Right to Wear guarantee, the concept which encompasses Inditex's social responsibility in relation to each of its stakeholders. Specifically, safe products manufactured in adequate social and environmental conditions, sold to customers by a human team which continues to grow professionally, without forgetting our responsibility to the wider community.

In a brief recap of 2014, I should begin by mentioning the economic indicators of our activity, which continue to show the strength of our business model and its ability to be adapted to very different geographical and economic situations. In particular, the Group's global sales figures grew by 8.3% last year, reaching a total of €18,177 million. This growth reflects the positive evolution of all retail formats in all the Group's geographical areas, both in brick-and-mortar stores and through online sales platforms. This solid growth is clear from the growth data of the comparable surface sales (that is to say, excluding sales derived from new retail space) which was 5% in 2014.

During 2014 Inditex opened new stores in 54 countries, increasing the Group's number of stores globally to 6,683, which is an increase of 343 on the previous year. The total surface sales area increased to 3.8 billion square meters. All the new stores, as well as renovations of existing stores, have been eco-efficient, bringing the total number of eco-stores to more than 51% of the total and nearing the aim of covering the network entirely by 2020. As mentioned earlier, as well as new brick-and-mortar stores, we have continued to develop the online sales platforms in all the Group's formats, which at the end of 2014 stood at 27 markets and will increase during 2015.

This growth in retail activity has required continuing investment, not only in new retail space, but also in the expansion and modernisation of our management, design and logistical operations centres. In the field of productive investment I would like to highlight two examples which are very relevant to this policy, both closely linked to the use of the most highly advanced technological tools adapted to the need of the business. One example is the implementation of RFID technology in our stores and logistics centres and the second is the opening of the Technological Centre in our Arteixo headquarters (A Coruña).

I have described the use of RFID in our processes as the most important change to the management of our stores

in decades, and I stand by that analysis. This technology, which provides numerous advantages in terms of efficient stock management, also provides our store staff with a powerful tool to not only aid and improve their daily work, but also improves the quality of customer service.

As regards the new Technological Centre, it is at once the heart of innovation at Inditex and the main support for the treatment of information in the Group. Unique in the world for its technical characteristics, its scope and the cutting-edge systems its includes, the attention to detail of its design, construction and start up, it has won many awards from environmental certifications to awards for technological reliability. In its role as the main data processing centre, it guarantees the continuity of store operations, offices and logistics centres across the world and ensures ongoing communication in real time between the Group's decision making centres.

In this brief recap of the year I would also like to mention the centralized nature of our management and the sustainability strategy which forms part of our daily work. In the environmental sphere we take the entire life cycle of our products into account, with specific strategies and programmes for each phase, from obtaining raw materials, through to recycling or reuse (for social ends) of garments at the end of its life cycle, including industrial processes associated with manufacture, logistics and sales. One of the most important projects in this area is the implementation of the new environmental sustainability standard for wet processes, a step further in the move towards a first-rate supply chain.

If in this field the key is working together with our suppliers and with the more than 5,000 manufacturing centres that we collaborate with, it is even more so with regards to social-labour issues. In recent years we have developed successful cooperation at the heart of the production clusters which is revealed by our Compliance Programme. Almost 95% of our products are produced by manufacturers obtaining the highest ratings in social audit processes. This is also contributed to by the application of the Framework Agreement with the IndustriALL Global Union, a trade union with a global presence, representing more than 50 million workers, as well as the permanent collaboration in projects promoted by the OIT or the ongoing dialogue with non-governmental bodies. Examples include, to name but a few, the advance in the aims of the *Bangladesh Accord on Fire and Building Safety* or the 2014 signing of the *Enabling Principles*.

Social responsibility and sustainability, are also reflected in Inditex's contribution to general welfare. This is produced, not only through investment in social programmes (which in 2014 included donations of over €25 million to projects run by more than 350 organisations, benefiting almost three million people). In our home market alone, Spain, over 7,000 businesses invoiced Inditex a total of €4,000 million in products and services. And to close this chapter, It is worth highlighting the physical contribution of the Group worldwide, which reached €2,066 million in 2014 in direct taxes and €2,298 million in collected taxes.

All of the initiatives I have discussed will continue in 2015 and no doubt will continue in later years. I hope we will keep showing the dynamism that has been to the present date our team's main feature and above all that we can maintain the innovative and self-critical spirit that is the key to making the most of our strong business model. I am confident that this will be the case, since this endeavour is shared by each and every one of the people who are part of this great team and whom I would like to thank for not only their hard work but also their huge dedication and commitment.

Pablo Isla
Chairman

milestones of the year

Inditex renews its Global Framework Agreement with IndustriALL to protect the interest of workers involved with Inditex supply chain with the aim of protecting their fundamental labour rights

April

Zara opens a flagship store in Calle Serrano, one of Madrid's main shopping streets and launches online sales in Romania.

July

At the end of business on the 25th of this month, **Inditex** splits its shares into five new shares.

Zara renovates a historic building in Rynek Główny square in the Krakow's historic old town (Poland).

October

Inditex signs agreements with Médicines Sans Frontières and Cáritas for humanitarian projects. Inditex made a donation of €1 million to MSF to help with the fight against Ebola and €3 million to Cáritas for training for people at the risk of exclusion from the labour market in Spain.

March

Inditex updates its corporate web site (www.inditex.com) with more social, environmental and corporate governance information.

Zara launches its online store in Greece.

May

Uterqüe presents its new brand image in its new store in the centre of A Coruña.

Pull&Bear opens two flagship stores in Milan and Amsterdam, unfurling its new brand image.

Inditex's new logistics platform in Cabanillas (Guadalajara) opened, creating more than 300 new jobs. The Group's headquarters in Arteixo extended as a result of the opening of the Technology Centre

August

Massimo Dutti opens a flagship store in Madrid's Calle Serrano. The premises are located in an amazing building of incalculable historic value with an impressive facade.

September

Stradivarius opens its first British store in the Stratford City shopping centre in London.

Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho and **Zara Home** launch online sales in Mexico. Zara also launches its online store in South Korea.

December-January

Zara opens its new flagship store in Nanjing East Road, Shanghai's main shopping street.

Inditex acquired a 4,400 m^2 property in New York's SoHo, location for the new Zara store which will open in 2015.

Inditex began to implement radio frequency identification technology (RFID), which allows identification of individual garments from logistics platforms through to their sale

commercial presence

ALBANIA – 5 stores	ALGERIA – 3 stores	ANDORRA – 8 stores	ARGENTINA – 10 stores	ARMENIA – 10 stores	AUSTRALIA – 13 stores	AUSTRIA – 23 stores
CHILE – 9 stores	CHINA – 501 stores	COLOMBIA – 38 stores	COSTA RICA – 10 stores	CROATIA – 32 stores	CYPRUS – 36 stores	CZECH REPUBLIC – 20 stores
FRANCE – 271 stores	GEORGIA – 8 stores	GERMANY – 122 stores	GREECE – 154 stores	GUATEMALA – 12 stores	HONDURAS – 10 stores	HUNGARY – 39 stores
JORDAN – 15 stores	KAZAKHSTAN – 24 stores	KUWAIT – 24 stores	LATVIA – 13 stores	LEBANON – 39 stores	LITHUANIA – 20 stores	LUXEMBOURG – 4 stores
NETHERLANDS – 56 stores	NORWAY – 4 stores	OMAN – 4 stores	PANAMA – 8 stores	PERU – 4 stores	PHILIPPINES – 18 stores	POLAND – 255 stores
SINGAPORE – 23 stores	SLOVAKIA – 11 stores	SLOVENIA – 16 stores	SOUTH AFRICA – 6 stores	SOUTH KOREA – 65 stores	SPAIN – 1,822 stores	SWEDEN – 14 stores
UNITED KINGDOM – 101 stores	UNITED STATES – 55 stores	URUGUAY – 3 stores	VENEZUELA – 25 stores			

[G4-6, G4-8]

6,683	88	27
stores	markets	online markets

AZERBAIJAN – 9 stores	**BAHRAIN** – 10 stores	**BELGIUM** – 75 stores	**BOSNIA AND HERZEGOVINA** – 9 stores	**BRAZIL** – 62 stores	**BULGARIA** – 32 stores	**CANADA** – 33 stores
DENMARK – 2 stores	**DOMINICAN REPUBLIC** – 12 stores	**ECUADOR** – 10 stores	**EGYPT** – 29 stores	**EL SALVADOR** – 6 stores	**ESTONIA** – 6 stores	**FINLAND** – 4 stores
ICELAND – 2 stores	**INDIA** – 15 stores	**INDONESIA** – 46 stores	**IRELAND** – 23 stores	**ISRAEL** – 56 stores	**ITALY** – 337 stores	**JAPAN** – 131 stores
MACEDONIA – 5 stores	**MALAYSIA** – 20 stores	**MALTA** – 11 stores	**MEXICO** – 304 stores	**MONACO** – 1 store	**MONTENEGRO** – 5 stores	**MOROCCO** – 23 stores
PORTUGAL – 336 stores	**PUERTO RICO** – 3 stores	**QATAR** – 15 stores	**ROMANIA** – 98 stores	**RUSSIAN FEDERATION** – 455 stores	**SAUDI ARABIA** – 147 stores	**SERBIA** – 14 stores
SWITZERLAND – 27 stores	**TAIWAN** – 11 stores	**THAILAND** – 21 stores	**TUNISIA** – 5 stores	**TURKEY** – 193 stores	**UAE** – 65 stores	**UKRAINE** – 52 stores

KEY

EUROPE – 4,740 stores, 44 markets	**ASIA AND THE REST OF THE WORLD** – 1,329 stores, 26 markets	**AMERICA** – 614 stores, 18 markets	**ONLINE MARKET**

evolution of main indicators

Turnover (in millions of euros)

	2014	2013	2012	2011	2010
Sales	18,117	16,724	15,946	13,793	12,527

Results and cash flow (in millions of euros)

	2014	2013	2012	2011	2010
Operating profit (EBITDA)	4,103	3,926	3,913	3,258	2,966
Operating profit (EBIT)	3,198	3,071	3,117	2,522	2,290
Net profit	2,510	2,382	2,367	1,946	1,741
Net profit attributable to the parent company	2,501	2,377	2,361	1,932	1,732
Cash flow	3,349	3,232	3,256	2,613	2,540

Financial structure (in millions of euros)

	2014	2013	2012	2011	2010
Net assets attributable to the parent company	10,431	9,246	8,446	7,415	6,386
Net financial position	4,010	4,055	4,097	3,465	3,427

Financial and management ratios

	2014	2013	2012	2011	2010
ROE (Return On Equity)	25%	27%	30%	28%	30%
ROCE (Return On Capital Employed)	33%	35%	39%	37%	39%

Other relevant information

	2014	2013	2012	2011	2010
Number of stores	6,683	6,340	6,009	5,527	5,044
Net openings	343	331	482	483	437
Number of markets with commercial presence	88	87	86	82	77
Number of employees	137,054	128,313	120,314	109,512	100,138

Stock Market Performance

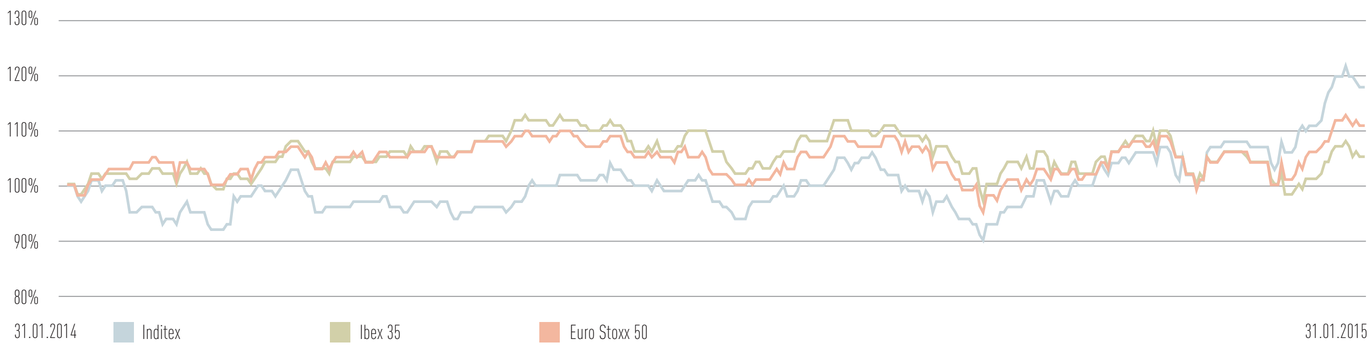
Inditex shares experienced a 18.0% gain in 2014, closing at €26.14 per share on 31 January 2015 compared with a 11.2% rise on the Stoxx 600 Retail and 4.9% on the leading Spanish index Ibex 35 in the same period. The average volume traded was about 8.4 million shares a day.

Inditex's market capitalization stood at €81,454 million at the end of the year, 789% higher than when the company was floated on the stock exchange on 23 May 2001, compared to a 8.1% gain on the Ibex 35 over the same period.

A total dividend of €0.484 per share corresponding to the financial year 2013 was paid out in May and November 2014.

Shares during 2014

Inditex vs Indexes



Awards received by Inditex Group in 2014

ZARA

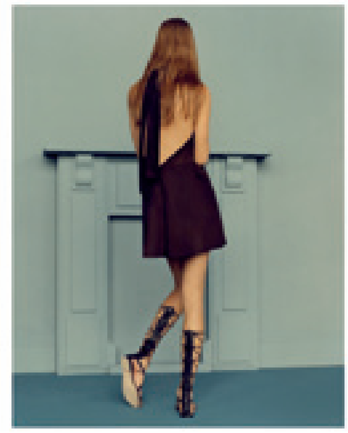
Award	Entity	2014
Best Global Brands	Interbrand	36
Best Global Green Brands	Interbrand	48
The World´s Most Valuable Brands	Forbes	58
The RepTrak™ 100: The World's Most Reputable Companies 2014	Reputation Institute	93
CSR RepTrak®: The World's Best Regarded Companies for CSR	Reputation Institute	98
BrandZ Top 100. Most Valuable Global Brands	WPP (Millward Brown)	37
Global 500 The World´s Most Valuable Brands	Brand Finance	168

INDITEX

Award	Entity	2014
MercoEmpresas	merco	1
MercoPersonas	merco	1
MercoResponsables	merco	1
Global 2000 Leading companies	Forbes	317
Global Top 100 Brand Corporations	European Brand Institute	72
The Gartner Supply Chain Top 25 for 2013	Gartner	11
World's Most Respected Companies	BARRON'S	89
LinkedIn's Most In Demand Employers	LinkedIn	66
Spain's Ideal Employers (Spanish Student Survey)	universum / peoplematters	1
Dow Jones Sustainability Indices	DOW JONES	81/100
FTSE4Good	FTSE4Good	4.3/5
Global powers of retailing	Deloitte.	45
Sustainable Supply Chain Management 2014 includes Inditex as the best distribution company and among the best four companies in the world	VBDO	1

retail formats

ZARA

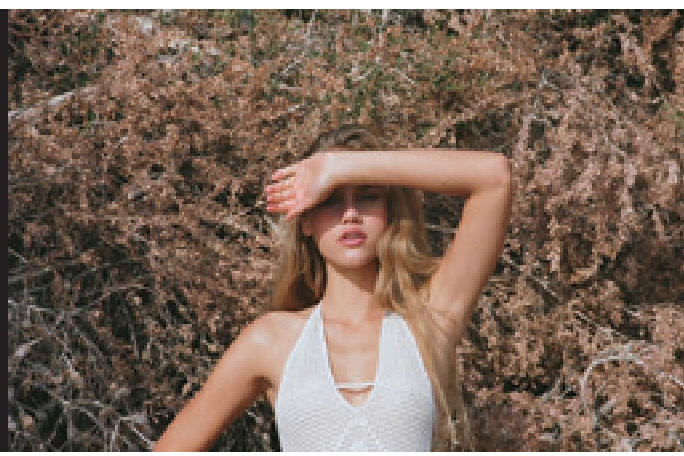


During 2014 Zara has taken its online expansion a step further with the launch of its online store in four new markets (South Korea, Greece, Mexico and Romania). In October Zara also launched its official store on Tmall.com, the largest online sales platform in China, an important development of the brand's Internet business in this market.

Some of the most important openings for the brand this year include the stores in Zürich (Bahnhofstrasse), Miami (Lincoln Road), Madrid (Serrano), Krakow (Rynek Glowny), Hong Kong (Queens Road) and Shanghai (East Nanjing Road), which represent the new model of larger, technologically advanced, sustainable stores.

www.zara.com

PULL&BEAR

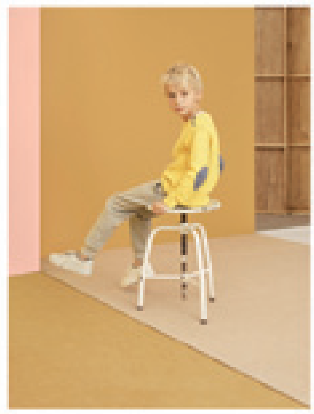


Pull&Bear opened 45 stores during the year, the majority in Russia, Mexico, China and Italy. In Italy, the brand also opened an important store on Corso Vittorio Emanuele II, one of the most important retail locations in Milan. This store, along with the opening in May of the first Amsterdam store on the central Kalverstraat stree,t are the brand's new European flagship stores. Both include exclusive design elements and differ from the brand's other sales points. They represent a reinterpretation of the new Pull&Bear store concept, based around the Californian city of Palm Springs.

Following trends among its youngest customers, since 2014 Pull&Bear has had an official Spotify account with a selection of the music played in stores.

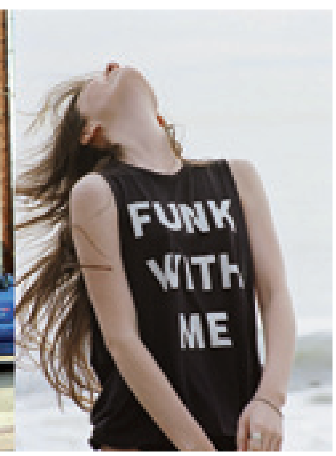
www.pullandbear.com






11,594	**2,085**	**94**	**88**	**1**	**26**	**South Korea, Greece, Mexico and Romania**
Net sales - (millions of €)	Number of stores - (at year-end)	Net openings	Markets	New markets in 2013 - (Albania)	Online markets - (at year-end)	New online markets





1,284	**898**	**45**	**65**	**2**	**21**	**China, Mexico and Russia**
Net sales - (millions of €)	Number of stores - (at year-end)	Net openings	Markets	New markets during the year - (Albania, the Philippines)	Online markets - (at year-end)	New online markets

Massimo Dutti

With new stores in Albania, Austria, Bosnia-Herzegovina, Estonia and Panama, Massimo Dutti is the Inditex brand which opened in the most new markets in 2014 During this year the brand launched a new image for its stores with openings in Vienna (Kholmarkt), Madrid (Calle Serrano) and Palma de Mallorca (Paseo del Born). In the new Massimo Dutti store concept, all details are aligned to consolidate the brand's identity and style and transmit a feeling of quality, the guiding principle of all the brand's collections.

The other main Massimo Dutti opening in 2014 was Llagostera (Girona). It is a store which forms part of Inditex's social and labour integration project for&from and boasts a staff of nine, five of whom suffer severe mental disability (SMD). Massimo Dutti now has three for&from stores.

www.massimodutti.com

Bershka

With 52 openings, Bershka, along with Stradivarius, is the brand which opened more stores during 2014, only exceeded by Zara. Russia, Japan, Mexico and Italy are the markets with the most new stores. One of the brand's most important openings during the year was the premises on Turin's Via Roma and the reopening of its store on Calle Colón in Valencia. In that store, Bershka carried out structural renovations based on eco-efficient criteria, which won the store a Platinum rating on its LEED certification, the highest category of international certification for environmental architecture.

www.bershka.com



	1,413 --- Net sales - (millions of €)	**706** --- Number of stores - (at year-end)	**41** --- Net openings	**68** --- Markets	**5** --- New markets in 2013 - (Albania, Austria, Bosnia-Herzegovina, Estonia and Panama)	**24** --- Online markets - (at year-end)	**China, Mexico and Romania** -- New online markets



	1,664 --- Net sales - (millions of €)	**1,006** --- Number of stores - (at year-end)	**52** -- Net openings	**68** -- Markets	**2** -- New markets in 2013 - (Albania, Algeria)	**17** -- Online markets - (at year-end)	**China, Mexico and Romania** -- New online markets

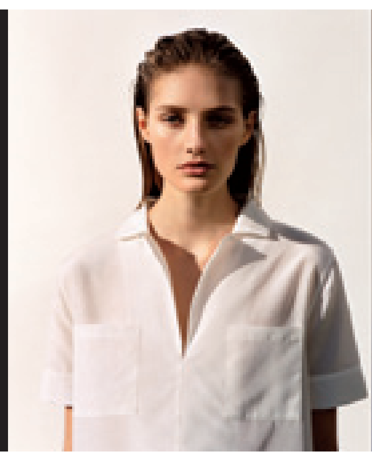
stradivarius

In 2014 Stradivarius opened its first British store, where it had operated an online store since the previous year. The brand's first brick-and-mortar store in this market is in the Stratford City shopping Centre in London and presents the brand's new image, in which light is one of the most important aspects, both on the facade and in the store's interior. The new image has also been an important part of the Stradivarius opening in Osaka, the brand's largest store in Japan and its 900th in the world.

During 2014, Stradivarius also presented its new online store image, in line with the style of its brick-and-mortar stores.

www.stradivarius.com

OYSHO



During 2014 Oysho has extended its presence in markets such as China, where it has opened eleven stores, making a total of 53 premises.

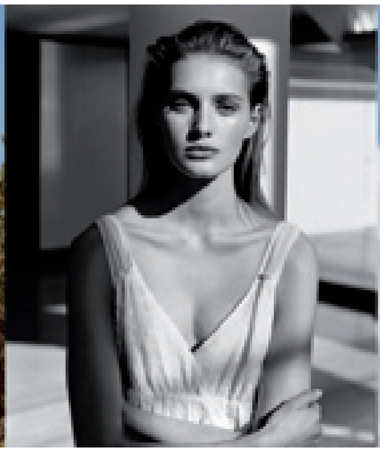
The Inditex Group's lingerie brand continues to extend its *gymwear*collection, with an increasing visual presence in its warm and cozy stores. As part of this collection, in 2014, Oysho launched the *Mountain*line, created especially for winter. Clearly influenced by skiing and winter sports, this line is created to meet the more technical needs of the brand's sports collection.

For the second consecutive year Oysho sponsored the Women's Race against Breast Cancer, which took place in a number of Spanish cities.

www.oysho.com



1,130	**910**	**52**	**59**	**3**	**17**	**Greece, Mexico, Romania and Switzerland**
--	--	--	--	--	--	--
Net sales	Number of stores	Net openings	Markets	New markets in 2013	Online markets	New online markets
-	-			-	-	
(millions of €)	(at year-end)			(Albania, Japan and Britain)	(at year-end)	


416	**575**	**26**	**40**	**2**	**15**	**Mexico and Switzerland**
--	--	--	--	--	--	--
Net sales	Number of stores	Net openings	Markets	New markets in 2013	Online markets	New online markets
-	-			-	-	
(millions of €)	(at year-end)			(Albania, Algeria)	(at year-end)	

ZARA HOME

The Inditex Group brand specializing in fashionable home wares opened 43 stores in 2014 Its most notable openings during the year include the Kensington High Street store in London; and in the elegant Aoyama district in Tokyo, where the store's window displays recreated a tropical universe, filled with flowers and exotic birds, inspired by the brand's Amazon collection. In 2014 Zara Home opened six stores in Japan.

During the year Zara Home launched its electronic sales platform in Mexico and Russia, bringing the number of markets where it operates online stores to 23.

Zara Home was the first Inditex Group brand to launch online sales in 2007.

www.zarahome.com

UTERQÜE

The latest commercial format of the Group closed the year 2014 by consolidating its new commercial image, which it presented in its new A Coruña store and which has also been implemented in new flagships stores in Madrid and Barcelona. The Uterqüe brand's new concept is based on elegance, clarity and functionality. The brand's new spaces boast furniture made from top-quality materials; drawers and shelves made from textured black resin and resin and glass cabinets. The walls are decorated with details which provide a contemporary and sophisticated style and the Italian marble floors give a sensation of space.

Inside the store, footwear takes centre stage with the collection presented in an attractive and functional way. The avant-garde lighting gives the store quality, designer feel.

www.uterque.com

548 -- Net sales - (millions of €)	437 -- Number of stores - (at year-end)	43 -- Net openings	48 -- Markets	3 -- New markets in 2013 - (Algeria, South Korea and Croatia)	23 -- Online markets - (at year-end)	**Mexico and Russia** -- New online markets

68 -- Net sales - (millions of €)	66 -- Number of stores - (at year-end)	-10 -- Net openings	12 -- Markets	- -- New markets in 2013	14 -- Online markets - (at year-end)	**Ireland, Luxembourg and Russia** -- New online markets

sustainable strategy

setting and opportunity management

horizontal organization

The Inditex business model is based on horizontal, flexible organization, focused on innovation and team work. This allows all professionals in the organization to participate in identifying global fashion, social, demographic and environmental trends, while remaining aware that the entire company is focused on the customer and the customer's needs. This enables a swift and efficient reaction to the identification of any trend that could aid the business in a sustainable way or that could affect the business.

Inditex professionals are aware that the information they deal with in their management area could be key to creating a competitive edge or soften a possible impact in the shortest time possible. As Inditex is committed continuously to improve its product in order to keep the customer's trust in the long-term, the entire organization is dedicated to creating quality fashion, in a constructive social environment with efficient environmental management and this is achieved thanks to a solid and flexible business model.

sustainability

Sustainability is without doubt one of the most relevant topics for any company's future. In Inditex's case, sustainability is part of its business model and its daily activity and is the starting point for the development of guidelines in spheres such as long-term operations, management and strengthening of the supply chain, control of the Group's environmental impact and good practice in corporate governance issues.

With sustainability as both a great challenge and opportunity, Inditex identifies and incorporates global trends which affect its activity in the short and long-term thanks to multidisciplinary teams of over 80 nationalities and a risk prevention policy which applies to the entire organization.

global and integrated market

Inditex has operated in international markets since 1989 although it was the beginning of the current century which saw its main international expansion. It currently operates in 88 markets with brick-and-mortar stores and in 27 with online stores. This global nature of its operations and its staff have proved the importance of understanding the world as a global and integrated market. In this respect, Inditex has opted for the multi-brand format and for new technologies as an alternative to communication in order to face the challenges of a global world.

Consumers are more and more informed and demand direct, personalized communication with companies. In response to this general trend, Inditex has invested in new technologies to provide an immediate response to customer demand and to possible changes in habits of consumption, the quality of its products (safe, healthy and sustainable) and to customer care. This is what Inditex describes as quality fashion in the long-term.

Inditex is a multinational which operates in 88 markets, procures services in over 50 countries and employs over 137,000 people. It sells millions of garments every year, transporting stock from its logistics centres in Spain to all five continents. A global company, conscious of the impact its activity has on consumers, suppliers and their communities as well as on the environment and society. The Group therefore uses methods and teams to constantly analyze opportunities and uncertainties which may arise in order to reduce as much as possible the risks derived from its activities, both for the Group and for stakeholders and the environment.

traceability and management of the supply chain

In a global world, guaranteeing the sustainability of all production processes means having an exhaustive map of the Group's entire supply chain. To ensure the traceability of the supply chain, Inditex uses efficient management tools and controls based on stable relationships with its suppliers, which assume transparency as a essential requirement for working with Inditex.

Stakeholders demand a sustainable supply chain and it is a responsibility that the company takes seriously. The company has been working for over ten years to ensure appropriate working conditions for employees producing its products, using tools such as the Code of Conduct for Manufacturers and Suppliers and the Compliance Programme.

Inditex has created a Strategic Plan 2014-2018 for a stable and sustainable supply chain, which, as well as continuous systemization and updating of analytical methods and optimization of the supply chain, also encourages dialogue and contact between all the relevant stakeholders.

climate change and biodiversity

Mindful that natural resources, particularly water, are limited and also of the competition for key natural resources, since 2007 Inditex has put strategic environmental plans in place that, as well as attempting to mitigate the environmental impact of the Group's activity, also aim to contribute to the conservation of ecosystems and biodiversity. Inditex's Global Sustainability Strategy is present in all aspects of the Group's business model, with three main environmental strategies (Global Water Management Strategy, Global Energy Strategy and Biodiversity Strategy) and concrete actions in the value chain.

corporate governance and transparency

Inditex works with a concept of good corporate governance as the driving force to achieve the aim of net wealth creation in the long-term which is articulated through a management team which acts ethically and transparently and which is subject to internal and external verification and control.

Inditex uses a socially responsible business model, in an ongoing, participative dialogue to mutually benefit all stakeholders (employees, shareholders, customers, business partners, suppliers and civil society) connected to it.

Materiality analysis

Inditex has carried out an analysis and prioritized relevant issues for the fourth consecutive year. The result of this year is a materiality matrix which has the double function of defining the aspects to be developed in this Annual Report as well as aligning the organization's strategy and practices with the concerns and expectations of those it relates to.

The dialogue with stakeholders is essential to evaluate Inditex's economic, environmental and social impact and influences its evaluations and decisions. To produce the 2014 materiality matrix, the Group consulted non-profit organizations, employees, customers and companies in the communication sector among others.

Further information at Balance of material issues (page 174)

Process of drafting Inditex's materiality matrix

Identification	Definition of priorities	Validation	Review
Analysis of mega trends which affect the business model and topics of relevant areas which affect value creation. Evaluation of the boundaries (internal and external) of each relevant area.	Presentation of relevant aspects to internal and external stakeholders to evaluate their importance for economic, social and environmental impact and the influence of these matters on decisions and expectations.	Validation of the result of the materiality matrix to ensure that it is a reasonable and balanced reflection of the issues relevant to the organization. Internal validation by Inditex's directors and external validation via the Social Council.	The conclusions from the internal and external review of the materiality matrix of the previous year have been applied during the year.

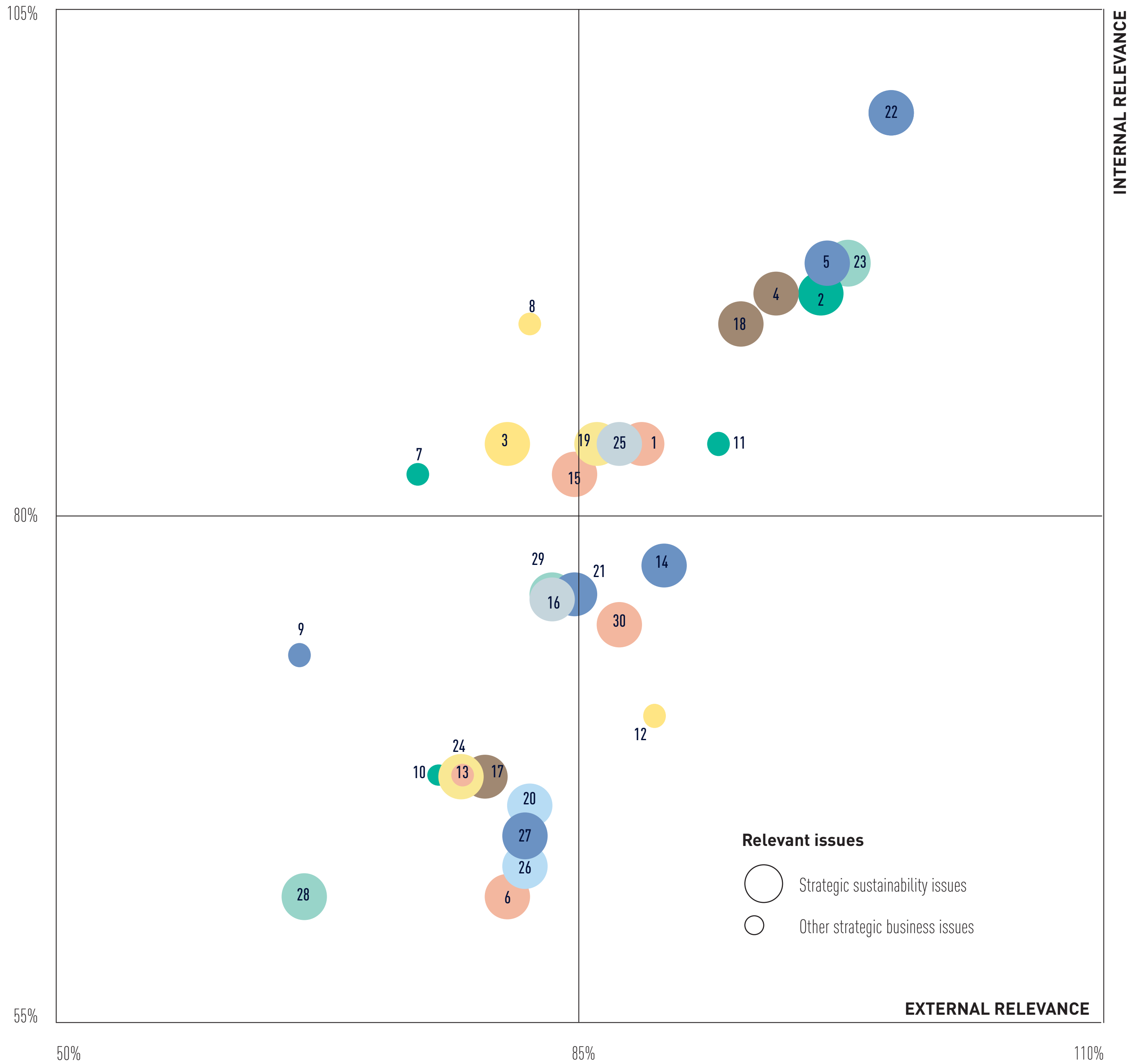
Company relations with stakeholders

Dialogue with stakeholders groups is crucial to ensuring the sustainability of Inditex's business model.

	MILESTONES OF 2014
Customers	· Extension of product health and safety control to include more than just direct suppliers, encompassing the entire supply chain · Introduction of new (RFID) technologies in store to improve customer service
Suppliers	· Promotion of production audits · Classroom training for over 1,100 suppliers · Renewal of the Framework Agreement with IndustriALL. · Strengthening of the management systems for the traceability of the supply chain. · Implementation of the Strategic Plan for Stable and Sustainable Supply Chain 2014-2018.
Employees	· 1,3 billion training hours for employees · Opening of a new for&from store (Massimo Dutti)
Community	· Participation in the London Benchmarking Group (LBG) task force · Support for 351 social organizations · 70% of investment focused on Inditex cluster countries
Shareholders	· Consolidation on the FTSE4Good and DJSI indices
Environment	· New environmental sustainability standard for wet process factories · Evaluation and audit of over one hundred wet process factories · Opening of over 300 eco-efficient stores and a new certified technological centre and a new certified logistics centre

(G4-18, G4-20, G4-21, G4-24, G4-25, G4-26, G4-27, G4-37, G4-45, G4-48)

Materiality matrix



Material issues

1	Corporate governance	**11**	Logistics model	**21**	Control of discharges
2	Code of Conduct and Responsible Practices	**12**	Expansion in new markets and in emerging markets	**22**	Human rights and working practices in the supply chain
3	Corruption	**13**	Exposure in mature markets	**23**	Health and safety in manufacturers and suppliers
4	Customer relations and satisfaction	**14**	Working practices	**24**	Animal welfare
5	Product quality, health and safety	**15**	Attraction and retention of talent	**25**	Responsible purchasing practices
6	Green Design	**16**	Development of human capital	**26**	Waste management
7	Changes in consumption habits	**17**	Energy consumption and GHG	**27**	Recycling systems and management of the product end of life
8	New sales channels	**18**	Traceability of the supply chain	**28**	Protection of biodiversity
9	Volatility of raw material prices	**19**	Capacity building of the supply chain	**29**	Social action and local community development
10	Changes in regulation	**20**	Water consumption	**30**	Dialogue with and commitment to stakeholders

creating economic and social value

About us

Strategy and objectives

The commitment to our customers to keep their trust in the long-term by offering the responsible fashion they are looking for. Among our customers are shareholders, employees, suppliers and members of the public committed to society. By focusing on their needs we work to create quality fashion in a socially and environmentally sustainable setting.

Our strengths

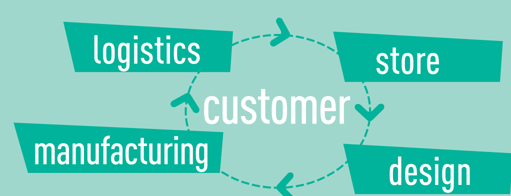
Corporate values

Solid principles, shared by the entire organization

- Commitment to the customer
- Self-reliance
- Non-conformism
- Innovation
- Team work

Innovative business model

The customer is at the centre of decision making



Our priorities (*)

Supply chain traceability and integrity

+ pages 37 and 41

Top quality of the product

+ page 69

Efficient use of resources

+ page 83

Who are we?

Inditex is one of the leading fashion groups in the world with eight commercial brands. Eight million people pass through our more than 6,600 stores every day and all of our work is designed to make sure this continues. With the trust of the 137,000 people who make up this company, we work hard to improve the quality of our products and the way in which they are made.

How do we work?

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

Quality fashion

Healthy fashion, safe and environmentally friendly, for demanding customers who are always searching for the latest trends.

Constructive social environment

To encourage the professional and personal growth of employees along with the development of the business.

Efficient environmental management

To guarantee responsible use of water and reduce our operations' energy requirements.

Transparent and strict guiding principles which are always improving

- Code of Conduct and Responsible Practices
- Code of Conduct for Manufacturers and Suppliers
- Right to Wear guiding principles
- Lines of action in each area in order to reach top sustainable and responsible quality

Right to Wear

customers	suppliers	environment	employees	community
SCW - Safe&Clear to Wear	TW - Tested to Wear	GW - Green to Wear	TW - Teams to Wear	SW - Social to Wear

Development of teams' motivation

+ page 95

Innovation in customer services

+ page 107

Improving community welfare

+ page 113

Corporate governance

+ page 131

(*) Inditex identifies the issues that most interest those parties with a relationship to the company by means of ongoing dialogue with its stakeholders to guarantee that Inditex's strategy is aligned with the concerns and expectations of those parties. This allows the company to create a materiality or relevant issues matrix that serves to define the priorities of its Annual Report.

our priorities

our priorities (1):
traceability of the supply chain

Objective

Ensuring traceability of the supply chain in all its processes and at all tiers

Material issues

5 Product quality, health and safety
18 Traceability in the supply chain
19 Capacity building and continual improvement of the supply chain
22 Human rights and working pratices in the supply chain
23 Health and safety in manufacturers and suppliers
24 Water consumption in our supply chain
25 Responsible purchasing practices
30 Dialogue with and commitment to stakeholders

Production traceability is the first step within the supply chain management strategy, and comprises various programmes to promote fundamental labour rights, product health and safety, and environmental protection with a shared objective: a stable and sustainable supply chain.

At Inditex, we develop tools that ensure the traceability of orders, guaranteeing that each product is manufactured with maximum compliance with labour, environmental, and product health and safety legislation. The factories used by our suppliers form part of our supply chain and are subject to all of our programmes and standards concerning quality, manufacturing, product health and safety, and environment. They are also subject to all of the labour and social principles set out in Inditex's Code of Conduct for Manufacturers and Suppliers.

We work together with all our suppliers and factories, whether on the first tier of suppliers that have a direct commercial relationship with Inditex or on other tiers of manufacturing such as factories working with raw materials, in garment sewing, printing, or any other process required in the production of our products.

With a view to ensuring the correct and efficient management of production traceability, Inditex employs a system in which suppliers disclose all factories used for manufacturing the orders, including all processes and tiers of the manufacturing process. Moreover, continual training and awareness-raising is carried out with purchasing teams and suppliers concerning good practices, in order to ensure that these are responsible for their own supply chain.

Further information at the following chapters (pages 41-153) and Inditex compliance programme: www.inditex.com/es/sustainability/suppliers/compliance_programme

traceability of the supply chain

Traceability of all **processes**, from weaving to the finished product

Traceability of all **tiers** of production

1,625

suppliers with purchase in 2014

Suppliers of fashion items (mainly clothing, footwear and accessories) with a production of over 20,000 units/year.

All suppliers must report their manufacturers, allowing Inditex to check their production capacity. Inditex is able then to globally monitor its supply chain, minimizing thus the outsourcing possibility.

5,382

factories reported by suppliers during 2014

FABRIC	275
CUTTING	513
MANUFACTURING	3,669
DYEING AND WASHING	309
PRINTING	186
FINISHING	430

Identification

TRACEABILITY

Online manufacturer management system

Production audits

(*) Textile, footwear and accessories factories declared by suppliers in the manufacturer management system for orders in 2014

a shared tool

Purchasing team
(order register)
Suppliers
(manufacturer and process register)
Sustainability
(Analysis, assessment and monitoring)

training

Ongoing training
For suppliers and purchasing teams

audits

Verification of traceability
Pre-assessment
Social
Specials
Production
Environmental
(GTW: Green to Wear)
Product health and safety
(RTM: Ready to Manufacture)

Assessment

CODE OF CONDUCT COMPLIANCE PROGRAMME

COMPLIANCE WITH ENVIRONMENTAL STANDARDS, CTW AND STW

Pre-assessment audits

Social audits

RTM audits
GTW audits

Picking project

RTM audits
GTW audits

Optimization

CONTINUAL IMPROVEMENT OF THE SUPPLY CHAIN

Corrective Action Plans

Training and capacity building for suppliers and manufacturers

Awareness-raising for design and purchasing teams

Sustainability

WORK IN SUPPLIER CLUSTERS

Collaboration with stakeholders as:

NGOs

Local governments

Trade unions

International platforms

Universities

Social | Environmental | Product health and safety

our priorities (2):

integrity of the supply chain

Objective

-

Stable and sustainable supply chain

Specific objective 2014: Implementation and strengthening of the "Strategic Plan for a stable and sustainable supply chain 2014-2018"

2018 year: the objective will be to consolidate the protection of fundamental labour rights of all workers involved in the production of products that Inditex commercializes and to ensure the sustainability of the supply chain.

Material issues

-

2 Code of Conduct and Responsible Practices

18 Traceability in the supply chain

19 Capacity building and continual improvement of the supply chain

22 Human rights and working practices in the supply chain

23 Health and safety in manufacturers and suppliers

25 Responsible purchasing practices

30 Dialogue and commitment with the stakeholders

The Code of Conduct for Manufacturers and Suppliers, along with the Compliance Programme guaranteeing its implementation, form the cornerstone of the work carried out by Inditex to manage and strengthen the supply chain. Based on this, in 2013 Inditex approved its Strategic Plan for a stable and sustainable supply chain 2014-1018, which continues to expand the Group's work over recent years and develops lines of action based on the compliance of four general objectives: monitoring, capacity building, continual improvement and commitment to stakeholders.

The plan's lines of action include identifying and getting to know suppliers and manufacturers in depth by performing exhaustive assessment and helping them to improve and optimize the social and working conditions of their employees. This makes it possible to ensure that they are sustainable and comply with all the standards required by Inditex, creating stable, long-term business relations.

Further information at
www.inditex.com/en/sustainability/suppliers

Strategic plan for a stable and sustainable supply chain 2014-2018

The Strategic Plan has a global scope, implemented on the local level in all countries where Inditex produces goods. To this end, Inditex has established CSR teams located in 10 key production regions (Spain, Portugal, Morocco, Turkey, India, Bangladesh, South East Asia, China, Argentina and Brazil). These teams are made up of local experts who create spaces for dialogue within communities which are known within Inditex as supplier clusters. These clusters ensure that the guidelines contained in each policy and programme have the same shared objective of guaranteeing the sustainability of the supply chain and the welfare of the workers within that chain. The supplier clusters are also adapted to each of the regions where production takes place.

The following pages describe the four lines of the Strategic Plan and the specific activities that were held in 2014. Each of the lines contains information on the main spheres of work related to the Plan's strategic objectives.

lines of action				
	IDENTIFICATION	ASSESSMENT	OPTIMIZATION	SUSTAINABILITY
MONITORING	Traceability	Compliance programme	Effective auditing	Mature relationships with suppliers and a holistic approach
CAPACITY BUILDING	Training for auditors	Worker participation	Training for suppliers	
CONTINUAL IMPROVEMENT	Audit quality management	Corrective Action Plans	Consolidation of the supply chain	
STAKEHOLDER ENGAGEMENT	Effective and efficient reference partners with whom Inditex can share good practices and create shared strategies			

Principles behind the Strategic Plan

Inditex's Strategic Plan for a stable and sustainable supply chain 2014-2018 arises from the Group's conviction that businesses have an important role to play in promoting and protecting human rights, fundamental labour rights and the standards set by the most relevant institutions on corporate social responsibility.

Guiding Principles of the United Nations Ruggie Framework

With its Strategic Plan, Inditex reiterates its commitment to the Guiding Principles on Business and Human Rights developed by the United Nations "Protect, Respect and Remedy" Framework, better known as the *Ruggie Framework*. With a view to applying these principles, Inditex has developed policies and procedures aimed at defending and promoting human rights both in its operations and those of its stakeholders.

The guiding principles establish a route map which aims to ensure that enterprises respect and protect human rights in all their operations: these are the so-called operational principles.

The Operational Principles of the Ruggie Framework in Inditex

	The Operational Principles of the Ruggie Framework	**Application of the principles in Inditex**
Policy commitment	"Business enterprises need to strive for coherence between their responsibility to respect human rights and policies and procedures that govern their wider business activities and relationships".	The Code of Conduct for Manufacturers and Suppliers protects fundamental labour rights and compliance with the Code of Conduct is mandatory for each and every one of Inditex's suppliers and manufacturers.
Due diligence	"Business enterprises should carry out human rights due diligence. The process should include assessing actual and potential human rights impacts, integrating and acting upon the findings, tracking responses, and communicating how impacts are addressed".	Identification and assessment of the supply chain by means of the Compliance Programme and the activities implemented as part of the Strategic Plan for supply chain management
Remedy	"Where a business enterprise identifies such a situation, whether through its human rights due diligence process or other means, its responsibility to respect human rights requires active engagement in remediation, by itself or in cooperation with other actors".	Optimization of the supply chain by means of Corrective Action Plans and collaboration with stakeholders.
Issues of context	"All business enterprises have the same responsibility to respect human rights wherever they operate. Where the domestic context renders it impossible to meet this responsibility fully, business enterprises are expected to respect the principles of internationally recognized human rights to the greatest extent possible in the circumstances, and to be able to demonstrate their efforts in this regard."	Inditex's policies concerning supply chain management are global in nature, but are applied locally and adapted to the needs and legislation of all countries where the Group manufactures products by means of supplier clusters.

Ethical Trading Initiative (ETI) Base Code

As a member of the ETI since 2006, Inditex recognizes the principles contained in the ETI Base Code, which is based on International Labour Organization (ILO) Conventions and is an internationally recognized code of labour practices.

UN Global Compact principles

Since Inditex joined the platform of the United Nations Global Compact in 2001, the brand has renewed its commitment to the Global Compact's 10 principles, achieving the highest level of adherence to the Compact and assuming an active role in initiatives such as the Advisory Group on Supply Chain Sustainability and the Human Rights Working Group of the Global Compact Network Spain.

Fundamental labour standards of the International Labour Organization (ILO)

The ILO has set out a series of fundamental labour standards, which establish the bases regulating dealings with workers:

- Freedom of association
- The prohibition and elimination of all forms of forced labour
- Minimum age for admission to employment
- Acceptable working conditions
- The elimination of discrimination in the workplace on any grounds

1. Identification of the supply chain

The first step towards ensuring sustainability in the supply chain is to identify its components. To this end, Inditex maintains close relations with its suppliers in order to create programmes tailored to their situation and in line with the Group's business model. In order to correctly identify and get to know suppliers, efforts are made to ensure traceability, provide training to auditors and implement continual improvements in auditing quality. In 2014, Inditex's supply chain was made up of 1,625 suppliers.

strategic plan 2014-2018

lines of action

	IDENTIFICATION	ASSESSMENT	OPTIMIZATION	SUSTAINABILITY
MONITORING	Traceability	Compliance programme	Effective auditing	Mature relationships with suppliers and a holistic approach
CAPACITY BUILDING	Training for auditors	Worker participation	Training for suppliers	
CONTINUAL IMPROVEMENT	Audit quality management	Corrective Action Plans	Consolidation of the supply chain	
STAKEHOLDER ENGAGEMENT	Effective and efficient reference partners with whom Inditex can share good practices and create shared strategies			

Traceability

highlight 2014

- Consolidation of production audits in all clusters
- **2,463** production audits

strategic objective 2014-2018

- Verification of traceability of 100% of production

objective fulfillment

Production traceability is the first step towards developing all the policies and activities involved in the sustainable management of the supply chain. In 2014, the establishment of production audits in supplier clusters was Inditex's primary objective in the sphere of traceability. An emphasis on traceability promotes the correct management of supply activities by purchasing teams, and increases product safety.

Based on an analysis of the information entered by suppliers into Inditex's online Manufacturer Management System, production audits allow an assessment of capacities, processes and time frames, and ensure that all production units are correctly declared and approved. This method guarantees that all workers involved in Inditex's production are covered by the programmes set out in the Code of Conduct, designed to protect their rights.

Thanks to the consolidation of the online Manufacturer Management System designed by Inditex in 2013 to meet the Group's needs in traceability, during 2014 more than 2,400 production audits were performed; that is, triple the number carried out in the previous year. All of the suppliers in the supply chain manage their portfolio of manufacturers and exchange updated information on manufacturers with Inditex.

Production audits performed in 2014

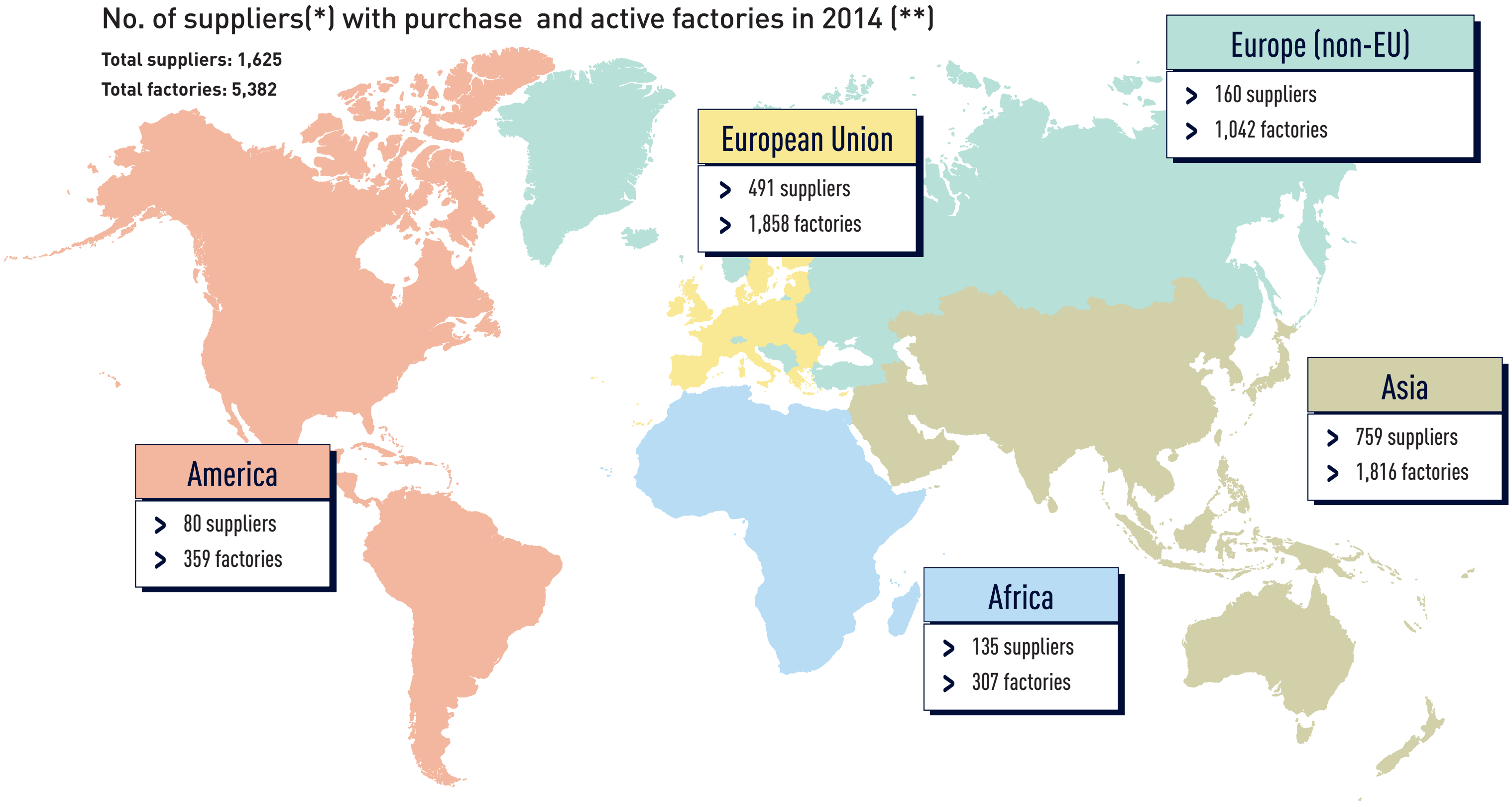
Geographic area	Production audits	
	2014	2013
Africa	163	307
America	1,751	347
Asia	488	82
Europe (non-EU)	57	84
European Union	4	n/a
Total	**2,463**	**820**

As a result of the 2,463 production audits performed in 2014, 266 breaches were detected, giving a compliance rate of 89%. Most of the breaches entailed that the supplier did not properly report to Inditex all the factories that took part in its production. Each and every case is analysed by Inditex's CSR teams, who apply the maxim used throughout the Strategic Plan: opportunities are given for improvement, but there is zero tolerance in the case of repeated non-compliance.

Further information at Sustainability balance (page157) and Compliance Programme:
www.inditex.com/en/sustainability/suppliers/compliance_programme

No. of suppliers(*) with purchase and active factories in 2014 (**)

Total suppliers: 1,625
Total factories: 5,382

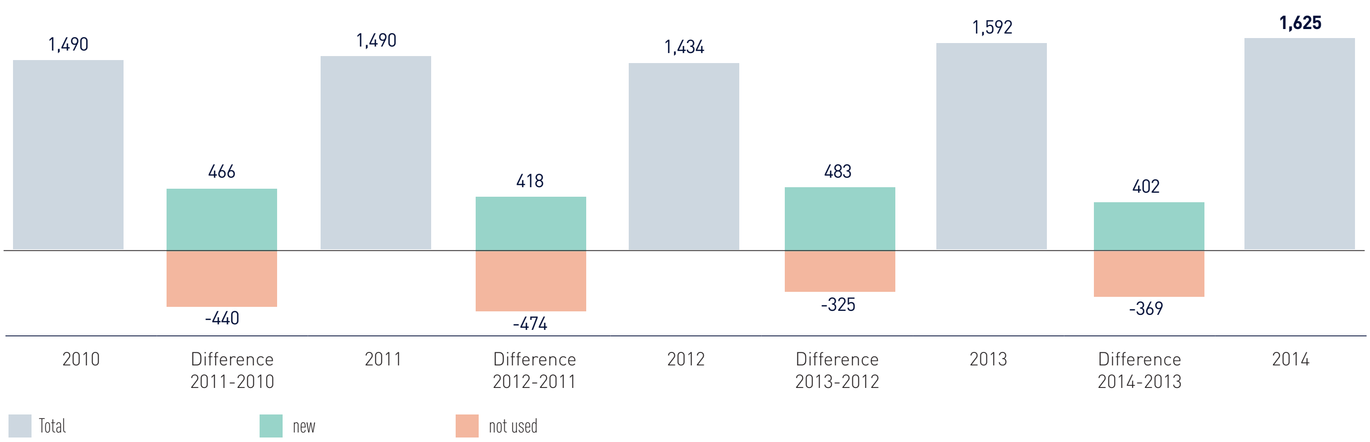


(*) Suppliers of fashion items, mainly clothing, footwear and accessories, with a production of over 20,000 units. Suppliers with smaller production account for 0.43% of total production.
(**) Textile, footwear and accessories factories declared as active by suppliers of fashion items – mainly clothing, footwear and accessories – with a production of over 20,000 units.

The Inditex supply chain in 2014

Geographic area	Suppliers with purchase 2013	Suppliers not used 2014	New suppliers for 2014	Suppliers with purchase 2014
Africa	124	21	32	135
America	82	26	24	80
Asia	738	185	206	759
Europe (non-EU)	151	38	47	160
European Union	497	99	93	491
Total	**1,592**	**369**	**402**	**1,625**

Evolution of suppliers over the last five years



Breaches detected in 2014:

Geographic area	Breaches detected:
Africa	40
America	12
Asia	174
Europe (non-EU)	40
European Union	0
Total	**266**

As of 2015, the aim is to perfect this methodology, incorporating the best practices for analysing manufacturer capacities, making it possible to obtain better technical information on all processes and product types, thereby gaining a realistic vision of the productive capacities of each factory.

Integration of traceability systems

During 2014, work continued to integrate all data related to production traceability into a single system designed to suit the needs of Inditex's business model. Environment, product health and safety, and compliance areas can access information on orders and product manufacturing from a single database. In turn, they add to this information the results and assessments from their control and auditing programmes, allowing purchasing teams and suppliers to gain access in real time to information on the behaviour of the supply chain in relation to Inditex's standards.

Training for auditors

highlight 2014

> **361** auditors trained in all supplier clusters

strategic objective 2014-2018

> Systematic and regular training of all auditors via the "train the trainer" system

objective fulfillment

In 2014, some 46 internal auditors and 827 external auditors have worked to ensure that all suppliers comply with the Code of Conduct and to establish corrective plans to deal with any breaches of the Code of Conduct.

Auditors have an important role in verifying compliance with the Code in all factories: this means that their training and capacity building is key. Inditex's CSR teams regularly train new auditors and provide specific training on certain provisions of the Code of Conduct.

In 2014, some 361 external and internal auditors received training in all supplier clusters. This included various internal auditors working for Inditex who gained qualifications related to *Social Accountability International's* SA8000 standard.

Auditors trained in 2014

Geographic area	Training	Auditors trained
Africa	1	7
America	7	33
Asia	19	184
Europe (non-EU)	22	85
European Union	13	52
Total	**62**	**361**

Training courses are designed to strengthen concepts or further explore aspects that lead to better quality audits and ensure that Inditex's methods and requirements are applied systematically in all assessments.

Standardization of practices

- Training of new auditors
- Specific training in social auditing methodologies and "Tested to Wear" pre-assessment

62 training activities
361 participants

- Regular follow-up training
- Shadow audits

Training for young experts

Inditex has an agreement with the Catholic University of Portugal, Porto on the training of students in the performance of social audits. Students gain work experience as auditors in Inditex, putting into practice the knowledge and skills acquired during their studies. Fourteen young people were selected and trained in 2014, performing social audits for Inditex and developing their analytical and management skills in an opportunity that for many was their first experience of the professional world.

Audit quality management

highlight 2014

- Implementation of a new methodology for social audits

strategic objective 2014-2018

- An audit system targeted at assessing and improving management methods

objective fulfillment

Inditex is conscious of the fact that suppliers are subject to a great number of social audits involving various companies and standards (*audit fatigue* syndrome), and seeks to provide supply chain control solutions that go beyond the sphere of auditing. One essential step in this process is ensuring the quality of audits, guaranteeing that they are carried out correctly and that results are used for actions as part of sustainability and improvement programmes. Moreover, the scope of auditing extends to all tiers of production, providing exhaustive knowledge on the supply chain.

In 2014, Inditex's methods of performing social audits were updated in order to simplify the process and improve the quality of information obtained. The methodology employed until now, designed in 2007 in conjunction with the International Textile, Garment and Leather Workers' Federation (ITGLWF) – which has now been integrated into the new international industry trade union federation IndustriALL Global Union – and the Cambridge Centre for Business and Public Sector Ethics, is regularly revised in order to bring in all the changes and experiences accumulated over time.

The new methodology gives auditors more independence, allowing them to provide a realistic and complete overview of each factory, covering concepts such as decent wages, worker health and safety, and management systems, in greater depth.

MORE THAN 10,000 AUDITS TOOK PLACE IN 2014, CATEGORIZED AS PRE-ASSESSMENT, SOCIAL, SPECIAL AND PRODUCTION

Main advances in the new methodology for social audits

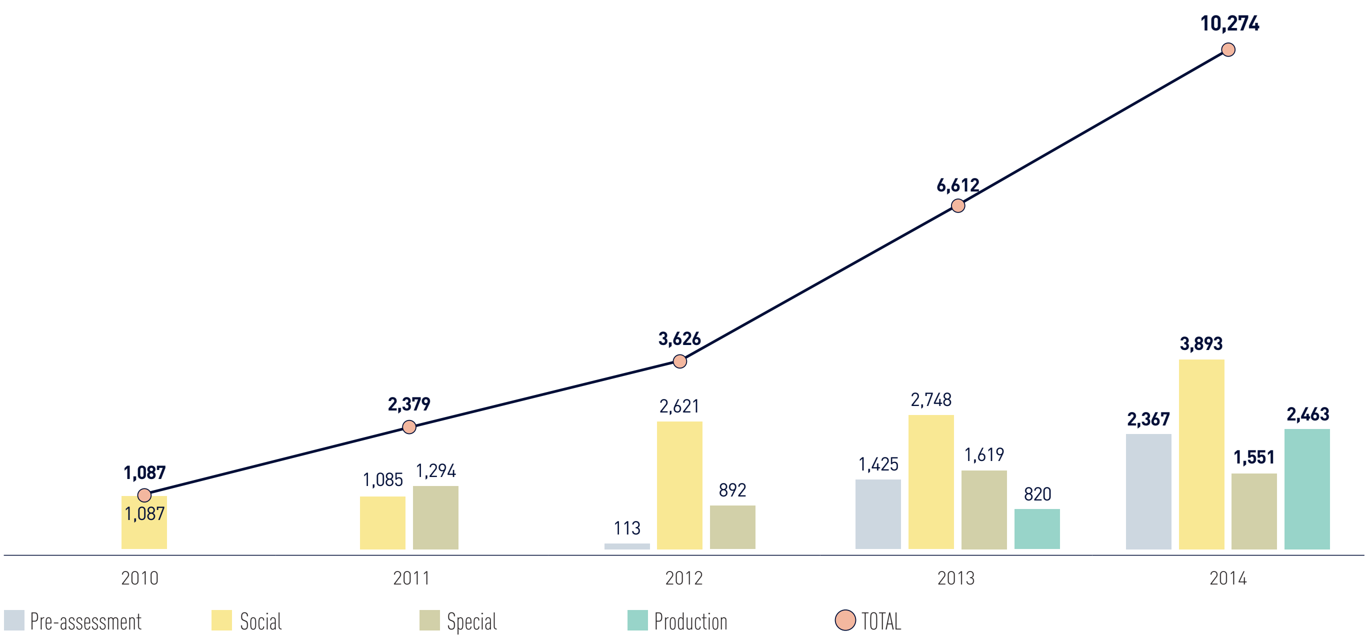
	Old methodology	New methodology
Documentation	Five questionnaires to be completed by the auditor	Single, simpler but more wide-ranging questionnaire
Auditor maturity and professionalism	The auditor collects information and captures it in the audit	The auditor collects information, analyses the information and provides conclusions
Management systems	Separate assessment of each aspect of management	Comprehensive assessment providing a better overall vision of management systems
Worker health and safety	Verification of compliance with health and safety via interviews, visual inspection and information gathering	In-depth investigation of aspects concerning building stability and worker safety
Traceability	Gathering information on traceability through interviews and visual inspections	Strengthening procedures and documentation related to traceability issues

Audits performed on manufacturers in 2014 by geographic area and type

	Social					
Geographic area	**Pre-assessment**	**Initial**	**Follow-up**	**Special (*)**	**Production**	**Total**
Africa	74	100	45	462	163	844
America	154	251	153	2	1,751	2,311
Asia	1,199	1,143	580	1,030	488	4,440
Europe (non-EU)	441	513	223	24	57	1,258
European Union	499	789	96	33	4	1,421
Total	**2,367**	**2,796**	**1,097**	**1,551**	**2,463**	**10,274**

(*) Special audits include health and safety checks, and visits to verify the level of compliance with Corrective Action Plans, among others

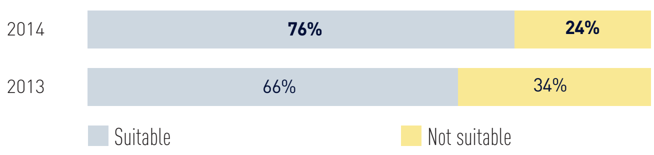
Evolution of audits performed over the last five years



Further information at Sustainable balance sheet (pages 166-170)

Pre-assessment audits

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



Geographic area	Pre-assessment audits	% deemed suitable
Africa	74	77%
America	154	64%
Asia	1,199	69%
Europe (non-EU)	441	85%
European Union	499	89%
Total	**2,367**	**76%**

In 2014, of the 2,367 pre-assessment audits performed on potential suppliers, 76% were considered to be suitable to produce goods for Inditex, 10% more than in 2013. This increase, compared with the previous year, demonstrates the trend for increasing awareness among textile suppliers and manufacturers of the minimum sustainability standards that they must respect, as well as the internal awareness among Inditex's purchasing teams when selecting suppliers.

Social audits

Each and every one of the suppliers and manufacturers in the Inditex supply chain is subject to regular social audits. There is always an initial audit when a supplier begins working with Inditex, as well as follow-up audits. The aim is to verify their compliance with the Code of Conduct and to establish Corrective Action Plans (CAPs) intended to ensure that fundamental labour rights are respected.

A supplier or factory that has gained the maximum classification (A grade) is always subject to an audit at least every two years. Audit frequency increases progressively according to the level of breaches of compliance detected.

The audits are performed on all levels of production and are carried out both by internal auditors and certified external auditors, without prior notification of the date the visit is to be performed. In 2014, some 3,893 social audits were performed on potential suppliers and factories.

Special audits

The more than 1,500 special audits performed in 2014 consisted of visits and inspections related to specific issues such as worker health and safety, and competence visits to ensure compliance with the Corrective Action Plans. These audits include, for instance, the inspection of laundry processes to ensure that the sandblasting process, which is prohibited by Inditex, is not in use.

Implementation of a new methodology for social audits

The new methodology for social audits was launched throughout the Group at the end of 2014, having been agreed with the IndustriALL Global Union and shared with internal and external auditing teams, who contributed their comments and suggestions. Prior to the launch, auditors had received theoretical and practical training as part of a "train the trainer" process. These auditors are now working with the new methodology in all audit processes.

Production audits

Production audits are intended to guarantee the traceability of the supply chain from the analysis of the information gathered in the Manufacturer Management System.

Further information on page 44.

DURING THE LAST FIVE YEARS THE NUMBER OF AUDITS HAVE MULTIPLIED BY TEN AND THEY HAVE ALSO WIDENED THEIR SCOPE

2. Assessment of the supply chain

Assessments and analysis provide knowledge of the type of supply chain Inditex has at its disposal, as well as its strengths and areas for improvement.

strategic plan 2014-2018				
lines of action				
	IDENTIFICATION	ASSESSMENT	OPTIMIZATION	SUSTAINABILITY
MONITORING	Traceability	Compliance programme	Effective auditing	Mature relationships with suppliers and a holistic approach
CAPACITY BUILDING	Training for auditors	Worker participation	Training for suppliers	
CONTINUAL IMPROVEMENT	Audit quality management	Corrective Action Plans	Consolidation of the supply chain	
STAKEHOLDER ENGAGEMENT	Effective and efficient reference partners with whom Inditex can share good practices and create shared strategies			

Compliance programme

highlight 2014

> **85%** of suppliers had an A or B rating

strategic objective 2014-2018

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

objective fulfillment

The Compliance Programme ensures that all suppliers of the Inditex Group observe the Manufacturer and Supplier Code of Conduct. The programme employs different assessment tools that allow full analyses to be made of the supply chain, identifying its strengths and needs.

As a result of social audits, each supplier receives a rating which is modified according to their level of compliance with the Code of Conduct. Based on the results of social audits, and analysing compliance in each aspect of the Code of Conduct, areas for improvement are identified and programmes and plans are developed that focus on improving workers' conditions, and compliance with environmental and product health and safety standards.

Inditex's objective is for 100% of its suppliers to be classified as grade A or B by 2018, which would represent a high level of compliance with the Code of Conduct. In 2014, some 85% of suppliers with purchase were classified as grade A or B. These 1,377 suppliers are responsible for 93% of Inditex's production, over the ratios achieved in previous years.

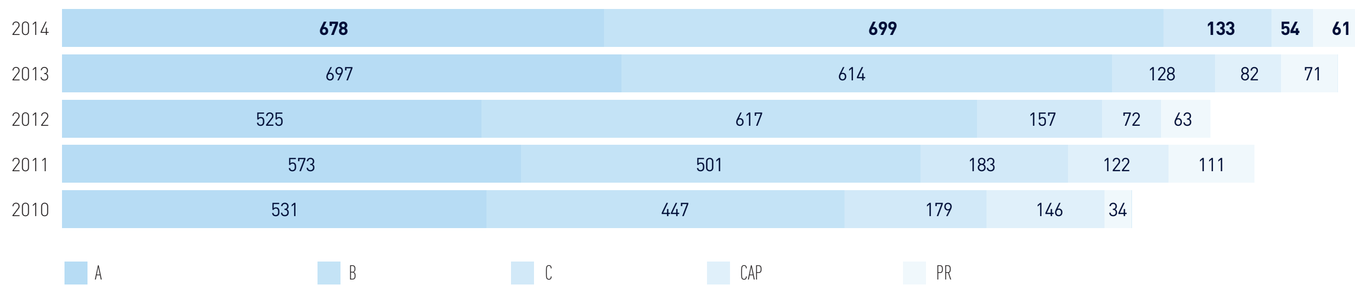
Suppliers with purchase in 2014

	2014		2013	
Supplier classification*	**Suppliers**	**% Suppliers**	**Suppliers**	**% Suppliers**
A	678	42%	697	44%
B	699	43%	614	39%
C	133	8%	128	8%
CAP	54	3%	82	5%
PR	61	4%	71	4%
Overall total	**1,625**	**100%**	**1,592**	**100%**

Supplier A: complies with the Code of Conduct
Supplier B: fails to comply with a non-material aspect of the Code of Conduct
Supplier C: breaches a sensitive aspect of the Code of Conduct
Supplier subject to corrective action: suppliers that breach critical aspects of the Code of Conduct are immediately brought under a corrective action plan
Supplier PR: Undergoing the auditing proces

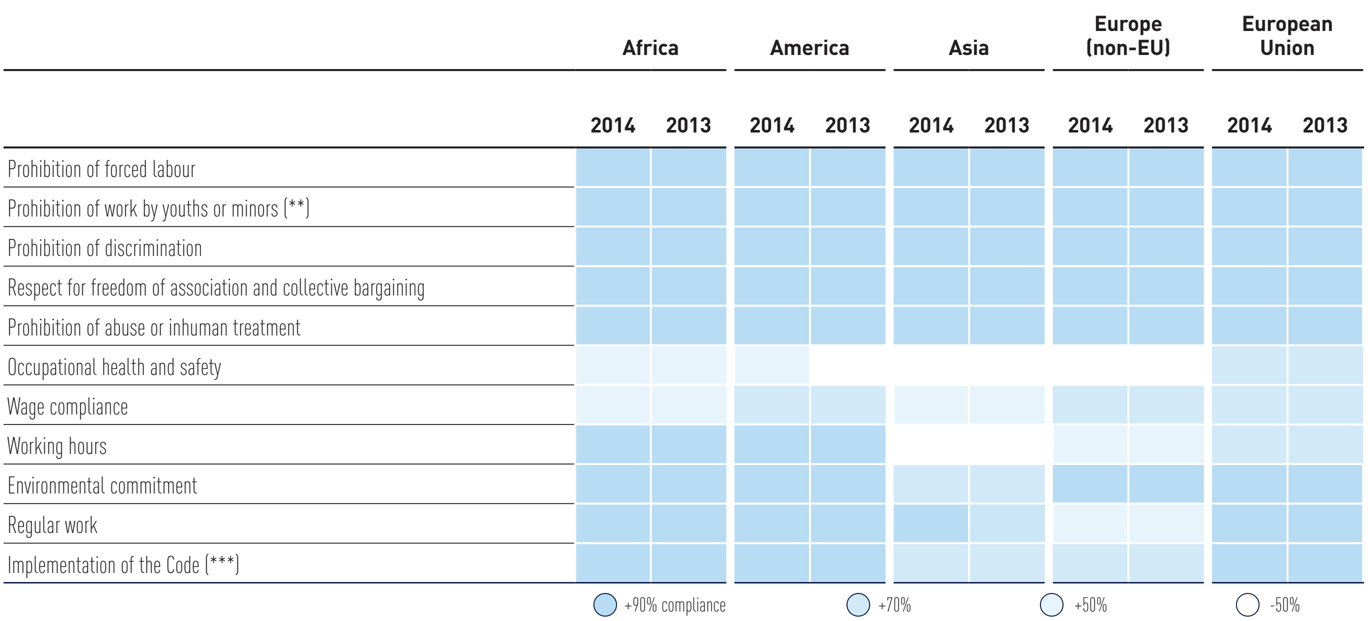
Further information at Compliance Programme and social audits:
www.inditex.com/en/sustainability/suppliers/compliance_programme
www.inditex.com/en/sustainability/suppliers/csr_audits

Evolution of supplier classification over the last five years



Compliance with each of the different sections of the Code of Conduct is analysed to identify areas for improvement and establish specific programmes.

Percentage compliance with the Code of Conduct in the active factories (*) used by suppliers with purchase in 2014



*Does not include the factories rejected in 2014.
**Includes the lack of suitable systems for checking the age of workers.
***Includes the lack of suitable systems for registering and informing workers.

Promotion of education

Inditex has developed specific programmes to cover critical areas in the case of breaches of the Code of Conduct. One example of this is the programme From Production back to Education.

In collaboration with non-profit organizations such as the Association for the Support of Contemporary Living (CYDD) in Turkey; Pratham, India; and Awaj, Bangladesh, Inditex's Plan for the Prevention and Remedy of Child Labour seeks to protect and guarantee the rights of minors, in particular their right to education, regardless of their family financial situation. Consequently, when a situation of child labour is identified, the supplier is considered to be responsible for ensuring the education of the minor, assuming the costs deriving from their education until they reach the legal working age. At that time, the worker will have the opportunity to take up their previous job once more if they wish. During the time that the minor forms part of the Remedy Plan the supplier must pay a sum equivalent to the wages payable to the minor or hire another member of their family of legal working age. Moreover, the factory and the supplier must develop and implement measures to avoid future cases of child labour, thereby contributing to eradicating such practices.

In this way, Inditex pay special attention to guaranteeing and protecting the rights of minors in all communities where it operates, with a particular focus on promoting the right to education.

Worker participation

highlight 2014

- Activities to develop the Framework Agreement with IndustriALL

strategic objective 2014-2018

- Workers freely selected as representatives throughout the supply chain

objective fulfillment

INDITEX HAS RENEWED IN 2014 ITS FRAMEWORK AGREEMENT WITH INDUSTRIALL, THE ONLY AGREEMENT OF ITS KIND SIGNED BY A GOLBAL RETAILER

Inditex firmly believes that the party best able to protect worker rights are the workers themselves. That's why it is essential that workers know their rights, establish fruitful dialogue, and have the collective bargaining mechanisms they need to safeguard those rights.

The work of trade unions is one of these mechanisms, and collaboration with the international trade union federation IndustriALL and local trade unions by means of the Framework Agreement signed in 2007 is essential to establishing and promoting initiatives to provide information and increase worker autonomy. The Framework Agreements were renewed in 2014.

In 2014, the Framework Agreement with IndustriALL has been implemented in the following activities:

- Transparency of the supply chain: Inditex shares all information on its supply chain, which is updated on a regular basis, with IndustriALL.
- Promotion of initiatives favouring decent wages in the supply chain based on improved conditions for worker dialogue and negotiation.
- Implementation of the Framework Agreement on a local level throughout Inditex's supply chain, as established in the protocol signed by Inditex and IndustriALL in 2012, which develops the Framework Agreement:
    - Training programme in Turkey in collaboration with the Istanbul Ready-Made Garments Exporters' Associations (IHKIB), the local trade union Öziplik-iş and the Kocaeli University of Istanbul. The project began in 2013 as a pilot project, and has continued to be developed with activities following up on the training carried out in the previous year. The experience has been repeated in a factory where 30 employees received training and mechanisms were established for the free election of representatives.
    - Joint Turkey Programme: Within the framework of this programme in collaboration with IndustriALL and other international brands to improve working conditions and labour relations, in 2014 training was imparted to 116 workers' representatives, supervisors and management in the rights and duties of workers and communication and negotiation. The training was imparted by academics from the Kocaeli University of Istanbul.
    - Analysis of the textile industry in Tunisia with the aim of getting to know the real situation of the sector in the country, establishing relations with local trade unions and designing future actions to meet worker needs.
    - Joint interventions with IndustriALL representatives, local trade unions and supplier and employer representatives in a range of countries, as Indonesia and Portugal, for conflict resolution.
    - Collaboration with the communications department of IndustriALL to raise awareness in the textile industry in countries such as Turkey and Bangladesh, and the positive effects of the Framework Agreement.

Decent wages

Living wages is a concept considered by the International Labour Organization to be one of the fundamental human rights required to achieve "universal and lasting peace", as established in the text of the ILO Constitution of 1919.

The concept and implementation of a living wage lacks an standardized definition or measurement, although in recent years some important progress has been made to guarantee that workers in the supply chain are paid wages that are sufficient to cover at least the basic needs and any other that might be considered reasonable additional needs of the workers and their families, as set out in Inditex's Code of Conduct.

In collaboration with its stakeholders, Inditex implements various programmes that aim to guarantee that living wages are paid to workers in its supply chain. These programmes mainly involve capacity building for workers to allow collective bargaining to take place with the participation of all the required stakeholders to ensure effective social dialogue. A result of this has been the implementation of the following working lines:

Promotion of collective bargaining

By means of the Framework Agreement signed with IndustriALL in 2007, Inditex has implemented various programmes within its supplier clusters to promote collective bargaining through freely chosen worker representatives. Since then, programmes have been carried out in countries such as Portugal, Morocco, Turkey, Argentina, Brazil, Tunisia and China.

Inditex shares the list of suppliers and factories with IndustriALL on a regular basis, as well as with local trade unions, in order to facilitate the correct implementation of these programmes.

Improving production systems

Inditex creates value through projects to improve productivity and efficiency in factories, with a view to achieving better payment for workers employed in these factories. In this way, Inditex in collaboration with IndustriALL has implemented pilot projects in Turkey that have demonstrated that it is possible to achieve wage improvements without increased costs for suppliers or for clients.

Improvements to factors such as production systems, human resources management and safety and factories are the objectives of the programme implemented with the assistance of the ILO in China. To date, the programme has been implemented in two factories with very encouraging results that it is hoped can be extended to other factories as of 2015.

Responsible purchasing practices

Inditex's CSR teams impart regular training sessions for purchasers with the aim of raising

their awareness of how their purchasing decisions influence the factories used. A better knowledge of the supply chain, provided by the internal tool for Factory Management, encourages more efficient purchasing and avoids the breaches that can occur due to incorrect planning.

Specifically, in 2015, Inditex will carry out purchase training programmes employing the Ethical Trading Initiative (ETI) Methodology for purchasing practices, which it is expected to be implemented, both in the company's purchasing teams in Spain and teams in other countries.

Collaboration with stakeholders

Collaboration with different stakeholders is fundamental to achieving decent wages for workers in Inditex's supply chain, allowing them to cover their needs and have at their disposal a discretionary income.

To this end, in 2014 in conjunction with other international brands, Inditex signed the Enabling Principles that form the basis of a way of working to achieve decent wages in supply chains. Based on the various meetings being held with the assistance of other stakeholders, we expect to implement projects that position the textile industry as a benchmark for other sectors in issues of social dialogue with the necessary assistance of governments, trade unions, employers' organizations and NGOs, among other actors.

Wage increases in Cambodia

For Inditex, assuring a decent wage for all workers is one of the pillars of the management of its supply chain. This is why Inditex has always been an active promoter of social dialogue between all parties involved, based on experience that collective bargaining is the most effective way of achieving sustainable measures adapted to the real needs of workers.

Based on these principles, Inditex, in collaboration with other brands and the international trade union IndustriALL issued a letter to the government of Cambodia and the employers' association, Garment Manufacturers Association in Cambodia (GMAC) on 18 September 2014, urging them to engage in negotiations on wage increases with the participation of all parties, the government, employers' organization and workers' representatives.

As a result of negotiations between the parties, on 12 November 2014 the Government of Cambodia announced a new minimum wage of 128 dollars per month for the sector of clothing and footwear manufacturing industry for 2015, which constitutes an increase of 28%. This is an achievement which, thanks to technical support from the ILO and the agreement reached between trade unions, employers and the Government, aims to guarantee that all workers enjoy a minimum standard of living compatible with a dignified existence, as set out in Cambodia's Employment Law.

Corrective action plans

highlight 2014

> **59%** of Corrective Action Plans completed successfully

strategic objective 2014-2018

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

objective fulfillment

After every audit, Inditex establishes Corrective Action Plans and supports and advises each factory on their application. Other entities such as trade unions and NGOs may also take part in this process. These plans are particularly strict in the case of factories that have committed certain breaches of the Code of Conduct (Project D). In such cases, plans are established for up to six months and are supervised by Inditex teams on the ground.

Corrective Action Plans 2014 (Project D)

Geographic area	Factories that initiated an improvement process	Factories that improved their compliance	Factories in the process of improvement	Percentage of CAPS successfully completed
Africa	19	10	7	83%
America	2	2	0	100%
Asia	336	174	87	70%
Europe (non-EU)	155	27	67	31%
European Union	52	14	18	41%
Total	**564**	**227**	**179**	**59%**

Since continual improvement is one of the primary goals of supply chain management, Inditex exercises zero tolerance with those who do not take advantage of the opportunities given to them to ensure compliance with the standards set out in the Code of Conduct and local legislation. Factories that did not manage to meet the requirements of a Corrective Action Plan in 2014 have been rejected, and cannot form part of Inditex's supply chain.

In 2014, some 56 suppliers were rejected due to breaches of one or more of the requirements and principles that must be complied in order to work with Inditex, including 30 suppliers that breached the Code of Conduct.

Further information at Sustainability balance (page157) and Corrective Action Plans: www.inditex.com/en/sustainability/suppliers/corrective_action_plans

Active suppliers on 31 January 2015

Geographic area	Suppliers with purchase *	Rejected due to a breach of the Code of Conduct	Rejected for commercial reasons	Active suppliers at 31/01/2015
Africa	135	2	2	131
America	80	5	7	68
Asia	759	13	10	736
Europe (non-EU)	160	5	1	154
European Union	491	5	6	480
Total	**1,625**	**30**	**26**	**1,569**

(*) Suppliers of fashion items, mainly clothing, footwear and accessories, with a production of over 20,000 units/year. Suppliers with smaller production account for 0.43% of total production.

Competence visits

Each of the Corrective Action Plans is developed on an individual basis and is personalized. The development of plans is coordinated between the supplier, the factory, Inditex's teams and, where necessary, other stakeholders. This joint initiative has a shared objective: to improve working conditions and the working environment of employees in the factories that form part of Inditex's supply chain. Part of this monitoring work takes the form of competence visits to evaluate the measures put in place. In 2014, Inditex's CSR teams on the ground performed a total of 1,190 competence visits.

3. Optimization of the supply chain

Inditex understands that it must help its suppliers to improve their production conditions and support them in this process throughout their commercial relationship with the ultimate goal of ensuring the sustainability of the supply chain. To this end, various initiatives and projects are implemented with the aim of improving auditing processes, training suppliers and consolidating a stable supply chain.

strategic plan 2014-2018				
lines of action				
	IDENTIFICATION	ASSESSMENT	OPTIMIZATION	SUSTAINABILITY
MONITORING	Traceability	Compliance programme	Effective auditing	Mature relationships with suppliers and a holistic approach
CAPACITY BUILDING	Training for auditors	Worker participation	Training for suppliers	
CONTINUAL IMPROVEMENT	Audit quality management	Corrective Action Plans	Consolidation of the supply chain	
STAKEHOLDER ENGAGEMENT	Effective and efficient reference partners with whom Inditex can share good practices and create shared strategies			

Effective auditing

highlight 2014

- **319** participants in sustainability training and awareness-raising sessions

strategic objective 2014-2018

- Alignment and involvement of the sustainability strategy in the business model

objective fulfillment

Auditing tools make it possible to ensure that Inditex's purchasing teams have the precise information they need on supplier compliance with requirements in social, environmental, and product health and safety issues.

Audits are effective when they fulfill this goal, and to this end it is essential that all purchasing teams in the Group's various retail brands and other business areas are involved in the process. The alignment of sustainability and business strategies is based on responsible purchasing practices.

Inditex has various channels at its disposal to ensure this alignment of purchasing practices and sustainability criteria, guaranteeing the traceability of production and the inclusion of supply chain management as a fundamental pillar of the Group's business.

CSR teams inform purchasers of audit results in real time using internal tools that involve purchasers in the process of improving the supply chain. Among the tools used to communicate results, alerts are generated whenever there are changes in compliance with social criteria by a supplier or factory. It is also worth highlighting the control measures applied to all potential suppliers and factories before any orders are formalized by means of a pre-assessment process.

Employee training and awareness raising

Employee training and awareness raising play a very important role in aligning sustainability policies in all of the Group's business areas. Employees in all areas of the company are trained on aspects of sustainability and maintain fluid contact with CSR teams. In 2014, some 187 new employees at Inditex's head offices were trained by CSR teams, along with 132 attendees working in purchasing teams within offices in the different clusters.

[AF2, AF17, G4-HR2]

Training of suppliers

highlight 2014

- Training for **1,191** suppliers in different clusters

strategic objective 2014-2018

- Regular training programme for 100% of suppliers and manufacturers

objective fulfillment

Aware that guaranteeing a sustainable supply chain involves much more than merely monitoring that chain, capacity building of suppliers continues to be a crucial pillar of Inditex's supply chain management strategy. Inditex is committed to implementing all necessary measures to ensure that factories and suppliers know and understand the contents of the Group's Code of Conduct, which is intrinsically linked to compliance.

The objective for 2018 is for all suppliers to be included in regular training and capacity-building programmes, and to this end in 2014 the scope of the strategy was expanded to include new countries and projects, adapting training activities to meet the needs of suppliers and imparting 48 training courses and 714 individual sessions to raise awareness among the supply chain. In this respect, and based on the work carried out in each of the clusters, Inditex's focus will be increasingly on support for suppliers and the promotion of continual self-assessment. In this way, suppliers will have ever-improving tools at their disposal to optimize their own business and take responsibility for their own supply chain.

SUPPLIER TRAINING PROGRAMMES ARE TARGETED AT PROMOTING CONTINUAL SELF-ASSESSMENT

Main topics in training plans

- Fundamental labour rights
- Inditex's Code of Conduct and its compliance
- Production traceability
- Raising awareness of gender equality
- Safety in facilities

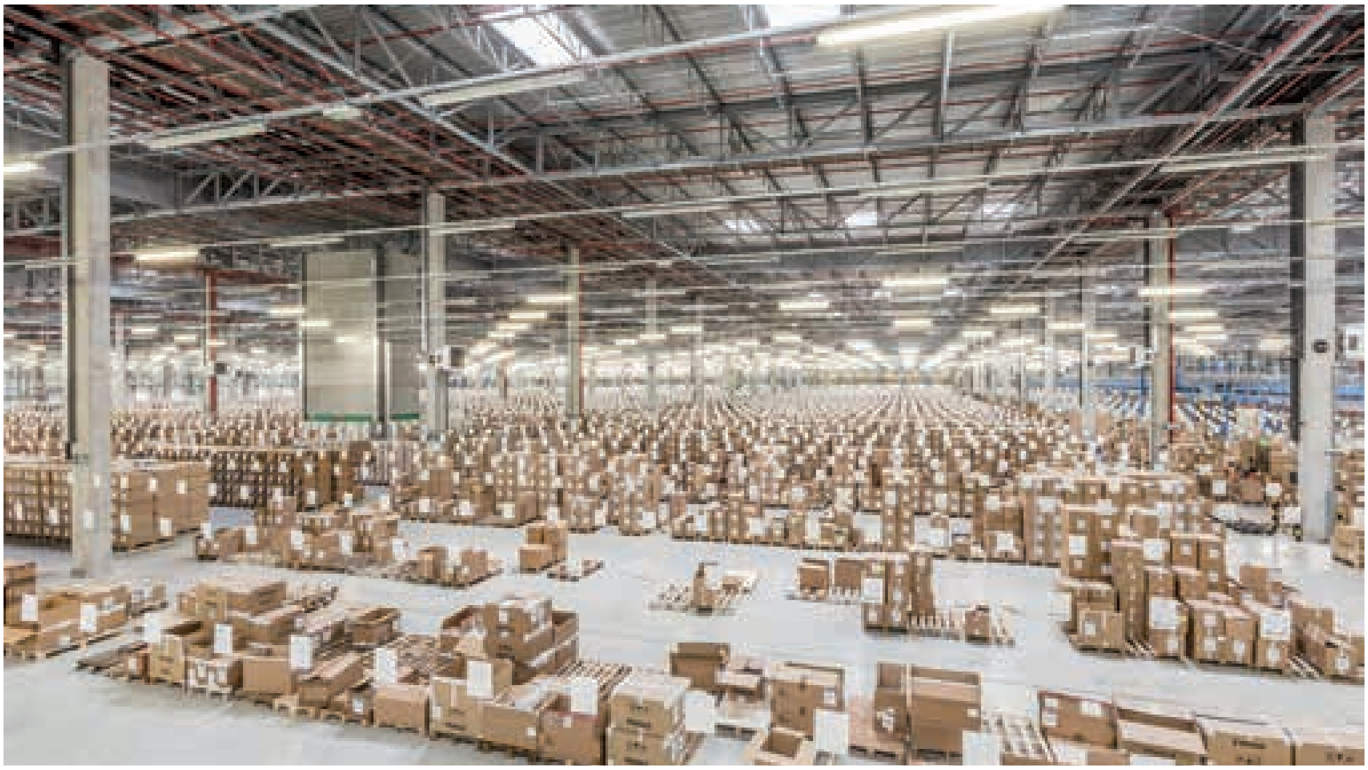
Suppliers trained in 2014 by region

Geographic area	Suppliers trained
Africa	24
America	48
Asia	1,015
Europe (non-EU)	77
European Union	27
Total	**1,191**

Training for women in India

Women make up the majority of workers in the textiles industry in many countries forming part of Inditex's supply chain. In India, the *Shaki* project aims to raise awareness and establish gender equality practices in factories based on training for employees, supervisors and management alike in order to avoid and prevent any type of breach of worker rights based on their gender.

With the collaboration of an Indian NGO specializing in health matters, *Swasti*, 68 suppliers and 11 factories in the country have received training in 2014 on gender awareness and the importance of having mechanisms to prevent discrimination and sexual harassment, including the creation of gender committees in factories. The training involved 195 participants, including factory workers, supervisors and management teams.



Consolidation of the supply chain

highlight 2014

- Improved ratings for suppliers according to years of commercial relationship with Inditex

strategic objective 2014-2018

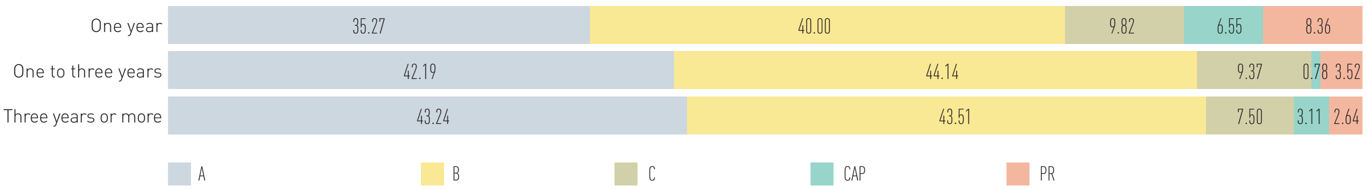
- Establish and maintain stable relationships of trust with suppliers

objective fulfillment

Establishing lasting relationships of trust with suppliers is key to consolidating the supply chain. This is demonstrated by the improved classification awarded to suppliers according to the way relationships with Inditex are maintained over time.

Suppliers are subject to policies and programmes aimed at protecting the rights of workers from the moment they enter Inditex's supply chain. The work carried out in clusters allows suppliers to form part of supply chain management by taking responsibility for the factories they work with, and undertaking to fulfil the commitments set out in the Guiding Principles on Business and Human Rights.

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



4. Stakeholders engagement

highlight 2014

- Renewal of the Framework Agreement with IndustriALL and development of programmes with the ETI, ILO, Global Compact and other landmark organizations

strategic objective 2014-2018

- Development of external partnerships to strengthen the supply chain

strategic plan 2014-2018

lines of action

	IDENTIFICATION	ASSESSMENT	OPTIMIZATION	SUSTAINABILITY
MONITORING	Traceability	Compliance programme	Effective auditing	Mature relationships with suppliers and a holistic approach
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The challenges posed by a global supply chain are shared by many stakeholders. The positive impact of working together to identify these challenges and seek shared solutions is beneficial to the industry in general and to the development of communities where the Group is present. There are many international and local platforms and forums that create synergies and achieve real progress in the protection of the human rights of workers. One of the most important of these is the international trade union IndustriALL, with whom Inditex has recently renewed the Global Framework Agreement (GFA) signed in 2007. This is complemented by Inditex's active participation in reputed international platforms such as the Ethical Trading Initiative (ETI), the International Labour Organization (ILO), Better Work and the United Nations Global Compact.

Following more than six years of fruitful collaboration, Inditex and IndustriALL have renewed their Framework Agreement, positioning freedom of association and the right to collective bargaining as the central pillars of a sustainable supply chain, since these rights provide workers with the necessary mechanisms to control and strengthen their labour rights.

During the signing of the agreement, the Secretary-General of IndustriALL, Jyrki Raina, stated: "The GFA with Inditex is a model of mature industrial relations with a multinational corporation. In promoting trade union values, the GFA empowers workers and improves lives, allowing even the most vulnerable people at the bottom of Inditex's supply chain to be heard and protected. Essentially, with the GFA, Inditex underlines that unions are good for business and necessary partners in creating a fair and sustainable supply chain. We look forward to continuing our successful relationship with Inditex well into the future."

Renewal of the Framework Agreement with IndustriALL

In 2007, Inditex signed a Framework Agreement with the International Textile, Garment and Leather Workers' Federation (ITGLWF), an institution which, following its merger with other federations, is now known as IndustriALL Global Union. To date, this is the only agreement of its kind signed by a global retailer.

This agreement protects the interests of all workers involved directly or indirectly in the set of activities developed by Inditex, establishing better standards in matters of trade union rights, health, safety and environmental practices.

The Secretary-General of IndustriALL, Jyrki Raina; the Deputy Director-General of the ILO, Gilbert Houngbo; and the Chairman of Inditex, Pablo Isla during the renewal of the Framework Agreement in July 2014.

SEVEN YEARS OF FRAMEWORK AGREEMENT

2007	**Signing of the Framework Agreement**
	Ensure compliance with all international labour standards in the operations of Inditex's suppliers across the globe.
2012	**Establishment of the Protocol contained in the Framework Agreement**
	The Protocol transferred implementation of the Agreement to local operations, which has led to close cooperation with local trade unions in the various clusters.
2014	**Renewal of the Framework Agreement**
	Freedom of association and the right to collective bargaining as the central pillars of a sustainable supply chain.

Evolution of the Accord on Fire and Building Safety in the Textile Industry in Bangladesh

The collapse of the Rana Plaza building in 2013, considered to be the biggest accident in history of the textile industry in which more than 1,000 people lost their lives, led to the creation of cooperation platforms by the world's main textile brands with the objective of improving the health and safety conditions in factories in Bangladesh. Although Inditex had no commercial relationship with any of the factories in Rana Plaza, the company took part from the outset in the initiatives which emerged from the tragedy to palliate the consequences of the collapse.

In May 2013, the Accord on Fire and Building Safety in Bangladesh (known as the Accord) was established, a pioneering agreement between international brands and distributors, local and international unions and NGOs in order to ensure better and lasting improvements to working conditions in the country's textile industry. Inditex is a founding member of the Accord, which by the end of 2014 encompassed more than 190 textile brands, retailers and importers, as well as two international trade unions, eight local trade unions and four NGOs. During the past year, the Accord has brought together all the stakeholders in the country to embark on and consolidate a process based on the inspection of 1,103 factories in Bangladesh to date, the correction of the breaches detected and the creation of health and safety committees that will serve as a platform for dialogue and interaction between workers and factory owners with a view to achieving a more sustainable management of health and safety issues in Bangladesh.

As a signatory of the Accord, Inditex has undertaken the commitment to improve conditions in the factories where the Group carries out its production activity with the aim of ensuring that workers can perform their tasks in a safe environment.

As a result of this commitment, Inditex has undertaken to submit the details of its supply chain in Bangladesh to the Accord on a regular basis, and take responsibility for ensuring that these factories implement any Corrective Action Plans to resolve breaches detected during the inspections performed at each factory (building structure, fire prevention, and electrical installations).

At the same time, Inditex has enhanced and strengthened control mechanisms within its supply chain, placing an emphasis on communication with external and internal stakeholders. In this respect, apart from its involvement in the Buyers' Forum Bangladesh organized by the IFC and the platform Better Work Bangladesh, there has been an increase in activities offering added value, such as training for suppliers in supply chain management or consulting services on health and safety issues with a focus on the structural aspect of buildings. Efforts have also been made to encourage responsible purchasing practices within the Inditex Group's various commercial teams with ongoing training for our purchasers. Inditex has redoubled its efforts with its own assessment and improvement measures within the country, with more than 370 social audits, 132 compliance visits and 113 specific health and safety/building structure visits. These measures have been gradually extended to the brand's other supply clusters, and in 2014, some 692 specific health and safety visits were performed.

Inditex's CSR team in Bangladesh has taken a leading role in these initiatives with a multilateral approach, bringing together the range of strengths and improvement areas for each stakeholder in order to achieve objectives in a crosscutting manner, resulting in a mutually beneficial learning process and common strategy.

Programmes with landmark organizations

Ethical Trading Initiative

- Commitment to its Base Code
- Active participation in the working group created to draft general principles allowing for wages in the supply chain to be increased
- Participation in the Tamil Nadu Multi Stakeholder Initiative promoting joint efforts to abolish abusive forms of employment in the south of India based on programmes focusing on communities, the implementation of direct measures in the spinning industry, and support for policy changes ensuring increased protection for women
- Active participation in meetings of the China Caucus to deal with the challenges faced by the industry and share good practices, seeking joint solutions
- Participation in forums and seminars on a variety of issues: living wages, migrant populations, etc.

Better Work

- Better Factories Cambodia: More than 30 factories registered to the programme in 2014
- Better Work Vietnam: Four factories registered to the programme
- Inditex will continue to strengthen its collaboration with the Better Work programme with the incorporation of factories in two new countries – Bangladesh and Indonesia – in 2015 and an increase in the number of factories registered in Vietnam for the same year.
- Participation in the Better Work Global Buyers' Forum, in which international brands collaborate to achieve progress on sustainability issues

United Nations Global Compact

- Since Inditex signed up to the Global Compact in 2001, it has undertaken to respect its 10 principles
- Active role in initiatives such as the Advisory Group on Supply Chain Sustainability and the Human Rights Working Group of the Global Compact Network Spain

International Labour Organization

- Participation in the SCORE project initiated by the International Labour Organization in China to improve sustainability in factories
- Participation in preparatory meetings for the Buyers' Forum Pakistan to facilitate and promote a platform for dialogue between enterprises in the textile sector, suppliers and the government

5. Sustainability of the supply chain

The ultimate goal of Inditex's Strategic Plan for a stable and sustainable supply chain 2014-2018 is to achieve sustainability understood in terms of both time and social aspects.

All the policies, programmes and activities set out in the sections on identification, assessment and optimization have the final goal of ensuring sustainability in the supply chain and compliance with the principles of the Ruggie Framework (see page 43). Inditex has 10 supplier clusters in the geographic areas where it has a larger and stronger presence: Spain, Portugal, Morocco, Turkey, India, South East Asia, Bangladesh, China, Brazil and Argentina. In 2014, the production of suppliers located in the various clusters accounted for 91% of total production.

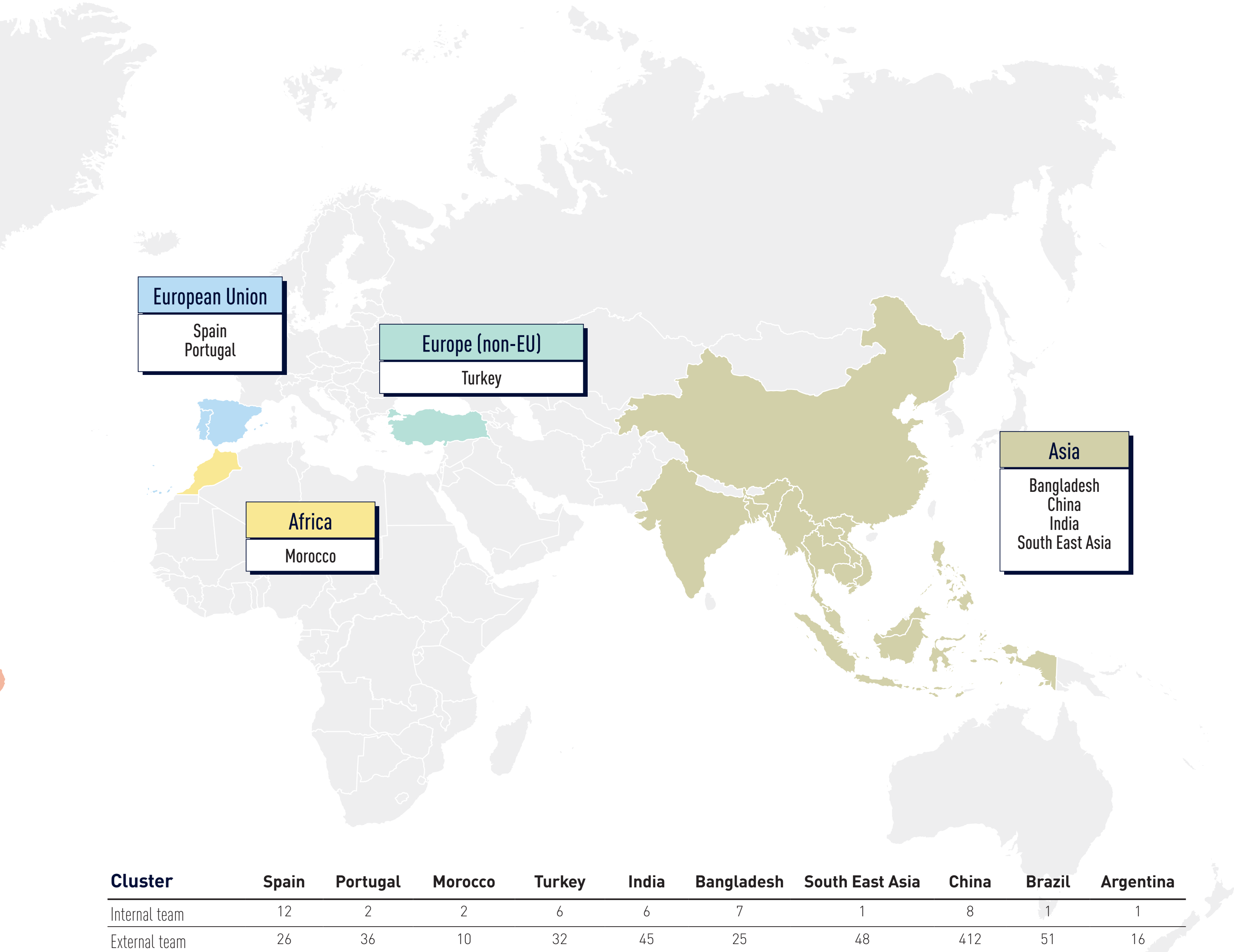
Further information at www.inditex.com/en/sustainability/suppliers/working_in_clusters

strategic plan 2014-2018

lines of action

	IDENTIFICATION	ASSESSMENT	OPTIMIZATION	SUSTAINABILITY
MONITORING	Traceability	Compliance programme	Effective auditing	Mature relationships with suppliers and a holistic approach
CAPACITY BUILDING	Training for auditors	Worker participation	Training for suppliers	
CONTINUAL IMPROVEMENT	Audit quality management	Corrective Action Plans	Consolidation of the supply chain	
STAKEHOLDER ENGAGEMENT	Effective and efficient reference partners with whom Inditex can share good practices and create shared strategies			

[G4-DMA, G4-HR4, G4-HR5, G4-HR6, G4-HR11, G4-SO10]



Cluster	Spain	Portugal	Morocco	Turkey	India	Bangladesh	South East Asia	China	Brazil	Argentina
Internal team	12	2	2	6	6	7	1	8	1	1
External team	26	36	10	32	45	25	48	412	51	16

	Spain	Portugal	Morocco	Turkey	India
IDENTIFICATION					
Traceability	-	-	163 production audits	57 production audits	152 production audits
	Coordination with purchasing teams in the different brands, local CSR teams and suppliers to ensure traceability throughout the supply chain	In 2014, design of a Production Control programme based on analysis of information and production monitoring visits to be implemented in 2015	The information provided by the supplier is compared with the factories' capacities, while regular monitoring visits are also performed	Production monitoring is performed not only by means of production audits but also during each social audit or factory visit. Orders are analysed and compared with the relevant documents on the factory's production	The production monitoring process begins with an analysis of orders and processes along with a preliminary analysis of the factory's capacity. Monitoring measures are also applied to raw materials and all the components required to finish production
Training for auditors	13 auditors trained	39 auditors trained	7 auditors trained	85 auditors trained	78 auditors trained
	Various sessions were held on the launch of the new methodology for audits	Apart from the training sessions imparted to new auditors, training sessions were held with the aim of standardizing and improving the audit process	Specific training for occupational health and safety auditors (relevant legislation, monitoring of health and safety systems, best practices in risk assessment)	One of the aspects focused on by the cluster in the training given in 2014 is improving the quality of initial audits	Of the nine sessions held in 2014, five had the aim of training auditors in the performance of pre-assessment audits. The four remaining sessions focused on the performance and improvement of the social audit process
Audit quality management					
Pre-assessment audits	64	305	45	436	125
Social audits	64	701	105	730	308
Special audits	-	33	462	24	404
ASSESSMENT					
Compliance programme					
Suppliers A:	103	115	55	65	69
Suppliers B:	80	29	42	68	41
Suppliers C:	11	5	7	14	11
Suppliers on CAP	5	5	10	10	5
Worker participation	Coordination of the global implementation of the Framework Agreement with IndustriALL Global Union and all activities developing the Agreement in the different clusters	Collaboration and ongoing dialogue with the Portuguese trade union FESETE to promote worker rights in the country's textile industry	Visits to manufacturers in the Inditex's supply chain with the aim of performing and analyses of the textile industry in Tunisia, establishing relations with local trade unions and designing future actions to meet worker needs	Joint Turkey Programme: Collaborative programme with IndustriALL and other international brands to improve working conditions and labour relations: in 2014, training was imparted to 116 workers' representatives, supervisors and management in the rights and duties of workers and communication and negotiation	Completion of the pilot programme in collaboration with St. John's Medical College to protect the hygiene, nutrition and health of workers based on training and participation of employees to ensure their welfare. The programme will continue to be implemented in 2015
Corrective Action Plans	n/a	41% success rate	82% success rate	31% success rate	84% success rate
Sharing good practices	Representation of Inditex in international platforms such as the Ethical Trading Initiative, UN Global Compact, ILO, or participation in the Better Work Global Buyers' Forum, in which international brands collaborate to achieve progress on sustainability issues	Collaboration with the Catholic University of Portugal, Porto, to train young social auditors	Launch of a programme in collaboration with Medicus Mundi to provide care for the health and safety of workers in the supply chain	Collaboration with the NGO Refugee Support Centre to address the working conditions of immigrant workers, establishing corrective plans, including requesting work permits and the development of training programmes tailored to worker needs	"Sowbhagyam" programme against worker exploitation in the south of India in collaboration with the NGO SAVE with the aim of raising awareness in the community of the prevention and abolition of the sumangali system in the textile industry. To date, more than 26,806 young people have benefited from the programme, which has covered 136 towns and 231 schools
OPTIMIZATION					
Effective auditing	187 new employees in Inditex Spain trained in CSR	Coordination with purchasing teams by means of the Spain cluster	Communication of the results of audits and the development of Corrective Action Plans to purchasing teams	Six training sessions for local purchasers in CSR issues	Four training sessions on traceability and other sustainability practices for local purchasers with a total of 41 participants
Training and capacity building for suppliers	Daily management of supplier capacity building and coordination with training activities held in clusters	27 suppliers trained	24 suppliers trained	77 suppliers trained	368 suppliers trained

[G4-LA15, G4-DMA, G4-HR4, G4-HR6, G4-HR11, G4-SO10]

Bangladesh	South East Asia	China	Brazil	Argentina
60 production audits	123 production audits	153 production audits	1 313 production audits	438 production audits
During the year 2014, 60 production audits were performed in order to ensure production traceability in the country. "Chalanes", documents recording deliveries and dispatches of merchandise are analysed and compared for each factory	The method used in production audits includes the analysis of information concerning Inditex orders, which is compared with the factory's documentation and real production	Traceability monitoring in China is performed in all visits and audits. Moreover, the specific production audits performed – 153 in 2014 – allow the analysis of the capacity of factories and the identification of areas for improvement	100% of orders in Brazil are monitored every two weeks, ensuring sufficient monitoring of all phases of production for every order	The auditor checks where garments are manufactured according to the sample of orders contained in the audit request. In order to document the process, the auditor produces a report, order by order, attaching documents that support their conclusions.
26 auditors trained	27 auditors trained	53 auditors trained	3 auditors trained	30 auditors trained
The cluster held two training sessions to strengthen the methodology used for the pre-assessment audits performed for all production processes	Training for auditors; shadow audits were also performed in which a member of Inditex's team accompanied the external auditor to observe and assess their performance	During the year 2014 training sessions involving external auditors were held to train new auditors	The cluster combined training targeted at auditors working for external companies with training for the Group's internal team	In line with the objective of developing a comprehensive production traceability process, and in collaboration with the National Industrial Technology Institute (INTI), the cluster held training sessions on various production techniques key to detecting cases of order diversion
96	102	810	88	50
310	163	870	248	140
324	176	126	-	2
23	2	47	23	30
57	5	191	1	2
-	1	52	1	-
3	1	7	-	-
Collaboration with the communications department of IndustriALL to raise awareness of the textile industry, the positive effects of the Framework Agreement and joint work on the implementation of the Accord	Representation and presence of international and local trade union representatives in meetings and training for suppliers in the region	Development and implementation of the first three modules of the International Labour Organization's SCORE programme in two factories. The programme aims to combine the efforts of employees, management and trade unions to improve productivity in factories	Regular collaboration with the National trade union CONACCOVEST (Conferação Nacional dos Trabalhadores nas Indústrias do setor Textil, Vestuário, Couro e Calçados) to improve social conditions by means of increased productivity	Identification and adjustment of job categories to the corresponding trade union, guaranteeing improved remuneration for employees and greater control for factories
79% success rate	62% success rate	63% success rate	100% success rate	n/a
Active participation as a member of the Steering Committee of the Accord on Fire and Building Safety in Bangladesh and ongoing collaboration with the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and other entities representing the sector	Collaboration with the ILO Better Work programmes with more than 30 factories registered to the Better Factories Cambodia programme and four factories registered with the ILO Better Work Vietnam programme to protect human rights	Active participation in meetings of the China Caucus of the Ethical Trading Initiative in 2014 to deal with the challenges faced by the industry and share good practices, seeking joint solutions	Support for the social organizations Centre for Human Rights and Immigrant Citizenship (Centro de Direitos Humanos e Ciudadania do Imigrante, CDHIC), the Migrant Support Centre (Centro de Apoio ao Migrante, CAMI) and MISSÃO PAZ, reiterating Inditex's commitment to promoting human rights and improving employment and social conditions within its supply chain. Some 17,524 immigrants in a situation of social risk have benefitted directly from this initiative	Collaboration with the National Industrial Technology Institute (INTI) to develop competencies in aspects of production and improve the efficiency of audits by means of the inventory of processes
Regular training for 14 local purchasers on purchasing practices and supply chain management	Ongoing monitoring by purchasing teams of the working conditions of employees	14 meetings with local purchasers on traceability and Corrective Action Plans	Coordination of CSR activities with all business areas	18 meetings with local purchasers to deal with specific themes related to supply chain management
371 suppliers trained	16 suppliers trained	240 suppliers trained	27 suppliers trained	21 suppliers trained

our priorities (3):

top quality of the product

Objective

Constant improvement of quality, health and safety of products

Guaranteeing the responsible use of water and zero discharge by 2020

Material issues

5 Product quality, health and safety
6 Eco-design
9 Volatility in raw material prices
10 Changes in regulation
20 Water consumption in the supply chain
21 Discharge control
24 Animal welfare
25 Responsible purchase practices
27 Recycling systems and management of end of product life

The work of the health, safety and environmental sustainability teams for Inditex products are focused on the client. All of the items that our clients find in stores have their own standards: Clear to Wear (CtW, product health), Safe to Wear (StW, product safety) and Green to Wear (GtW, environmental sustainability of the product), developed internally, that incorporate the most demanding regulations in the world for this field.

Inditex's product responsibility starts with the design and the correct selection of prime materials, processes and dyes to be used, and do not end until the end of the product's life cycle. The entire value chain is subject to control and supervision. To guarantee the health and safety of the articles, R&D programmes are developed in order to detect problems as quickly as possible and to substitute processes and substances that may entail potential risks. Also, each unit of the manufacturing process is worked on in common improvement projects. None of this would be possible without the collaboration of multidisciplinary teams that form part of the production units, for the training tasks and for control, supervision or auditing. We achieve this through our own professionals and with the help of experts in the relevant fields: chemistry, biology, optics, physics, mathematics or engineering.

During 2014 we have developed a new standard for environmental sustainability for wet process factories (pre-treatment, dye, printing, finish, wash, tanneries and artificial leather). The production of Green to Wear items is in line with the philosophy of cleaner production and less intense resource consumption.

The search for new ways of creating more safe, healthy and sustainable fashion is a constant objective at Inditex.

manufacturing of responsible products

More sustainable textile fibres and design

Periodic training plans for designers and purchasers for more sustainable textile fibres such as those of organic and recycled origin.

Also, research is performed on artificial textile fibres from cellulose pulp such as viscose, modal and lyocell, in order to ensure that they originate from forests that are managed in a sustainable manner.

In 2014

5.5 million items of cotton certified as 100% organic

3.5 million items with 50% organic cotton

1.2 million items with 5% ecological cotton

This translates to consumption of 1,009 tonnes of organic cotton, which implies growth of 92% in weight.

+ information on page 72

Pioneer classification of chemical products

All chemical substances used in the manufacture of our items are analysed to ensure that they comply with the strictest health standards, marking safety and sustainable objectives for the chemical industry.

The List, by Inditex represents the first time that an international fashion distributor establishes a research and quality control programme for products and processes that are beyond what is traditionally considered in the chain of textile manufacture.

The List, by Inditex in 2014

8,258 products analysed and certified (double the amount of 2013)

85% of the global market for chemical products

+ information on page 74

Evaluation and control of wet processes

Ready to Manufacture and **Green to Wear** are the programmes designed and implemented by Inditex to regulate the facilities and processes for dyeing, printing, washing and finishing in the textile industry.

Ready to Manufacture focuses on the evaluation of the wet processes in the textile manufacturing to implement practices that guarantee health and safety of the products. Green to Wear, for its part, seeks cleaner production with the environment and less intensive consumption of resources.

In 2014

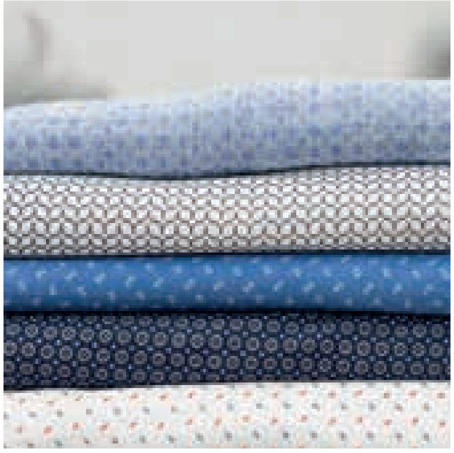
Ready to Manufacture: **2,700** wet process facilities audited, 23% more than in 2013

Green to Wear: Evaluation of more than **100** wet process factories.

+ information on page 75

More than 1,500 professionals, both in Inditex and among our scientific and technological partners, study and supervise all of the creation stages of the items, from design to packaging. The result is an item of fashion that is safe, healthy and respectful to the environment that, if it looks good on the client, we are sure that it will make them feel good, too.

The Inditex strategy to guarantee responsible items for the client also includes preventative and control actions in all production phases: design, selection of prime materials and dye, manufacture and printing systems, controls during manufacture and permanent innovation in all processes.



Analysis in the production phase

Inditex carries out exhaustive controls during the production phase in order to guarantee as soon as possible that all products are completely healthy and safe. For this, **Picking** is a key instrument. It involves the performance of technical inspection visits to the factories, the random selection of items and the performance of trials and analysis.

Thanks to increased efficiency of the analysis and the installation of preventative control systems in the previous phases, the number of chemical analyses in this phase has been decreasing, increasing, however, the safety of the items for the client.

In 2014

41,880 picking inspection visits
675,817 analysis and trials

+ information on page 78

Use and end of life of the product

Inditex promotes the re-use and recycling of items, collaborating with social entities and universities, with the objective of exploring efficient solutions for textile recycling and contributing to the community.

Through the programme **CleverCare**, Inditex promotes among its clients its practices of efficient care for the items in order to lengthen the life of the product.

During 2014, the Group has maintained its support of the Roba Amiga cooperative, specialised in the management of second-hand items of clothing, as well as the labour insertion of people in a situation of, or at risk of, social exclusion.

+ information on page 79

Collaboration with supervisory and sectoral organisations

We collaborate with international health and safety organisations and sectoral organizations of environmental sustainability for consumption items. Our objective is to share experiences, methods for trial and analysis and results, and to increase the transparency of our programmes, with the objective of being as aligned as possible with the remaining necessities of the industry.

These are some of them:

The Sustainable Apparel Coalition
Zero Discharge of Hazardous Chemicals
Eureka Project in Turkey
Pre-Testing Programme in China

+ information on page 80

More sustainable textile fibres and design

Biodiversity represents a key resource for Inditex and, for this reason, the Biodiversity Strategy of the Group marks the guidelines to protect and conserve it.

At Inditex we make every effort to extend the use of more sustainable fibres in our collections, such as those of organic and recycled origin. In 2014, at Inditex we have placed 5.5 million items of certified 100% organic cotton items on the market, as well as 3.5 million items with 50% organic cotton and 1.2 million items with 5% organic cotton. This translates to consumption of 1,009 tonnes of organic cotton, which implies growth of 92% in weight. Zara and Oysho have launched collections of ecologically-cultivated cotton under the certification Organic Content Standard (OCS). We also continued by participating in three projects within the programme *Farm Investment* which develops new seeds that are apt for organic cultivation and improved cultivation techniques for sustainable agricultural production.

To promote the use of sustainable fibres, Inditex avails of specific training plans for designers and purchasers for the most used prime materials and the most responsible alternatives within the training programmes for environmental sustainability. In 2014, the commercial teams of Zara, Oysho, Pull&Bear and Tempe have received this training.

Forest Product Policy

In 2014 Inditex published its Forest Product Policy to protect primary forests in danger of extinction as a Group guideline in the selection and use of raw materials of forest origin, ensuring that they originate from forests that are managed in a sustainable manner. This policy has an impact on the choice of raw materials for the furniture or paper products (information developed in the chapter on efficient use of resources) and on the choice of artificial textile fibres manufactured from pulp such as viscose, modal and lyocell, avoiding that they originate from primary forests at risk of extinction, forests that are illegally felled or those with habitats of species that are at risk of extinction. For this, Inditex has founded,

together with other brands in the sector and the organization Canopy Planet, the *Textile Leaders Group for Forest Protection*, that is working with viscose manufacturers to achieve the objective established in our Policy to protect the primary forests that are at risk of extinction.

Animal Welfare Policy

Inditex applies responsible production standards to its products in relation to the use of elements of animal origin. The commercial formats of Inditex do not commercialize fur. Since 2013, Inditex has formed part of the *Fur Free Retailer Program de la Fur Free Alliance*.

During 2014, resulting from permanent dialogue with organisations for animal rights, Inditex has continued to strengthen its commitment to respect for animals. In this sense, Inditex decided in 2014 to interrupt the production of items with angora wool and to eliminate these products from the offer of 2015. In this sense, Inditex agreed with the non-profit organisation People for the Ethical Treatment of Animals (PETA) to donate items with angora wool valued at 736,699 euro to the organisation Life for Relief and Development in the concept of humanitarian aid for Syrian refugees.

Further information about our animal welfare policy:
www.inditex.com/en/sustainability/product/products_animal_origin

Collaboration with international initiatives

Inditex maintains a close collaboration with international initiatives such as Textile Exchange and Better Cotton Initiative.

Resulting from these collaborations, Inditex participates in the funding of agricultural projects in China and India (Seeds Guardians Project, in the Odisha region of India; Better Cotton Project in Gujarabi, India; and Mecilla Project, in the Chinese province of Shanxi). In all of these, organic agriculture is promoted with the development of seeds apt for organic cultivation, and the training of agriculturists in efficient agricultural techniques, sustainable management of natural resources and responsible use of chemical products such as pesticides and fertilisers. These programmes permit improved life conditions for the producers and their families and create a positive impact on the environment.

The List, by Inditex: A commitment to improve chemical products

Inditex assumes the leading role on the commitment to improve Product Health in the chemical industry sector which manufactures dyes, pigments and auxiliary chemical products with the development of *The List, by Inditex* programme.

The List, by Inditex is the Group's response to the most common cause of breach in products health for clothing; the use of inadequate dyes or auxiliary chemicals for the manufacturing of garments.

The List, by Inditex is the first time that an international fashion retailer proactively tackles this problem and drafts a research programme and quality controls for products and processes which differ from what is traditionally considered as the textile manufacturing chain. The responsibility to guarantee our clothing health starts well before this is even designed or even the fabric is woven.

The List, by Inditex has four objectives:

- To analyse the colourants and auxiliary products available commercially and classify them according to the levels of compliance with strict quality criteria imposed by Inditex.
- To audit the facilities and processes used in the manufacture of the substances to verify that they comply with the most demanding international regulations related to safety and environmental control.
- To evaluate the commitment of the chemical manufacture companies with excellence, sustainability and environmental respect in the manufacture of their products.
- To propose improvements for the manufacture procedures and product control, in order to improve the levels of quality.

Dyes, pigments and ancillaries are subject to tests and assessed based upon their contents of controlled substances such as dyes, forbidden azoic dyes, formaldehyde, heavy metals and Chrome (VI). Once the products tested and the manufacturing processes assessed, products are classified as "A" (no residue of the controlled substances), B (low levels of the controlled substances) and C (unacceptable levels of the controlled substances). The use of products classified as B in the manufacture of items for Inditex is subject to severe restrictions, including an exhaustive analysis of the final items. The use of products classified as C is prohibited. The products classified as A can be used freely.

The List, by Inditex is having a clear and positive impact on two fronts:

- Considerable reduction by suppliers of the use of products of inadequate quality by better knowledge of the level of risk that may be implied for all clients.
- Elevated interest in the chemical industry that manufactures colourants, pigments and auxiliaries through participation in the programme and, therefore, that subjects products, processes and facilities to evaluation.

highlighted 2014

- **15** chemical companies collaborating
  The 2013 version had 10 chemical companies
- **8,258** chemical products analysed and classified
  The 2013 version included 4,224 chemical products
- **85%** of the market quote covered
  The 2013 version covered 80% of market quote
- **72** incorporation requests received
  During 2013 we received 19 incorporation requests

ongoing commitment

- Maintain the update rhythm of *The List, by Inditex* with at least new edition per year
- Include new types of auxiliary products
- Increase the number of controlled substances to be analysed in the chemical products
- Include new manufacturers of colourants, pigments and auxiliaries

progress bar

2013
- Start Programme with ten companies

2014
- Five new companies
- Increase product scope: print auxiliaries

2015
- Ten new companies
- Increase product scope: adhesives and tanning agents
- Increased controlled substances: chlorophenol and phthalates.

Evaluation and control of wet processes

Inditex has its own programmes designed and implemented to regulate the facilities and processes that use these substances, in order to guarantee the health and safety of the products and that they are produced in a clean manner. *Ready to Manufacture* is the programme for the evaluation of the wet processes for textile manufacture to implement practices that guarantee the health and safety of the products; and *Green to Wear*, for its part, seeks cleaner production in the environment and a less intensive resource consumption.

Ready to Manufacture

Ready to Manufacture is a guide with the best textile practices for the processes of dyeing, printing, washing and finishing, with emphasis on how to select adequate chemical products and apply them without generating health risks, as well as a programme for training, monitoring and evaluation of said practices.

Ready to Manufacture consists of two instruments:

- The Guide to Good Manufacturing Practices is orientated towards guaranteeing the traceability of the items manufactured in the environment of wet processes at the factory (dyeing, tanneries, print mills and washers). Elaborated in collaboration with the best professionals in the fields of dyeing, printing, tanning, washing and finishing textile and leather items, it has been widely accepted as a positive contribution to the sector.
- The training and audit protocol in the Practices of the Guide provide information and training directly in the facilities that form part of the value chain of suppliers. In this way, the implementation model is adapted to the specific conditions of each facility and to the level of experience of the personnel.

After the processes of training and audit, the facilities are classified as Green, Amber or Red, depending on the level of implementation and compliance with Ready to Manufacture and correction or improvement programmes are designed for the facilities that have not reached the results desired.

INNOVATION IS INHERENT TO THE INDITEX BUSINESS MODEL. IN THE PRODUCT ENVIRONMENT IT IS FUNDAMENTAL TO CREATE ATTRACTIVE, SAFE AND SUSTAINABLE FASHION

highlighted 2014

- **98** direct suppliers trained and audited
  In addition to the 271 who received training in 2013
- **885** facilities audited
  55% increase compared to the previous year
- **86%** direct suppliers as an improvement
  37% increase compared to 2013
- **90%** improved facilities
  38% increase compared to the previous year

ongoing commitment

- Increase by at least 10% annually the number of facilities classified as green
- Incorporate to the programme at least 10% of new direct suppliers each year
- Update the Good Practices Guide in accordance with the new substances supervised in The List, by Inditex.

progress bar

2013
- Start Programme

2014
- Training and audit for 200 suppliers

2015
- Inclusion of relevant suppliers (80% production covered)
- Update guide
- Increase scope processes (tanning and assembly operations) and chemical substances (chlorophenols, Cr(VI) and phthalates)

Green to Wear: environmental audit and technical training

At Inditex we work so that more than 60 suppliers of the supply chain (48.5% in China, 52.5% in Bangladesh and 39.8% in India) maintain the sustainable environment production standard for Green to Wear products in all wet processes. The visits carried out at more than 100 factories located in China, Bangladesh, India, Turkey and Cambodia have allowed us to train our supply chain and strengthen this philosophy of continuous improvement. Thus, all aligned, we advance towards the commitment of zero discharge of hazardous substances in 2020.

We work with the support of the University of A Coruña, analysing and validating the results of the waste waters of the suppliers. Resulting from this detailed analysis of 280 water samples, we have focused our efforts on the detection of the five most relevant chemical groups in the discharge and the identification of the source of origin. For this, we have also developed a research methodology which allows us to detect the source of the contamination, where applicable, within the inventory of chemical products used.

On the other hand, we also work on the analysis and improvement of the water purification facilities used by our suppliers. The training materials created by the University of A Coruña on the treatment of waste water from textiles, available on the Master Plan for Water in the Inditex Supply Chain website, permits the suppliers to find improvements for the use and management of each of the treatment processes at the facility. Also, our teams will be responsible for verifying that the factories with wet processes have correctly installed and sized the water purification stations and that they are adequately managed, in compliance with the discharge parameters established. A good installation and adequate management of a standard purification plant in the textile sector will even permit reuse of part of the treated water, mixing it with clean water and using it again in the wet process. This good practice is one of those that our suppliers must have in order to be classified as Best in Class in our environmentally sustainable production standard for "Green to Wear" products.

The analyses of waste water in our supply chain are public on our website, and we encourage our suppliers to do the same on the website of the Institute of Public and Environmental Affairs of China (IPE), a non-profit organization that promotes access to environmental information of companies.

In 2014, Inditex eliminated the use of undesired water repellents in the supply chain. The demands of our PFC Free Policy and the disclosure of safe alternatives in the sector have allowed us to place more than ten million waterproof items on the market that are PFC free.

Bangladesh Water Pact: partnership for Cleaner Textile

Inditex is one of the main promoters of the *Bangladesh Water PaCT: Partnership for Cleaner Textile*, which seeks to improve the sector of wet processes in Bangladesh, contributing to the well-being of its employees and the community and encouraging competition in the long term.

Currently, almost one hundred factories participate in this initiative. The joint work of all of these, through their adhesion, has permitted savings of 2.9 million cubic meters of water, the reduction of greenhouse gas emissions up to 7% and has avoided the discharge of 4.5 million cubic meters of waste water.

Thanks to the Bangladesh Water PaCT and the environmentally sustainable production standard for Inditex Green to Wear products that guides the actions of our suppliers, we have been able to identify personalised measures for greater energy and water savings and better management of the waste water of our suppliers.

As a result of these efforts, in 2014, more than 50 million items placed on the market have been manufactured by suppliers with efficient use of resources.

Further information at www.textilepact.org/

Picking programme: full guarantee of our commitment to the customer

The modern fashion industry, with its swiftness to react to trends inspired by customers as its main feature, demands a very wide, diverse, dynamic and efficient chain of values. Thousands of production sites and hundreds of thousands of professionals, working together and involved in the manufacturing of the collection yearly displayed in our stores. This complex model and the challenge of a perfect implementation of preventive measures put forward by Inditex imply the need of a solid quality control system to fully guarantee our commitment to customers. Picking programme is Inditex response to this need.

This programme has been drafted bearing in mind Inditex' s specific business model with very different locations for its manufacturing, logistics adapted to short-deadline production, transport and distribution and a strong commitment to fulfil safety and health standards.

This programme is scheduled in four stages:

- Previous assessment of potential risks for each item.
- Sampling of the production.
- Analysis and testing in certified analytical labs to check that items comply with CTW and STW regulations.
- Detailed study of the outcome in order to establish its approval, rejection or specific changes in order to satisfy CTW and STW.

Inditex actively cooperates with several companies and entities supplying analysis and testing services, in order to build an appropriate lab network to back up the Picking programme. The homogeneity and quality of the results from different laboratories belonging to several organizations is ensured by an ongoing development of the programme. Testing to the tested, by Inditex, is a programme that monitors the quality of the testing procedures and the qualification of technicians in the laboratories.

Furthermore, in order to boost the efficiency and performance of the programme, Inditex has developed in cooperation with the University of Santiago de Compostela statistical tools for Big Data analytics which enables

- the detection of manufacturing technologies which may pose a risk of breach of CTW (Manufacturing Epidemiology)
- a breakdown of the manufacturing risks depending on the garment components
- the optimal use of resources destined to Picking programme, focusing on items or components that represent a higher potential risk

These statistical tools, together with a positive evolution of suppliers towards a better compliance of the product safety and health for Inditex production, have contributed to determine the number of required analysis to guarantee a compliance with these policies. In this regard, the former purely reactive monitoring system has progressively become a strategy combining the Picking programme with other proactive programmes (Ready to Manufacture and The List, by Inditex), which include monitoring measures throughout the whole production process.

highlighted 2014

> **41,880** Picking inspection visits

> **675,817** analysis and trials performed

ongoing commitment

> Development of new analysis methods that permit detection of lower levels of the restricted substances.

> Reduction of the time required for analysis, increasing the capacities of the analysis laboratories.

> Development of Big Data statistic analysis methods to detect technological manufacture processes that are susceptible to generating health risks and substitution of the same.

progress bar

2012
- Start Programme

2013
- Improve analysis network:
  1) Audits in 30% laboratories
  2) Inclusion of 50 laboratories
- Harmonised trials: formaldehyde, arilamines
- Provision of an analysis laboratory in Tempe

2014
- Improve analysis network:
  1) Audits in 50% laboratories
  2) Inclusion of nine laboratories
- Increase of harmonised trials: pH, fibre composition
- Facilities for analysis of formaldehyde in the distribution centres

2015
- Design Best Sampling System
- Improve analysis network:
  1) Audits in 75% laboratories
  2) Inclusion of four laboratories
- Increase harmonised trials: phthalates

Use and end of life of the product

As part of the commitment to the environment and society, Inditex is conscious of the need to promote efficient care of the product among its clients and advance towards better management of the waste from our textile and footwear products. Inditex promotes the re-use and recycling of our items, collaborating with social entities and universities, with the objective of exploring efficient solutions for textile recycling and contributing to our community. Clothing collection bins have been placed with this aim in several locations at the central headquarters and stores.

During 2014, the Group has maintained its support of the Roba Amiga cooperative, specialised in the management of second-hand items of clothing, as well as the labour insertion of people in a situation of, or at risk of, social exclusion.

Also, collaboration has been maintained with the Association for Development of Alternative Commerce and Microcredit (ADCAM) and A Puntadas, an association that manages training workshops in textile confection for women at risk of social exclusion, which has reused leather waste originating from the cutting rooms and product samples in order to create 1,136 computer mouse pads and 1,225 accessories. Sales of these have been carried out in markets in Tempe for charity.

Through the programme CleverCare, Inditex promotes among its clients its practices of efficient care for the items in order to lengthen the life of the product.

Innovation

Innovation is inherent to the Inditex business model. Innovation in fashion and in the procedures for creating it, producing it and commercialize it, and the optimisation of the tools and processes required are fundamental for making attractive and safe items available to our clients. Some of the innovation challenges that Inditex has taken on are:

- The development of new or improved trial methods that cut down on analysis time, increase sensibility and reproducibility or that increase the scope of application, in collaboration with the University of Santiago de Compostela and Polytechnic University of Catalonia, the Technological Centre Leitat and AMSLab, SL.
- The substitution of substances and processes of potential risk for non-toxic alternatives, in collaboration with the University of Santiago de Compostela.

highlighted 2014

> **1,500,000** euro invested in R&D for health and safety of the product, 88% more than in 2013

THE TRANSPARENCY AND COLLABORATION WITH SUPERVISORY AND SECTORAL ORGANIZATIONS, INDUSTRY STAKEHOLDERS ARE VITAL TO THE SUCCES OF OUR PROGRAMMES

Collaboration with supervisory and sectoral organisations

The dialogue and participation have permitted Inditex to advance sharing and applying the best practices in the area of health and safety and environmental sustainability for the product in the world. The transparency and collaboration policy of Inditex with all parties implied in its business model means that the programmes and progresses of the Group are open to the national public organizations responsible for the protection of consumers and the supervision of consumption items. Also, Inditex is an active member in international organizations such as *The Sustainable Apparel Coalition or Zero Discharge of Hazardous Chemicals.*

In countries that are relevant to Inditex due to their commercial importance, such as China, Turkey or Spain, stable communication channels have been established to share experiences and trial methods with official trial and analysis laboratories.

ongoing commitment

- Active search for the implication of supervisory organizations and stakeholders in countries with commercial interest in the promotion of health and safety of the products.

EU PEF Pilot Footwear

In 2014, the European Commission launched a series of pilot programmes, *Product Environmental Footprint* (PEF) Pilots, to develop common labelling methods that permit identification of the environmental impact produced in the manufacture of products. Inditex, together with other brands in the textile sector, forms part of the work group responsible for developing said methodology for footwear. In 2014, we carried out the Life Cycle Analysis (ACV) on some of our products in order to identify the most important environmental impacts and in which stage of the supply chain they are located.

Sustainable Apparel Coalition

SAC/Higg Index

As active members of *The Sustainable Apparel Coalition* (SAC), Inditex works in various work groups for the consolidation of the sustainability index, Higg Index 2.0, which permits evaluation of the environmental and social impact of all of the stages of the textile production process, identifying opportunities for improvement and which will permit the final consumer to make sustainable purchase decisions. In 2014, we

worked with the SAC on the elaboration of indicators that evaluate the environmental impact of the stores in order to include them in a future version of the Higg Index. Also, we have participated in other work groups such as the development of a methodology to verify the information provided to the Higg Index, and the search for new technologies for textile and footwear recycling. In 2015, Inditex will provide all of its knowledge of the textile supply chain to revise the module of the Higg Index that evaluates the environmental impact of the suppliers. Our objective will be to adapt this module to small and medium enterprises in the textile sector and to develop an index that represents all companies in the sector.

Ø ZDHC
Zero Discharge of Hazardous Chemicals

Zero Discharge of Hazardous Chemicals

As part of the implementation of the Joint Roadmap v.2 (Collective Plan of Action) of ZDHC, from Inditex we have led the development of training materials that guide suppliers in relation to the correct use and management of chemical substances in manufacturing. In 2014, more than one hundred participants in China, India, Bangladesh and Vietnam received this training.

Furthermore, Inditex is working with brands in the textile sector and international organisations to harmonise the various existing audit protocols in order to facilitate dialogue with the supply chain.

EUREKA
innovation across borders

EUREKA innovation across borders (Turkey)

Eureka is a project in collaboration with Ekoteks, the supervisory laboratory of Turkey, for the development of new technologies to improve the health of the product in the manufacture processes for footwear and cosmetics.

CIQ Beijing (China)

Participation in the Pre-Testing programme with the CIQ Beijing organization of the Department of Customs Inspection and Quarantine of RP China (Beijing), reserved for companies with a very high level of compliance with the health regulations for the imported items.

our priorities (4): efficient use of resources

Objective

-

Guaranteeing the responsible use of water and zero discharge by 2020

Reach 100% eco-efficient stores for 2020

Reduction of the energetic intensity of own operations for each item placed on the market by 2020

Material issues

-

12 Logistics model

17 Energy consumption and GHG

20 Water consumption in the supply chain

21 Discharge control

26 Waste management

27 Recycling systems and management of end of product life

28 Protection of biodiversity

All of the products purchased by clients in Inditex stores have the Green to Wear principle incorporated. This principle does not simply direct the environmentally responsible way of producing it, but also ensures efficient consumption of the resources used from the origin of the raw material to its placement on the market.

Through the Green to Wear principle we ensure transversal compliance with the Environmental Policy of Inditex, inspiring the Global Energy Strategy, Water Management and Biodiversity. In 2014, we highlighted the publication of the Inditex Forest Products Policy, marked within the Biodiversity Strategy, that guides the entire chain of value for responsible use of the forest resources and supervises protection of the environment.

Other relevant actions from 2014 in relation to efficient use of resources include the environmental certification BREEAM of the central offices and logistic centre of Tempe, in Elche (Alicante), as well as the construction of a Data Processing Centre (DPC) in the head office of Inditex, certified under the Platinum LEED seal. Also, during this period, 343 eco-efficient stores opened all over the world, among which we can highlight the stores of Zara and Massimo Dutti in Serrano street in Madrid, with Platinum and Gold LEED, respectively, or the Platinum LEED Bershka store in Valencia.

Sustainability indexes

The constant work of Inditex in the area of sustainability continues to be recognised by the main sustainability indexes in the world. In 2014, Inditex increased its presence in the Dow Jones Sustainability Index (DJSI), positioning itself as the leader of the retail sector in the environmental area (96 points out of 100). The global points obtained position Inditex ahead of 98% of companies in the sector. Furthermore, Inditex has been a constituent of the FTSE4Good series for thirteen years.

In the most recent publication of the *Carbon Disclosure Project*, Inditex achieved 93 points out of 100 in the climate change area. Also, it has become one of the leading companies for water management in the *Carbon Disclosure Project Water.*

Energy and Climate Change Strategy

With the Green to Wear standard, we guarantee the compliance with our Environmental Policy, from which arise the Inditex Strategies for Water, Biodiversity and Energy, with wich the Group attempts to confront the entire cycle of creation, manufacture and placement on the market of the items from a sustainable point of view. If the Water and Biodiversity strategies have their main field of action in the first stages of the business model (design, choice of prime materials and manufacture processes), the Energy and Climate Change Strategy of Inditex is focused on promoting efficient and rational use of the energy resources, reducing greenhouse gas emissions and collaborating on the fight against climate change, therefore its main point of action is the logistics of the Group and the stores.

Further information at Top quality of the product (pages 69-81)

Objectives 2020 (*)

- To reduce by 15% the energetic intensity of own operations for each item placed on the market
- To decrease the use of energy in stores by 10%

(*) Taking the operations of 2012 as a reference.

During 2014 we have continued to make progress on the reduction of the energy consumption and emissions derived from the generation of energy, acting in the entire chain of value. Producing more than 50% in proximity, the energy consumed in the shipment is notably reduced and the transport is improved through the development of sustainable logistics measures. Also, we avail of reuse and recycling circuits for the boxes, hangers, plastics and alarms that are used in the shipment of items to the eco-efficient stores, and thus tend towards a circular economy which is defined as the second priority of the Seventh Environmental Plan of Action of the European Union to transform the European Union into a competitive, green and efficient economy in relation to the use of resources and low in CO_2 emissions.

Environmental management in head offices and logistic centres

To ensure that our items leave the smallest carbon footprint possible, we continue to improve the energy efficiency and reduction of emissions at the logistic centres, the stores and the head offices of Inditex and its brands. 2014 has been a period with

milestones for the Group in this area with the launch of maximum energy efficiency facilities such as the Inditex logistic centre in Cabanillas (Guadalajara), the Inditex Technological Centre in Arteixo (A Coruña) or the opening of 343 eco-efficient stores.

For the management and control of emissions, we have a tool that permits real time calculation in conformance with GHG Protocol and that proposes improvement plans for reduction of the same. This tool is already in service in Tempe. Furthermore, in 2013 work began to include an energy management system in the ISO 14001 Environmental Management System.

Optimisation of packaging and waste

In order to achieve the proposed objectives for reducing energy consumption, we continuously improve our logistics system, with maximum optimisation of the volumes of our transport and reducing the packaging used. In 2014, our efforts in this area have focused on developing efficiency projects that have achieved optimisation of shipments, improved occupation and a total reduction of 921 trucks (1.9 million kilometres) in exports to Europe.

Also, packaging has been optimised, improving the efficiency of the process (greater number of units per package). The set of standards and specifications for packaging, common to all suppliers, permits optimisation of the packaging process, as well as management of waste and the process of distribution and logistics. We have chosen more sustainable materials and have increased the reuse, evaluation and separation of waste, facilitating recycling tasks. For example, there has been a reduction of 13,500 m^3 of cardboard and reuse of 215,000 tubes of this material. These initiatives imply, as well as economic savings, a significant environmental benefit, as they reduce the consumption of natural resources and the energy expenditure associated with its manufacture and recycling.

Also, at our stores we avail of the Waste Minimisation Plan that, together with the store Waste Management Manual, allows us to reduce the generation of waste and to improve management of the same. In 2014, 100% of the alarms used in the stores were reused, recycling 672,377,823 units, as well as a total of approximately 79 million plastic hangers used in the shipping of items to the store.

Logistic Centre of Cabanillas
(Guadalajara, Spain)

- **130,000** meters squared

- The most recent **Inditex logistic centre in Cabanillas** (Spain), 50 kilometres from Madrid, has received the environmental construction certificate **LEED Gold**

- In both cases, these independent certificates accredit that the construction and maintenance of the centres comply with the requirements of sustainable architecture and efficiency in the installations of lighting, isolation and HVAC

Inditex Technological Centre

(A Coruña, Spain)

- **4,000** meters squared

- **35% energy savings** with respect to a conventional facility

- The Inditex Technological Centre, constructed following the sustainability parameters and using recycled materials of local origin, is the trial laboratory for all new technological initiatives in all processes. It avails of the latest technology that guarantees maximum safety in terms of reliability of the infrastructure and the highest energy efficiency possible. It is the only centre with these characteristics in the world that holds the maximum certification for reliability and the maximum certification for sustainable building (Tier IV and Platinum LEED, maximum category in relation to building sustainability, granted by the U.S.

Massimo Dutti, calle Serrano, Madrid: LEED Platinum Certification

Zara, Rynek Glowny, Krakow: LEED Gold Certification

Zara, Serrano, Madrid: LEED Platinum Certification

Bershka, Colón, Valencia: LEED Platinum Certification

Eco-efficient stores and Eco-refurbishments

In 2020, all Inditex items will have the Green to Wear seal. This implies that all stores of the Group will be 100% eco-efficient by this date.

Conscious of the ambition of the objective, we avail of the Eco-efficient Store Manual, which has the objective of ensuring compliance with our efficiency and sustainability requirements. This defines the technical requirements of the various facilities and systems of all of the stores in the Group (electrical installation, HVAC, plumbing, lighting, materials, furniture), as well as the operations performed in the same (waste management, among others). These measures save 20% in electricity, with the consequent reduction of greenhouse gas emissions. The biggest electrical savings are detected in HVAC, in which they are estimated as 40%. Besides, these measures saves up to 50% in water consumption with respect to aconventional store. In 2014 we opened 343 new stores, all of them with eco-efficiency criteria, which, added to the similar openings has accomplised since 2009 and eco-refurbishments started in 2011, implies that 51% of Inditex stores are now eco-efficient.

The stores constructed before 2007 will be renovated in order to comply with the parameters defined in the Eco-efficient store Manual. In 2014, under these eco-efficiency parameters, among others, a notable renovation has been carried out on of our most emblematic Zara stores, located on Corso Vittorio Emanuele II (Milan).

In order to maintain this important objective, at Inditex we have an efficiency platform that performs central monitoring of the HVAC and electricity facilities in a total of 1,234 eco-efficient stores distributed throughout more than 30 countries. This centralised control permits action on the facilities with the objective of optimising management, identifying the most efficient systems, improving maintenance and defining strategies to reduce the energy demand and reduce greenhouse gas emissions produced by our stores.

Within the initiatives carried out by Inditex in 2014 for efficient energy management, we can highlight the purchase of renewable energy by certain stores located in Germany, which have managed to avoid the emission to the atmosphere of a total of 27,197 tonnes of CO_2.

LEED Certification

AMERICA	
Zara, Madero, Mexico	LEED Gold

In order to ensure that our Eco-efficient store Manual complies with the most up-to-date sustainability and efficiency requirements, we continue to certify some emblematic stores under the LEED and Bream seals for sustainable construction, two of the most prestigious standards in the world. This is the case of the Bershka Colón (Valencia) store, which is 2014 was certified with the Platinum LEED seal. During this year, Platinum LEED certification was also received by the Zara flagship in Madrid (calle Serrano) the Massimo Dutti in Paseo del Borne and San Feliu (Palma de Mallorca), and the Bershka in Valencia (Calle Colón). Others such as Zara in Krakow (Rynek Glowny) have received the Gold LEED certification.

[G4-EN1, G4-EN2, G4-DMA, G4-EN7, G4-EN10, G4-EN19, G4-EN20, G4-EN27]

LEED and BREEAM certified stores and headquarters in the world

Expected LEED certification

EUROPE	
Zara, Sánchez Bregua, A Coruña	LEED Gold
Zara Karl Johansgate, Oslo	LEED Gold

LEED Certification

ASIA	
ZARA West Nanjing Road, Shanghai	LEED Gold

BREEAM Certification

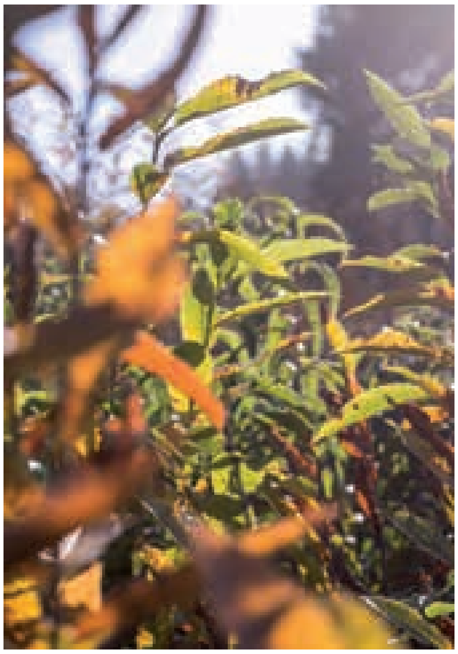
EUROPE
Oysho, Rivoli, Paris
Logistic Centre Tempe, Elche

LEED Certification

AUSTRALIA	
Zara, Bourke, Melbourne	LEED Gold

LEED Certification

EUROPE	
Zara, Via del Corso, Rome	LEED Platinum
Zara, Serrano, Madrid	LEED Platinum
Zara, Oxford St., London	LEED Platinum
Pull&Bear, Lijnbaan, Rotterdam	LEED Platinum
Bershka, Tauentzienstrasse, Berlin	LEED Platinum
Bershka, Colón, Valencia	LEED Platinum
Zara, Portal de l'Àngel, Barcelona	LEED Gold
Zara, Champs Elysées, Paris	LEED Gold
Zara, Kalverstraat, Amsterdam	LEED Gold
Zara Haas Haus, Viena	LEED Gold
Zara, Rynek Glowny, Krakow	LEED Gold
Zara Home, Champs Elysées, Paris	LEED Gold
Zara Home, Fürstenfelder, Munich	LEED Gold
Pull&Bear, Gran Vía, Madrid	LEED Gold
Massimo Dutti, Serrano, Madrid	LEED Gold
Massimo Dutti, Palma de Mallorca	LEED Gold
Massimo Dutti, Palma de Mallorca	LEED Gold
Inditex Technological Centre, Arteixo	LEED Platinum
Massimo Dutti Logistic Centre, Tordera	LEED Gold
Cabanillas Logistic Centre, Guadalajara	LEED Gold
Massimo Dutti offices, Tordera	LEED Gold
Inditex central offices, Arteixo	LEED Gold
Pull&Bear offices, Narón	LEED Gold
Pull&Bear offices, Narón, A Coruña	LEED Gold



Forest Product Policy

In 2014 Inditex published its Forest Product Policy to protect primary forests in danger of extinction, a guideline in the selection and use of raw materials of forest origin, ensuring that they originate from forests that are managed in a sustainable manner.

To guarantee the extension of this policy, its principles have been incorporated into the plans for each of the areas of our business model. In this way we can avoid that prime materials, such as the wood from which the furniture is obtained, the paper products (bags, labels, office paper, etc.), originate from primary forests in danger of extinction, illegally felled forests or where there are habitats of species that are in danger of extinction.

All paper and furniture products used in our activities avail of certification under the PEFC or FSC seals, guaranteeing that the entire management process of the forest prime materials is performed in a sustainable and controlled manner. Also, Inditex gives preference to the purchase of forest products with a high content of recycled material and post-consumption waste, and we encourage our suppliers, in a continued manner, to maintain, improve and increase the offer of this type of product.

Terra Project

Since 2007, Inditex has been collaborating with the Xunta de Galicia in the protection of the Galician forest heritage. The Terra Project contributes to the protection and genetic improvement of the main forest species, as well as the creation of high value forest areas. The agreement with the autonomic government has a three-year duration and has been renewed three times. The current agreement will last until the year 2017. Terra has four programmes:

- **Genetic Improvement Programme:** this focuses on the improvement of four forest species of great interest to Galicia. This is the maritime pine or the cluster pine *(Pinus pinaster)*, the radiata pine *(Pinus radiata)*, the chestnut tree *(Castanea sativa)* and the cherry tree *(Prunus avium)*.
- **Forestry Improvement Programme:** the objective is to increase the production of prime materials (mainly wood), provided that the techniques used are compatible with the environment.
- **Forest Eco-System Programme:** intends to improve knowledge of Galician nature and the local forest species.
- **Forest Protection Programme:** seeks to decrease vulnerability of the woods to fire and improve both the fire prevention techniques and the restoration techniques after a fire.

Further information at
www.inditex.com/en/sustainability/environment/biodiversity

our priorities (5):
promoting team motivation

Objective

Develop self-sufficient, responsible staff

Encourage the professional and personal growth of employees in parallel to our business growth

Material issues

2 Code of Conduct and Responsible Practices

14 Labour practices

15 Attracting and retaining talent

16 Development of human capital

The professionals that form part of Inditex's team are the people that make it possible for millions around the world to find the fashion of their dreams in Inditex stores every time they visit.

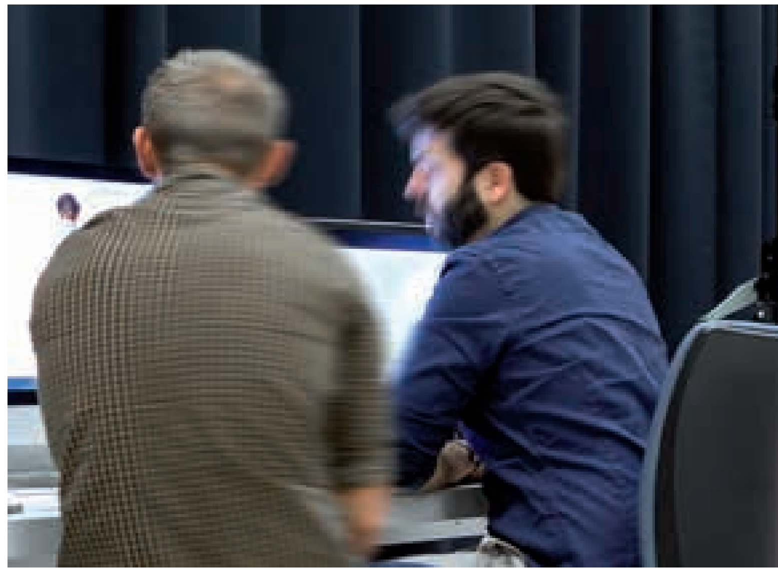
Inditex has some 137,054 employees worldwide who are capable of adapting to the needs of a company that reinvents itself on a daily basis. Nonconformist spirits who ask a lot of themselves yet are flexible, innovative and love working in a team find the ideal environment for their personal development from their very first day at Inditex. In order to ensure that these professionals' skills are never limited, Inditex makes efforts to maintain their motivation by creating working environments in which they can really make the most of all their potential as professionals and, above all, as people. Inditex's priorities for their employees are:

- Support employee development and growth
- Promote quality employment
- Create spheres for collaboration with society

Our actions to promote the development and growth of our staff and to seek to provide quality employment are reflected in our position as an employer in the market.

According to mercoPersonas, a tool evaluating the top 100 enterprises to work for in Spain which surveys employees, students and business people, Inditex has been ranked as the best employer in Spain for the last four consecutive years.

Universum Ideal Employer 2014 has highlighted Inditex as the most attractive company to work for, according to Spanish university students, following a study involving more than 16,000 students.



During 2014, Inditex generated 8,741 new jobs, closing the year with a payroll of 137,054 people and 83 different nationalities. Of the new jobs created, more than 1,800 are located in Spain, both in the Group's stores and in its headquarters and logistics platforms – a true reflection of the company's global growth. The group has almost 42,000 employees in Spain, up 4.5% on the previous year.

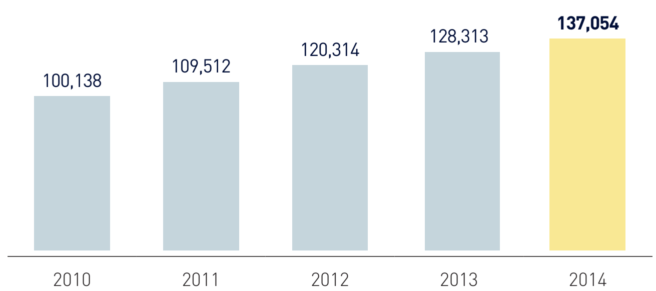
77% of Inditex staff worldwide are women; 23% men. The average age of our staff is 28 years old.

By area of activity, 87% of the staff work in stores, distributed over the five continents, a figure that has remained stable in comparison with the previous year: similarly, the percentage of workers carrying out tasks in the area of manufacturing, logistics and general services did not vary with respect to 2013.

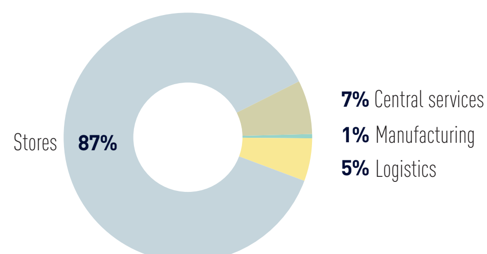
Some 31% of the payroll is located in Spain, whereas the rest of Europe accounts for 47% of Inditex's total employees. Asia, America and the rest of the world account for 11% of the total employees in each case.

INDITEX HAS 137,054 EMPLOYEES OF 83 NATIONALITIES, WITH AN AVERAGE EMPLOYEE AGE OF 28

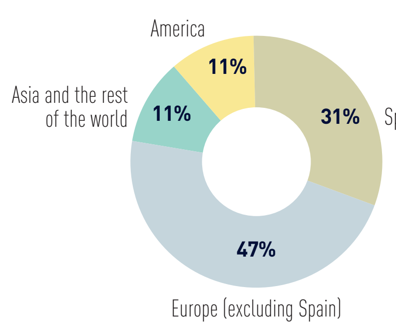
Evolution of the number of Inditex employees



Payroll distribution by activity in 2014



Employees by geographical area in 2014



Distribution of the Inditex Group payroll by market

EUROPE	
Albania	157
Austria	1,152
Belgium	1,905
Bosnia-Herzegovina	157
Bulgaria	515
Croatia	666
Czech Republic	428
Denmark	99
Finland	176
France	7,469
Germany	5,293
Greece	3,335
Holland	1,569
Hungary	838
Ireland	771
Italy	5,986
Luxembourg	151
Macedonia	131
Monaco	38
Montenegro	104
Norway	174
Poland	4,273
Portugal	5,723
Romania	1,835
Russia	9,337
Serbia	404
Slovakia	198
Spain	41,989
Sweden	535
Switzerland	1,074
Turkey	3,879
Ukraine	1,035
United Kingdom	4,758
Total Europe	**106,154**

AMERICA	
Argentina	781
Brazil	2,818
Canada	1,381
Chile	627
Mexico	4,996
United States	3,663
Uruguay	241
Total America	**14,507**

ASIA AND THE REST OF THE WORLD	
Australia	953
Bangladesh	45
China	8,584
India	580
Japan	3,828
Kazakhstan	483
Morocco	3
South Africa	287
South Korea	1,125
Taiwan	499
Vietnam	6
Total Asia and the rest of the world	**16,393**

Employee development and growth

Inditex believes that the development and growth of employees already working for the Group is a really important matter. That's why the company is committed to training and internal promotion as mechanisms that build potential and creativity.

Over the eight retail brands belonging to the Group, more than 1,150 people work in product teams, including commercial representatives in different countries, designers, purchasers and heads of department.

Internal promotion programmes

Inditex is firmly committed to the internal promotion of professionals who have started their career working in the Group's stores – the core of the brand's business model. Almost 50% of Inditex's commercial representatives and heads of product departments originally come from the Group's stores, because Inditex considers that the shop floor produces high levels of potential, talent and awareness in identifying what its customers want.

On the basis of this, in recent years, Inditex has implemented mechanisms to identify potential among store employees. InTalent and ZaraGo! are two of the most efficient initiatives used by the brand to detect and promote internal talent.

- **Intalent:** Founded in Spain in 2011 as a tool to centralize information on store employees' curricula and gaining first-hand knowledge of their concerns and professional preferences, Intalent provides Inditex with a database that can be used to identify potential talent. The tool is currently being implemented in 21 markets. Some 16% of the people that have participated in Intalent processes have been promoted to product or central services teams. The initiative is due to be extended to China and the United States over the course of 2015.

Intalent timeline

2010	2011-2012	2013	2014	2015
- Intalent Spain is born	- Intalent arrives in the United Kingdom, Portugal, Greece, Italy and Germany	- Internal vacancies begin to be visible to all employees	- Mexico and Brazil join Intalent	- New countries in America and Asia

- **Zarago!:** This programme selects internal and external professionals with potential in the sphere of product for training, with a view to recruiting participants to product-related jobs in the future.

Training of internal teams

Inditex considers investment in training to be a key element of encouraging the growth, development and promotion of employees. In the Group's stores, employee knowledge of products and processes is strengthened with a crosscutting focus on the customer. In this respect, in 2012, for example, the company established the e-Fashion programme, an online course on the management of all aspects of the fashion business. Designed by Inditex in collaboration with the European Design Institute of Madrid, it offers teams in stores certified and specialized training in the fashion business, increasing their professional knowledge, motivation and commitment. 397 employees from all the commercial formats of the Group have received since 2012 training in this course, which is intended to take place in other countries in Europe, America and Asia.

Specific technical or skills-based training is also made available to the rest of Inditex's teams, according to their specialization, although all courses have an overarching focus on store service. In 2014, the Group devoted more than 1.3 million hours to training its employees.

Hours of training per country 2014 (*)

Country	Number of employees	Total hours received
Albania	157	9,939
Argentina	781	2,926
Australia	953	5,592
Austria	1,152	26,976
Bosnia-Herzegovina	157	1,454
Brazil	2,818	3,327
Bulgaria (*)	515	1,244
Canada	1,381	32,696
Chile	627	7,737
China	8,584	52,835
Croatia	666	12 597
Czech Republic	428	3,131
Finland	176	164
France and Monaco	7,469	22,537
Germany	5,293	6 709
Greece	3,335	115,968
Holland	1,569	22,738
India	580	12,027
Ireland	771	1,104
Italy	5,986	21,908
Japan	3,828	1,706
Macedonia	131	416
Mexico	4,996	4,412
Poland	4,273	6,616
Portugal	5,723	415,151
Romania	1,835	5,792
Russia	9,337	13,931
Scandinavia (**)	808	2 578
Serbia and Montenegro	404	3 916
Slovakia	198	1 755
South Africa	287	32,595
South Korea	1,125	5,244
Spain (***)	41,989	342,004
Switzerland	1,074	15,495
Taiwan	499	2,296
Turkey	3,879	26,640
Ukraine	1,035	2,742
United Kingdom	4,758	11,653
United States	3,663	58,113
Uruguay	241	157
Total	**133,481**	**1,316,821**

(*) Bulgaria: Data from September 2014 to January 2015.
(**) Scandinavia comprises Sweden, Norway and Denmark
(***) Spain: Data gathered from January 2014 to December 2014. This year includes training for Logistics employees and some of the non-subsidised training

Talent attraction

Internal promotion activities are complemented with the Group's strategy to recruit talent. The main corporate emblem in this area is the platform *JoinFashion*. The Group's nine training centres in eight countries also continue to be a pillar for guaranteeing the selection of the best professionals in cities with high recruitment rates, where the aim is to consolidate Inditex's presence.

Designers have one of the most important jobs within Inditex. In order to identify young designers with potential who could grow within the company, a range of projects has been designed to find and promote young professionals with creative talent. Historically, Inditex has maintained close, regular contact with the best design schools in the world, recruiting from these schools to fill the majority of the brand's design jobs. In 2014, there were more than 450 designers working in Inditex's eight retail brands, recruited from the world's most prestigious design schools.

The year 2011 saw the implementation of the Cantera project, which aims to recruit recent graduates with excellent potential from national and international schools and provide them with training adapted to their profile and departments in order to generate new profiles in the product sphere in the future. To date, 97 people have been trained as part of the project.

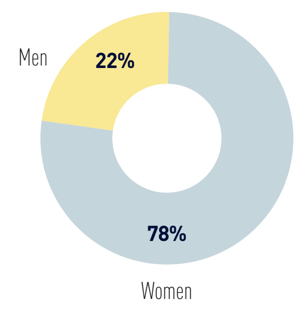
TALENTO & CO.

The first edition of the fashion contest Talento & Co. was held in 2014, inspired by the desire to identify potential and give opportunities to young designers. Thanks to the collaboration of 18 Spanish fashion schools, the fashion platform Trendipia and the participation of 100 designers, Talent & Co. became Spain's first fashion competition. The aim is to find and train new talent among recent graduates of design schools. Following the contest, 10 participants were recruited to design teams within Inditex's brands, while more than 100 received training and direct advice on their professional career from the Group's design teams.

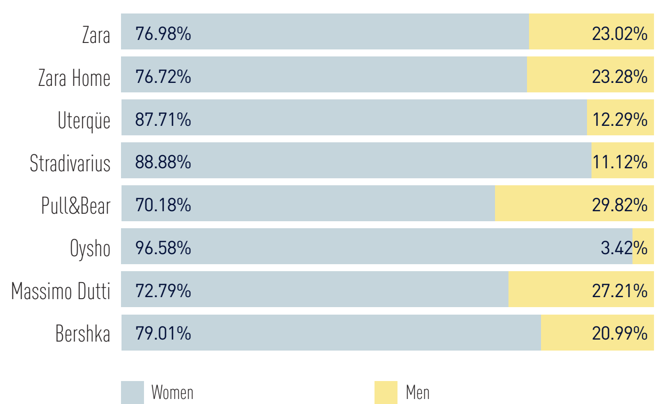
Quality employment

Inditex's objectives include the continual improvement of the quality of employment it offers. One of the pillars of this action involves maximizing opportunities for stable employment. In this respect, initiatives are being developed in various countries with the aim of offering the best quality of employment possible, thereby guaranteeing the smooth running of the business. As a result, in Spain the level of permanent employment within Inditex is over 77%, while the number of employees working full-time has stood at more than 44% for the last three years.

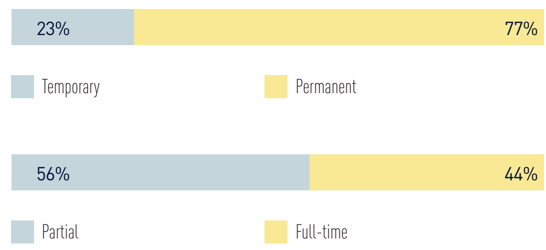
Payroll distribution by gender in Spain



Payroll distribution by gender and retail format in Spain

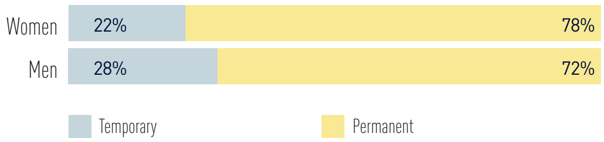


Payroll distribution by contract type in Spain

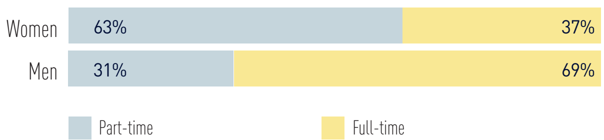


[G4-10, AF5, G4-DMA, G4-LA2, G4-LA3, AF22, AF23, AF26, G4-LA10, G4-LA11, G4-LA12]

Payroll distribution by contract type and gender



Payroll in Spain by working hours



Remuneration policy

In the sphere of remuneration, Inditex applies general criteria of action common to all areas of activity and adapted to each market and working environment. Within these general criteria, it is worth noting that Inditex has made continual efforts to promote variable remuneration in order to link wages to the company's results, for everyone from store staff to employees in the Group's central services.

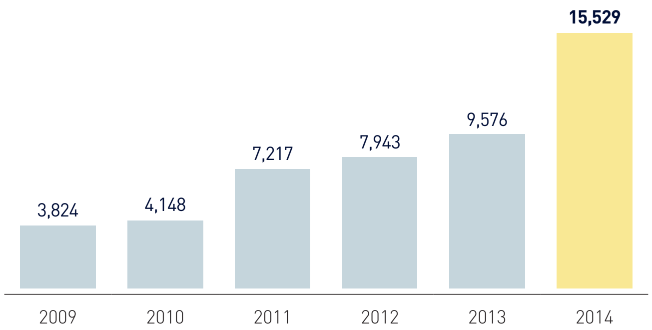
Staff expenses 2014

(thousands of euros)	2014	2013	Var. %
Fixed and variable wages	2,425,665	2,217,084	9.4
Inditex contributions to Social Security	506,539	480,650	5.4
Total staff costs	**2,932,204**	**2,697,734**	**8.7**

Inditex seeks to ensure that its human resources initiatives are adapted to the interests and priorities of its employees. One of the actions carried out in the sphere is the gradual introduction of flexible pay policies in Spain, which allows the Group to offer employees the possibility of choosing between different remuneration products.

The scheme began in 2009, with the participation of 3,824 employees, and has gradually expanded to include 15,529 employees in 2014. The objective for 2015 is for all employees on a permanent contract in Spain to be given access to this type of pay.

Employees in Spain with access to flexible remuneration



objectives 2015

> **30,500** employees in Spain on flexible remuneration

Adapting to each market

With the aim of adapting to each market and labour environment, Inditex implements specific initiatives in different countries as required. This is the case of China, for example, where during 2014 the Group promoted an initiative to identify university students whose labour interests and disposition coincide with Inditex's goals. The project began in 2013 with eight universities and has since been extended to the whole country, with various recruitment programmes that encourage close relations with universities and improved quality of recruitment processes. In 2014, Inditex established regular contact with 38 universities and organized the hiring of some 100 university students to work for the company.

Another example of such adaptation is the programme developed in Russia, where retail career plans have been designed for young graduates or students in their final years of study so that they can embark on a career programme in Inditex stores. The programme begins with participants working as store assistants with a tutor from the company, while the aim is for them to become store managers within two to three years.

In France, an initiative has been developed to respond to the needs of the country's labour market with a job timeshare scheme. The programme aims to combine stores demand for reinforcements during certain peak times of the day with workers' need for full-time employment. Thus, there are some employees who work in two stores in the

same geographic area and within the same section: their working hours are divided up according to the needs of each store, taking the employees' own personal needs into account. This measure works to combat precarious employment and reduce staff turnover in stores. The results of the pilot programme in France have been very encouraging, with 584 employees taking part. During last year, staff turnover in stores participating in the programme fell from 38% to 30%.

Equal opportunities

Inditex maintains its clear commitment to equal opportunities between men and women and non-discrimination, which began 2006 when the company ratified the EQUAL Diversidad Activa (Active Diversity) project co-financed by the European Commission and directed by the Spanish Coordinator of the European Women's Lobby and Fundación Carolina.

Since 2007, with the entry into force of the Equality Law, Inditex has started an exhaustive process of analysis to implement equality plans in each of the Group's companies. In 2014, Inditex signed Equality Plans for Bershka BSK España S.A. and Stradivarius España S.A.

Inditex's monitoring committees work to promote agreements affecting all areas (recruitment and hiring, conciliation, development, etc.) and to agree new measures that reiterate the brand's commitment to matters such as protocols for action in the event of sexual or gender-based harassment, gender violence, awareness-raising activities, and so on.

Various initiatives have been launched within all of the Group's brands, contributing to promoting equal opportunities.

Occupational health and safety

As part of the initiatives focusing on the promotion of worker health and safety, including the ongoing improvement of workspaces and working procedures, Inditex has signed up to the OHSAS 18001 occupational health and safety management accreditation system, which guarantees the involvement and inclusion of all departments and workers. This certificate is now in force in all of the Group's logistics centres and factories.

In 2014, the first brands– Zara, Zara Home and Pull&Bear – were certified, along with central services.

During 2015, accreditation will be completed for all of Inditex's stores in Spain, alongside the initiation of a certification process in countries including Italy, the United Kingdom and Ireland.

highlight 2014

- **12** logistics centres certified
- **10** factories certified
- **3** brands certified
- More than **180** work centres audited per year
- More than **450** employees interviewed per year

Inditex aims to guarantee that all workers have at their disposal healthy workspaces, as well as developing incentives to promote a healthy lifestyle, both at work and in their daily lives. To this end, initiatives focusing on the care and prevention of musculo-skeletal disorders have been developed over recent years in Inditex's logistics centres and factories. In 2014, the company opened physiotherapy and staff checkup rooms in its logistics centres.

Occupational accident rates and average duration of sick leave 2014 (Spain) (*)

Management and administration

Incidence rate of accidents involving sick leave	4.86‱
Average duration	49.64 days

Stores

Incidence rate of accidents involving sick leave	22.11‱
	23.78 days

Design

Incidence rate of accidents involving sick leave	5.97‱
Average duration	60 days

Distribution and logistics

Incidence rate of accidents involving sick leave	107.09‱
Average duration	21.35 days

Manufacturing

Incidence rate of accidents involving sick leave	97.29‱
Average duration	48.10 days

(*) Accident rate = Number of accidents with sick leave / average workforce)

Promotion of a healthy lifestyle

Inditex regularly embarks on campaigns encouraging a healthy lifestyle and promoting sporting events *(I love heart, I love food, I love sport, I love confort).*

In 2015, the Group will be embarking on a permanent initiative to promote a healthy lifestyle by means of a platform for healthy activities – sports challenges, regular newsletters, nutritional advice, a health library, and sporting applications – under the title InHealth. All of these initiatives will ensure that Inditex is certified as the healthiest company in Spain.

Collaboration with society

Inditex develops various initiatives aiming to promote the integration into the labour market of people with special needs or in a vulnerable situation. The Group also ensures that all its employees with social concerns can find in Inditex a driving force to get their social projects off the ground.

Salta and Jeunes projects

Salta and Jeunes are two projects with one objective: to promote the integration into the labour market of groups with special needs or in a vulnerable situation.

The Jeunes project was created in France in 2008 and aims to promote the employment of disadvantaged young people in the Paris metropolitan area. Shortly afterwards and with the same aims, the Salta project was launched in Spain. This social initiative offers training opportunities and integration in the world of work for young people at risk of social exclusion.

Both projects offer participants a comprehensive programme of theoretical and practical training, achieving the integration into employment of more than 300 people in France and Spain since 2008.

These initiatives were also launched in the company's logistics centres during 2014, which led to 47 people being incorporated in stores and logistics centres during the last year alone.

Based on these excellent results and the positive reception that such initiatives have received from the Group's employees, in 2015 this initiative will be extended to 10 countries under the title Salta Mundo, thereby increasing the numbers of people in a situation of exclusion that can directly benefit from the programme.

Inpulse and Likes

Since 2011, Inditex employees have at their disposal an internal corporate social platform called Inpulse. It provides them with detailed information on the Corporate Social Responsibility initiatives being implemented by the company, as well as the different types of activities they can take part in directly as ambassadors and volunteers. Inpulse was created thanks to social initiatives launched by the Group's employees, who have made it possible for the whole company to get involved in social and humanitarian projects.

As part of the Inpulse project, in 2013 the project Likes was launched in order for small-scale solidarity actions supported by Inditex employees to receive Inditex funding in collaboration with non-profit organizations, thereby combating certain social

The Massimo Dutti For&from store in Llagostera opened its doors on 5 September 2014.

and environmental issues. In order for these ideas to achieve the funding and volunteers requested, it is crucial that proposals receive the support and collaboration of other employees, who can cast votes.

Likes is the sum of everyone's efforts, from those who propose an idea to those who support it with their votes or sign up as volunteers to make these proposals a reality. In 2014, Likes provided funding for 35 projects that were made possible thanks to employees who, with the assistance of more than 1,000 working hours invested in volunteer work, have managed to help more than 3,250 people.

For&from Project

For&from, the social and employment integration project for people with disabilities promoted since 2002 by Inditex, achieved a new milestone in 2014, with the opening of a new store managed by people with severe mental disorders.

The new store, located in Llagostera, Girona, belongs to Massimo Dutti and sells products from previous seasons at reduced prices. Workers diagnosed with severe mental disorders receive ongoing training and psychological and professional support, both from technicians working for Moltacte, a non-profit social cooperative specializing in the development of social and employment rehabilitation programmes for people with severe mental disorders such as the teams working in the Massimo Dutti store.

With the inauguration of this store, Inditex's For&from social and employment integration programme now offers more than 60 jobs for people with some kind of physical or mental disability in eight stores over the Group's various brands, all of which are managed by social organizations specializing in the integration of people with some kind of mental or physical disability, such as Moltacte, Fundació Molí d'en Puigvert and the Galician Confederation of People with Disabilities, COGAMI.

Since its creation in 2002, the For&from programme has not only demonstrated its capacity to improve the quality of life of people with disabilities but also provides an important source of funding for collaborating social organizations. With a total investment of more than €2 million since the project began, the For&from network of stores boasts annual sales of €4 million.

For&from store data 2014

	2014	2013	Variation
Sales (in euros)	4,066,085	3,647,189	11%
Sales area (m^2)	1,250	1,077	16%
Sales/m^2 (same stores sales)	3,462	3,462	2%
No. employees with disabilities	60	56	7%

Further information at Sustainability balance sheet (pages 156-175)

our priorities (6):
innovation in customer services

Objective
-

To offer and maintain qualified customer services segmented by country and service

Material issues
-

4 Customer relations and satisfaction

7 Changes in consumption habits

8 New sales channels

The customer is at the centre of the Inditex business model. The customer's needs and desires are listened to in store and transmitted to the design team at each of the Group's brands so that these requests can be acted upon and become available as quickly as possible. As a result, focused customer service is necessary to keep the Group's business model working.

The comments and suggestions submitted by customers allow us to improve the service they receive across different platforms and sales channels. The Group provides customer service via the web sites of the different brands and their social media profiles.

The Inditex Group works to improve different aspects of customer service, in order to improve the service it provides to its customers. 2014 saw the implementation of Radio Frequency Identification (RFID) technology, which allows for more precise in store product management, in turn improving the quality of customer care. Also important in 2014 was the pilot project the Group ran in Brazil using a label which the customer could use to discover all the details of how and where each garment had been manufactured.

Inditex also maintained training programmess for all employees of the Group, with special emphasis on customer service. A specific person is named within each team to be responsible for the evolution and improvement of customer relations.

RFID technology in customer service

With the aim of providing a faster response to customer requests in store, Zara has developed radio frequency identification (RFID) technology which makes it possible to identify individual garments and track them from the logistics platform through to their sale.

With the introduction of RFID, Inditex has redesigned the entire work flow in stores, working to ensure that this technology helps to offer better service to customers. One of the most noticeable effects of this technological advance is on the localization of items, which has become much faster and more precise. When a customer is looking for a specific item, staff can consult availability of the product in real time in that store or other stores or on the online sales platform, Zara.com, making the sales process easier.

The sales or return of goods also benefits from this technology as the RFID system is integrated with the tills. Data stored on the label is eliminated when the bar code is scanned to protect customer privacy.

The entire process, which begins with garments being alarmed in the logistics centre, allows unitary control of merchandise throughout the whole process, ensuring up to date information at all times on the distribution process.

Once an order has arrived in store, the system provides information on which products need to be restocked and where, cutting the time required for this task in half. Inventories and stock taking are also more efficient and 80% faster thanks to this technology. All of this helps the Zara teams offer better customer service.

At the end of 2014 all logistics centres and almost 1,000 Zara stores in 22 different countries had implemented this system. Inditex aims to fully incorporate the system in Zara in 2016 and then gradually into the remaining retail formats.

Actively and passively listening to customers' desires and concerns is not only limited to fashion. Of course, new trends are the main concern of people who shop with us regularly, but that is not their only concern. Our customers are people committed to society and to the community in which they live and this forces us to reinvent ourselves every day in order to keep up with their needs and priorities at all times. For this, team work is key as it allows us to react quickly and globally to suggestions made by customers.

Transparency and traceability: 'Fabricado no Brasil'

As discussed in the section on *Traceability of the supply chain*, one of Inditex's priorities is to have control from beginning to end of the goods supply chain, from the origin of raw materials to the final product in store. This exhaustive understanding of all the processes which make up the origin of each garment is also something our customers are increasingly requesting. In response to this growing social awareness, in 2014 Inditex created a pilot project in Brazil. *Fabricado no Brasil* is the name of the project under which all products manufactured and sold in this market will include a QR code, allowing customers to discover the product's manufacturing details, including the manufacturer's identity. In addition to details about the manufacturer, it will also include information on the most recent control audit on its compliance with the Inditex Code of Conduct that the manufacturer has passed. The label will also include direct access via e mail, allowing the customer to send questions or comments to the CSR department in Brazil.

In this way, Inditex guarantees its customers that all the products it sells have been manufactured in adequate conditions, respecting Brazilian labour laws and the principles established in Inditex's Code of Conduct.

This new label is currently being implemented in Brazil and by the end of 2015 will be included on all products manufactured in the country.

Immediate response to requests

During 2014, an excellent example of the importance Inditex places on the opinions and concerns of its customers was the immediate removal from sale of a t-shirt from the Zara Kids 2014 Fall-Winter collection. This striped garment, with a Sheriff's star (in reference to Wild West films) was removed from sale in over 50 countries in a matter of hours after customer services teams received complaints from clients in different countries who considered the garment inappropriate. Inditex apologized immediately to all the customers and groups that felt upset and, in a few minutes, it totally withdrew from sale the t-shirt from both at its brick-and-mortar stores and online. Furthermore, the Group explained that respect is one of its guiding principles, since it is made up of people from 83 nationalities with different cultures and religions. This is one of its main assets. Those customers who contacted Inditex regarding this case received a personal response, as is always. The customer is always at the centre of our business model.

'FABRICADO NO BRASIL' IS A PILOT PROJECT WHICH ALLOWS CUSTOMERS TO DISCOVER DETAILS ABOUT THE MANUFACTURER IN STORE VIA A QR CODE ON THE LABEL

Number of messages and calls received in the different customer attention services of the Inditex Group 2014

	Complaints sheets (*)	Messages sales in store	Messages online sales	Calls sales in store	Calls online sales
Zara	3,617	139,141	898,606	10,964	1,914,997
Pull&Bear	432	8,848	74,340	578	102,954
Massimo Dutti	198	6,539	61,486	6,419	203,940
Bershka	405	26,800	74,112	580	142,327
Stradivarius	404	23,382	40,257	3,611	80,553
Oysho	364	28,447		26,904	
Zara Home	122	97,765		68,934	
Uterqüe	56	21,695		21,703	

(*) Complaints sheet for Spain only
(*) Oysho, Zara Home and Uterqüe provide consolidated customer services data for in store and online sales

Affinity Card data 2014

	2014	2013
Users	1,300,000	1,227,683
New users	101,178	131,993
Receipts	5,365,203	4,900,112
Newsletter	2,417,704	2,364,000
Web site visits	563,729	450,000

Presence of the Inditex Group brands on social networks 2014

	ZARA	PULL&BEAR	Massimo Dutti	Bershka
FACEBOOK	22,559,155	4,836,725	937,082	7,817,611
TWITTER	766,966	201,142	49,860	289,120
PINTEREST	130,000	12,794	11,148	13,771
INSTAGRAM	3,608,000	393,589	168,000	936,020
WEIBO (CHINA)	600,000	25,705		27,771
VK (RUSSIA)	182,005	12,867		56,035
TOTAL PER BRAND	**27,846,126**	**5,482,882**	**1,166,090**	**9,140,328**

Stradivarius	OYSHO	ZARA HOME	UTERQÜE	TOTAL GROUP
2,521,789	1,044,504	1,173,981	143,734	**41,034,581**
128,235	52,573	67,100	13,512	**1,568,508**
10,586	8,050	29,886	861	**217,096**
621,587	189,965	225,000	38,900	**6,181,061**
17,947	12,069	11,127		**694,619**
12,545				**263,452**
3,312,689	**1,307,161**	**1,507,094**	**197,007**	**49,959,317**

our priorities (7):

contribution to community welfare

Objective

-

To maximize the company's positive impacts on society

Material issues

-

29 Social action and local community development

30 Dialogue with and commitment to stakeholders

Inditex is aware that its production activity in more than 50 countries and its retail presence in 88 markets has a significant social impact worldwide. The brand approaches this impact with responsibility, commitment and enthusiasm. In order to counterbalance the impact of the activities involved in the brand's business, Inditex has developed a model of investment in social programmes based on its commitment to improving global welfare and strengthening the communities that have links with the brand. This approach to investment in social programmes means that Inditex engages voluntarily in socially responsible practices that create value within the community and the company in general.

This commitment, which involves joint work with non-profit organizations, focuses primarily on education, employment and humanitarian aid programmes mainly implemented in countries forming part of Inditex's production clusters. In 2014, Inditex's investment in social programmes totalled more than €25 million, up some 10% on the previous year and accounting for more than 1% of the Group's net profits. But the most important thing is that this investment allowed more than 44,000 children to access education, while more than 4,000 people received the training they needed to access the labour market, and around 2 million people in underprivileged areas received health care. During 2014, Inditex developed social programmes in 40 countries. The following pages provide details of the most significant of these projects.

investment in social programmes*

2.8

million **beneficiaries**

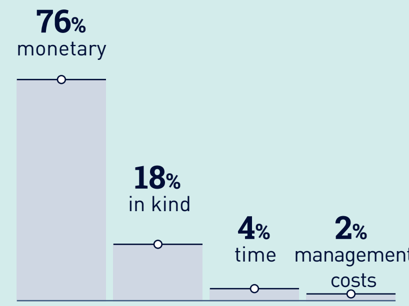
21%

increase in investment in social programmes 2012 – 2014

25.8

million euros **invested in social programmes**

Type of contribution



612,743

garments donated to social causes

351

organizations supported

40

beneficiary countries receiving funding

70%

investment in Inditex clusters
(Spain, Portugal, Morocco, Turkey, India, Bangladesh, South East Asia, China, Brazil and Argentina)

460

social projects executed

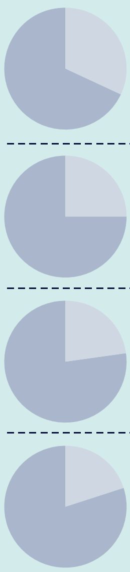
37,760

hours dedicated by employees to social initiatives during working hours

(*) Data calculated according to LBG (London Benchmarking Group) methods based on voluntary contributions made by Inditex to social programmes during the financial year 2014. Currency conversion of contributions to euros performed according to exchange rates valid on 31 January 2015.

Sphere of activity **

In 2014, Inditex allocated some 80% of its investment in the community to strengthening the strategic focuses on which the brand's model of investment in social programmes is articulated: social welfare, humanitarian aid and youth education.



32% social welfare

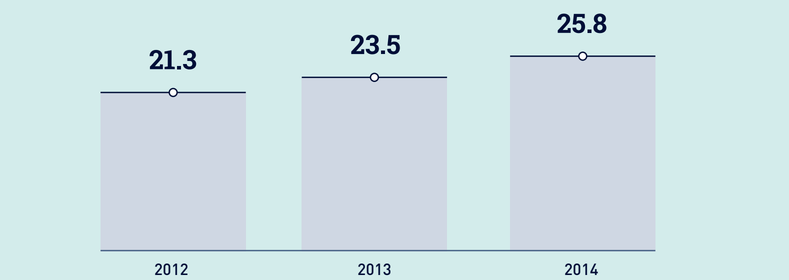
25% emergency relief

23% education

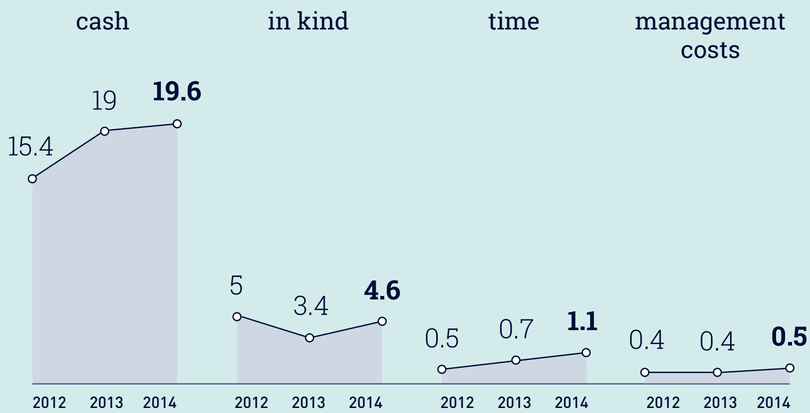
20% other (health, economic development, arts and culture, environment and other)

Evolution of investments in social programmes

Total investment in social programmes 2012-2014 (in millions of euros)



By contribution type (in millions of euros)

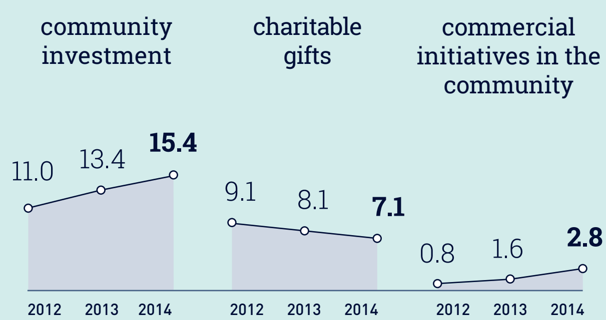


By category ** (in millions of euros)

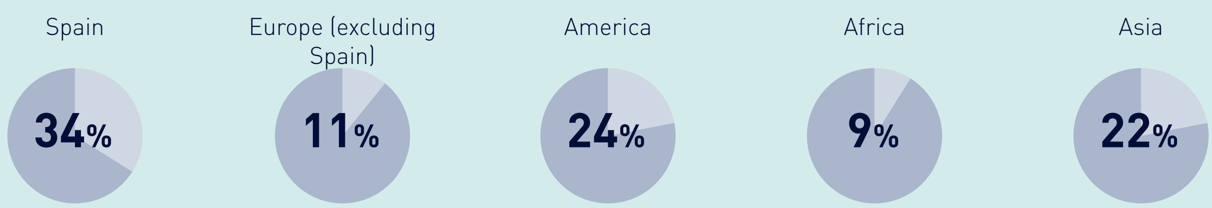
community investment: A long-term strategic commitment in collaboration with the community to support specific social activities.

charitable gifts: Institutional one-off donations to support the general goals of non-profit organizations.

commercial initiatives in the community: Initiatives of social interest directly related to the company's commercial activity.



By geographical area (%) **



(**) Does not include management costs

Emergency relief

Factors such as natural disasters and the growing complexity of certain conflicts have caused an increase in the number of people affected by humanitarian crises worldwide. Inditex promotes emergency relief as one of the fundamental pillars of its investment in the community. In 2014, Inditex allocated some 25% of its investment in social programmes focusing on protecting the lives of vulnerable people.

India Programme

Fight against child malnutrition

Since 2011, Inditex has supported the Médecins sans Frontières (MSF) project to combat child malnutrition in the district of Bihar, a state in north-east India on the border with Nepal. Since then, more than 13,000 children have received treatment, with more than 90% of cases dealt with successfully: the most effective treatment applied in India to date.

MSF's efforts are currently targeted at achieving the inclusion of these practices in the public primary health care system in Bihar and the extension of this ambulatory treatment model to the rest of the country. The MSF team working on this programme is currently made up of 125 people (109 national workers and 16 international workers).

The main achievements of the programme during 2014 include the expansion of the community model of managing severe malnutrition to other districts, the increase in health centres supported by MSF to 12 centres, and the independent development by the Ministry of Health of the programme's activities in five of the 12 health centres. Also in 2014, an intensive care unit was established to treat the most severe malnutrition cases with complications.

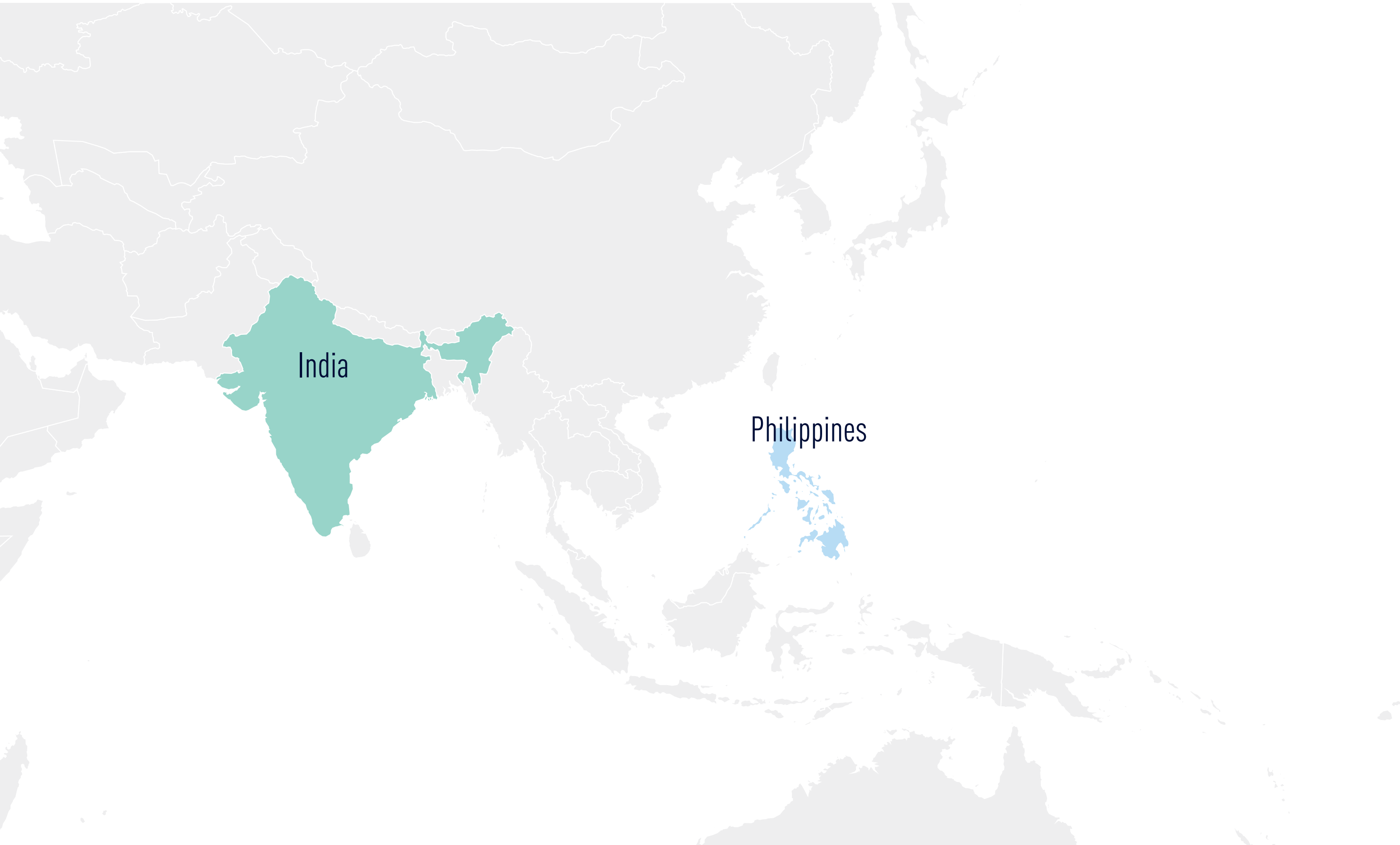
Inditex supported this project with an investment of €600,000 in 2014.

highlight 2014

- **3,569** children treated as part of the ambulatory nutrition programme
- **631** children treated as part of the intensive nutrition programme at the nutritional rehabilitation unit and intensive care unit for malnutrition in Bihar
- Extension of the programme's coverage to 4 blocks and 12 new primary care centres

The fight against kala azar

Visceral leishmaniasis or kala azar is an illness transmitted by sandflies, which is fatal when not addressed with timely treatment. It symptoms include inflammation of the liver and spleen accompanied by severe abdominal distension, deteriorating body condition, malnutrition and anaemia. It mainly affects the most disadvantaged social groups. The Indian state of Bihar, located in north-east India on the



border with Nepal, experiences a high percentage of the world's cases of kala azar.

MSF is carrying out intense efforts to prevent, diagnose and treat this illness in the Vaishali district of Bihar, as well as fighting to ensure that this treatment is free to everyone.

Inditex has collaborated with MSF on the fight against kala azar in Vaishali, India since 2010. In September 2014, the government announced a change in their protocol concerning kala azar treatment, which involved a change in national policy on first-line care to treat this illness. Thanks to this achievement, thousands of people will have access to a simpler and more effective treatment, providing an example to follow for other countries with a high prevalence of kala azar.

highlight 2014

- **1,102** patients treated
- **94%** cure rate
- More than **1,000** patients included in the pilot treatment programme to fight kala azar
- **99%** cure rate for patients involved in the pilot study

Turkey Programme

Assistance for Syrian refugees

This joint project with MSF has focused its efforts on improving living conditions for refugees located in Kilis on the Syrian border, where there are more than 40,000 displaced people. Apart from primary medical care, MSF also provides psychological support for people who have been forced to face up to a new life, without means and away from their home country. During 2014, regular deliveries of humanitarian aid were organized, while hospital transport for patients travelling from hospitals in Aleppo, Syria was also guaranteed.

Inditex supported this project with an investment of €500,000 in 2014.

highlight 2014

- **35,969** beneficiaries
- **31,480** primary care consultations
- **4,448** consultations as part of the mental health programme

Emergency programmes

Support for the MSF Emergency Unit

MSF is constantly adapting its resources to respond to unforeseen needs. The organization's Emergency Unit ensures the availability of all the material and human resources required to dispatch teams in less than 48 hours in the case of any humanitarian crisis. Inditex has provided ongoing support to this unit since 2011, with annual donations of €300,000. This strategic support is key to guaranteeing the immediate response of the humanitarian organization to the needs of the most vulnerable people affected by emergency situations.

This decentralized emergency structure is managed by a permanent unit in Barcelona, which coordinates the deployment of the specific MSF teams which are trained and available at all times to embark on emergency trips to respond to any emergency. The Emergency Unit also coordinate the logistics centres that issue medical supplies and humanitarian aid to any location across the globe. While the teams dispatched on the ground are mainly made up of medical staff, the supply centres – located in Brussels, Belgium; Bordeaux, France; and Dubai, United Arab Emirates – are managed by logistics experts.

During the course of 2014, the MSF Emergency Unit sent teams to Syria and South Sudan. As of March, the unit was also responsible for organizing the coordination and monitoring of the intervention to stop the spread of Ebola in Senegal, Nigeria and the Democratic Republic of the Congo. The organization is currently embarking on a project to provide access to health care in Sierra Leone to mitigate the collapse of the national health care system.

Moreover, part of the support provided by Inditex has been used to strengthen the specific emergency team deployed in the Democratic Republic of the Congo. The RUSK team was specifically brought together with Congolese staff members to provide an immediate response in one of the countries whose population suffers directly from intermittent emergency events.

Thanks to the support provided by RUSK, MSF has been able to respond to various emergencies, such as to provide care for cholera patients, implement three measles vaccination campaigns and provide care to malaria sufferers. Moreover, this emergency team has undertaken various fact-finding missions to assess the state of health of the population living in one of the most vulnerable areas of the country, the region of South Kivu.

During 2014, Inditex renewed its commitment to this project for the period 2014-2016.

highlight 2014

- **31** emergency interventions, two fact-finding missions and one evaluation
- Countries where interventions have taken place: Syria, Mali, South Sudan, Philippines, Nigeria, Central African Republic, Democratic Republic of the Congo, Senegal, Sierra Leone, Brazil, Chad, Ivory Coast and Morocco
- More than **500,000** people assisted
- Distribution of basic necessities to **38,000** families
- **487** people mobilized to respond to emergencies (expatriate staff)

Emergency Response Team in the Democratic Republic of the Congo - RUSK 2014

- **15** fact-finding missions, eight of which were translated into interventions
- Countries where interventions have taken place: Democratic Republic of the Congo
- More than **167,000** people assisted
- **159,819** people vaccinated against measles

Ebola epidemic in Sierra Leone

Sierra Leone is one of the main countries affected by the biggest outbreak of Ebola in the history of western Africa. Scarce resources and the collapse of health services within the country have made it necessary for MSF to intervene in order to contain the outbreak and treat sick people with no access to health care due to the neglect of health structures, a lack of supplies and the impact of the virus on national health staff.

Inditex's contribution of €1 million serves to provide immediate support to combat the epidemic in Médecins Sans Frontières intervention centres in Guinea, Liberia and Sierra Leone to respond to an urgent need for aid.

highlight 2014

- More than **1.4** million beneficiaries

Social welfare

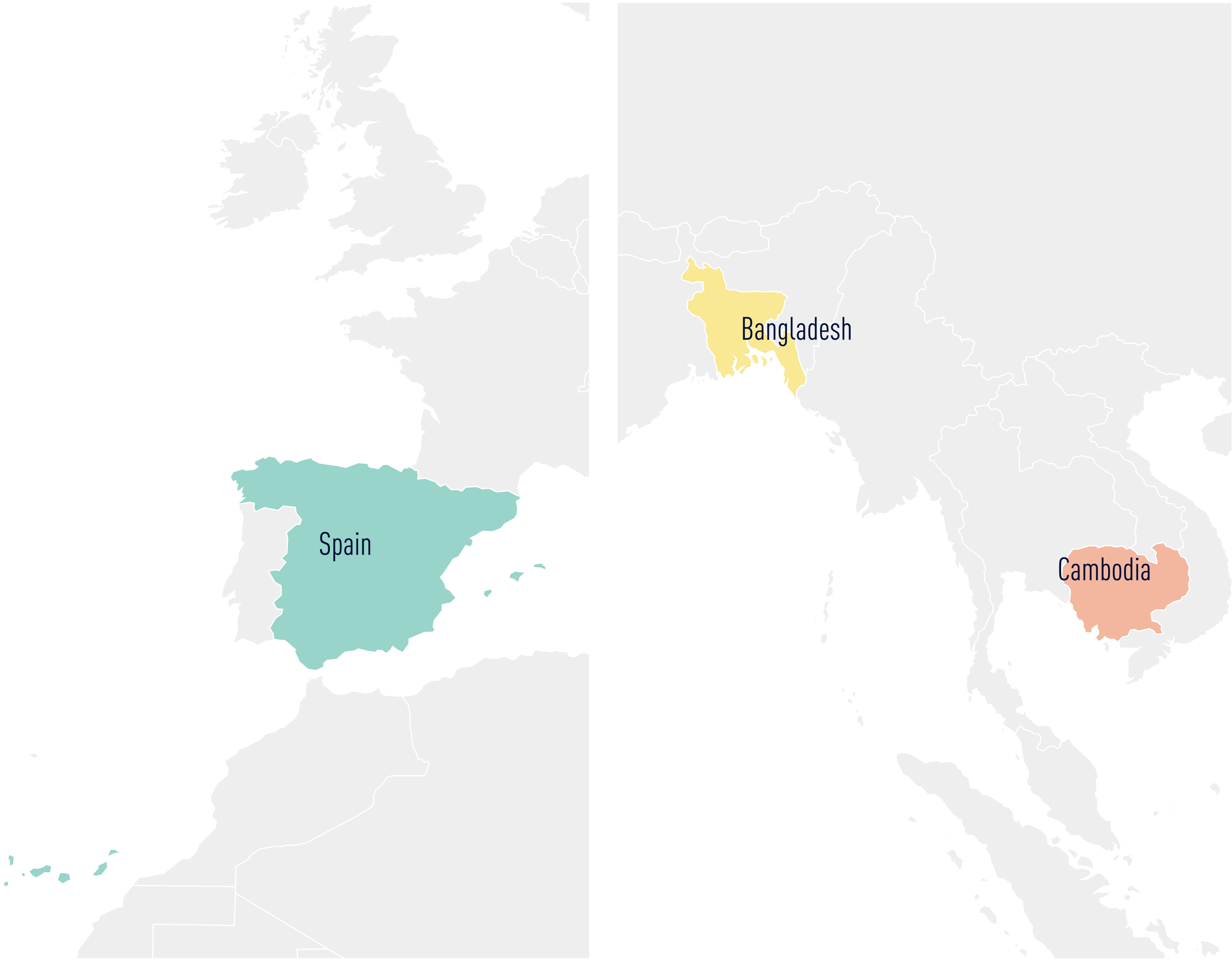
In 2014, Inditex allocated more than 30% of its investment in social programmes to activities to promote employment and entrepreneurship among vulnerable groups, favouring insertion into the labour market and the welfare of people in a situation of exclusion. Such actions included Inditex's commitment in conjunction with Cáritas to promoting employment in Spain for people suffering or at risk of suffering social exclusion.

Brazil Programme

São Paulo is one of the Brazilian states that receives the highest number of immigrants working in the clothing manufacturing industry. Since 2013, in collaboration with the São Paulo Secretary of State for Justice and Defense of Citizenship, Inditex has funded a reference centre attending to the needs of the immigrant population in matters such as regularization, professional training and integration into the labour market. The Immigrant Integration Centre was opened in December 2014 and has the capacity to assist 1,000 people per day.

The programme to support social organizations – such as the Centre for Human Rights and Immigrant Citizenship (Centro de Direitos Humanos e Ciudadania do Imigrante), the Migrant Support Centre (Centro de Apoio ao Migrante) and Missao PAZ – reiterates Inditex's commitment to promoting human rights and improving employment and social conditions within its supply chain. During 2014, some 17,524 immigrants in a situation of social risk have benefitted directly from this initiative.

[G4-EC7, G4-EC8, G4-DMA, G4-SO1, AF33]



Programme to promote employment in Spain for people suffering or at risk of suffering social exclusion

The programme to promote employment among people in a situation of risk of social exclusion is a collaborative project between Inditex and Cáritas Española to develop formulas that favour job creation and facilitate the entry into the labour market of the most vulnerable people in Spain. Since 2011, Inditex has supported more than 50 social entrepreneurship projects, both individual and collective, through projects that promote business creation in emerging sectors or the opening of new lines of business, cooperatives, or support for individual entrepreneurship.

In October 2014, Cáritas and Inditex renewed their commitment to collaborate on this initiative with the signing of a new agreement for the period 2014-2016, with a contribution of €3 million.

highlight 2014

- **24** solidarity economy projects
- **28** training projects

objectives

- 221 insertion positions in social entities
- 23 self-employed positions
- 67 courses imparted to 1,383 people

Bangladesh Programme

During 2014, different projects have been implemented in the areas of Rajshahi, Dinajpur and Mymensingh in Bangladesh in collaboration with the non-profit organization Cáritas. The projects aim to improve social and sanitary conditions for the rural Adivasi population, one of the poorest and most vulnerable indigenous communities in the country. These projects have helped to improve the living conditions of some 13,155 direct beneficiaries in a total of 321 villages. The programme has received €500,000 in funding for an implementation period of 17 months.

highlight 2014

- **2,300** households whose economic situation was improved by credit and savings cooperatives
- **225** women received financial support to set up businesses
- **360** families took part in self-employment initiatives

objectives

- Financial support for women to start small businesses
- Improvement to food security and access to decent sanitary conditions
- Grants and training in various spheres such as agriculture, animal husbandry, financial management and human rights
- Financial support for the cancellation of mortgages and purchase of agricultural supplies and seeds for family smallholdings and sustainable agricultural activities

Cambodia Programme

Inditex, in collaboration with Cáritas, is involved in a programme in Cambodia to support community development and health among families living in extreme poverty in the provinces of Siem Reap, Battambang, Preah Vihear and Kampong Thom. The year-long programme has received funding to a sum of €300,000. The beneficiaries of the programme are families with scarce economic resources living in a situation of extreme poverty: landless peasants, small-scale farmers, the elderly, disabled and those with chronic illnesses, women with children, widows, and children.

The aim of these activities is to ensure that families have enough to eat throughout the year, improving nutritional levels – in particular among children aged under five.

highlight 2014

- **11,395** people treated to reduce chronic anaemia
- **977** families accessed credit
- **1,295** farmers received technical training

objectives

- Increase mother and child vaccination rates
- Reduce premature child mortality and chronic anaemia
- Reduce malnutrition in pregnant women and children

Education

Inditex is aware that education is one of the most effective tools with a positive influence on the community. That's why, in 2014, the brand dedicated 23% of its investment in social programmes to initiatives focusing on providing opportunities through quality education, allowing a dignified life and promoting social justice and the personal growth of young people.

We Water Experience. China

The objective of the *We Water Experience* programme is to raise awareness on the scarcity of water among Chinese students aged between 12 and 16, encouraging them to reduce their water consumption and share this information with their family and friends. This three-year programme implemented in collaboration with the *Foundation for UNESCO – Education for Children in Need and the NGO Thirst* began in 2013. Some 21,810 students were trained in 2014.

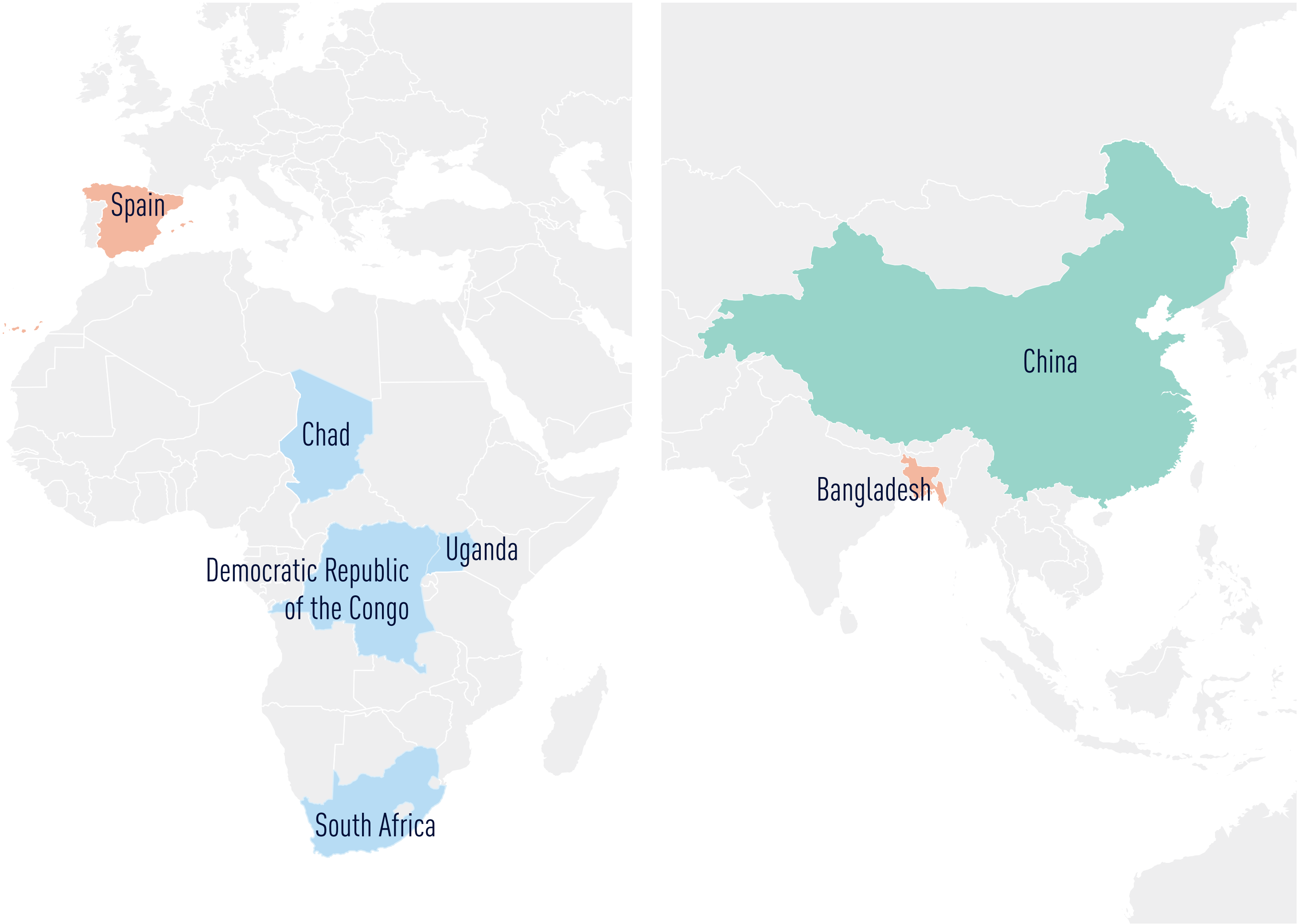
Awareness-raising activities were held in schools (62.9% of which were state-run), while 4,368 tests were carried out to assess the change in awareness levels regarding water availability, comparing the results obtained before and after classes. The comparison showed a 27% increase in the level of knowledge of course attendees regarding issues related to the water crisis. Participants were also trained to become leaders in good practices among their families and friends. The teachers involved are also an important element of this programme. This programme was recommended by 70% of the teachers to other schools or teachers from their academic network.

An important component of the work involved was encouraging students to undertake small-scale initiatives which, when taken as a whole, represent a great change. During 2014, 31 new clubs were established independently of the project to develop specific water saving initiatives. This means that a total of 88 clubs and 5,108 members have taken part in the programme since it began. The members, who are particularly active and aware of the water situation, serve as an example for other new groups.

In 2014, a collaboration agreement on the joint development of the programme was signed with the *UNESCO Project on Education for Sustainable Development in China* under the auspices of the Chinese Education Ministry.

highlight 2014

- Training for **21,810** students
- **70%** of the teachers involved recommended the programme to other schools or classes within their education centres



Educating People, Generating Opportunities (EPGO)

The collaboration between the Fundación Entreculturas and Inditex takes place as part of the Framework Collaboration Agreement signed by both organizations in 2001, through which Inditex has donated more than €35 million to educational and job creation projects. In particular, the Educating People, Generating Opportunities (EPGO) project represents a joint effort between the Fundación Entreculturas and Jesuit Refugee Service (JRS) with actions in Latin America and Africa.

America Programme

Within Latin America, this programme focuses on providing care to vulnerable groups in Argentina, Bolivia, Brazil, Ecuador, Mexico, Paraguay, Peru, Uruguay and Venezuela, with an emphasis on education and job creation. The programme aims to provide support for more than 80,000 people during the period 2014-2016.

The programme involves 16 projects that revolve around the two general lines of professional training and education, and assistance for the most vulnerable groups. In 2014, some 34,000 people (children and young people at risk of social exclusion, indigenous populations, people with disabilities, migrants, and so on) participated in courses, receiving materials, work experience, legal and psychological support, accessing/continuing in the education system, improving their employability or accessing a job, depending on the needs of each project.

highlight 2014

- **2,663** young people gained access to education
- **4,231** people received vocational training
- **15,000** migrants, refugees and displaced people assisted
- **2,359** jobs created
- **239** productive projects undertaken

Colombia Programme

Inditex has collaborated with the Fundación Entreculturas in Latin America and the Caribbean since 2007 to provide support for the population victim of the Colombian conflict, with one of the largest quantities of displaced people in the world. Apart from its work in Colombia, the programme also carries out its activities on the country's shared borders with Ecuador, Panama and Venezuela.

The regional programme to assist refugees and those displaced by the conflict in Colombia and the bordering countries of Ecuador, Panama and Venezuela assisted more than 7,000 people during 2014. The Jesuit Refugee Service provides assistance by means of access to education, psychological care, legal assistance, and awareness-raising activities within the population, as well as support for productive projects and small-scale enterprises to improve the labour market integration and opportunities of the local people. Despite the advances made in achieving peace in the region, the conflict has caused millions of people to be displaced and left hundreds of thousands of refugees, who need support in order to improve their conditions.

highlight 2014

- **498** young people gained access to education
- **7,012** migrants, refugees and displaced people assisted
- **1,264** people received health care

highlight 2014

- **18,563** young people gained access to education
- **35,035** migrants, refugees and displaced people assisted

Africa Programme

The programme is articulated through two main lines of action: the social and labour integration of urban refugees, and education in emergency situations. It is estimated that this three-year intervention from the Fundación Entreculturas in collaboration with Inditex will provide support for more than 35,000 people.

Specifically, some 20,000 victims of violence and poverty were given support during 2014 in South Africa, the Republic of the Congo, Chad and Uganda. The Jesuit Refugee Service offers education for children, literacy assistance for women and vocational training courses in refugee camps. In big cities, professional training is offered to urban refugees along with language training, medical care and legal support with a view to social integration.

Inditex Chair of Spanish Language and Culture at the University of Dhaka, Bangladesh

The Inditex Chair of Spanish Language and Culture at the University of Dhaka, Bangladesh was created by means of an agreement between Inditex; the universities of Santiago de Compostela and A Coruña

in Spain; and the Dhaka University in Bangladesh, and embarked on its activity in 2011. Its purpose is to promote Spanish language and culture in Bangladesh and to encourage scientific production and exchange in this area, as well as to promote the movement of students and teachers between the university institutions.

In 2014, the teaching activities related to Spanish language and culture for the 2013/2014 academic year came to an end, while the new academic year commenced with 323 students, 28% more than in the previous year.

Thanks to the Spanish grant programme that sustains the Chair, three students participated in an intensive Spanish course during the summer months as part of the international courses held by the University of Santiago the Compostela.

The Chair's budget for the year 2014 was of €546,874.

Inditex-UDC Chair of Social Responsibility

The Inditex-UDC Chair of Social Responsibility in A Coruña, Spain has the mission of promoting a space for community reflection, academic training and research applied to social responsibility in administrations and public organisms, enterprises and non-profit organizations.

In 2014, the third edition of the postgraduate course in social responsibility was imparted to 32 students, 10 of whom were rewarded grants to cover fees by Inditex. The postgraduate course provided a total of 200 hours of certified training spread over ordinary sessions and seminars, workshops, talks and visits to companies.

Other

During 2014, Inditex has earmarked 3% of its investment in social programmes for initiatives for environmental protection.

In addition to other investments in social programmes, Inditex's social investment strategy is rounded off by the Group's sponsorship initiatives, mainly launched at a local level.

Environment

Terra project

The Terra project forms part of the efforts made by Inditex to reduce the organic footprint of the brand's global operations. The agreement signed with the Regional Government of Galicia and in force since 2007 contributes to maintaining the quality and genetic variety of the species found in Galicia's forests. We have created seedbeds and new clone collections to improve the local forests and contribute to capturing carbon dioxide emissions.

Further information at Efficient use of resources (pages 83-93)

Sponsorship and patronage

Inditex's sponsorship and patronage activities include the one-off contributions made both by Inditex and by the Group's different subsidiaries and brands to non-profit institutions in order to improve community welfare in the local area.

During the year 2014, Inditex allocated more than €7 million to one-off contributions, both monetary and in-kind, which were channelled through more than 200 social organizations.

Inditex's Sponsorship and Patronage Committee is the body in charge of approving projects included in this category. The committee comprises the Secretary-General and Secretary of the Board, Antonio Abril; the Director-General of Communications and Institutional Relations, Jesús Echevarría; and the Director of Corporate Social Responsibility, Félix Poza.

During 2014, Inditex collaborated with a wide range of entities from different spheres, including research and health, culture and sports, training and social assistance. A high percentage of these contributions are used within Spain, the home of the company's head offices.

Training and research

Inditex considers training to be a fundamental pillar of growth. For this reason, in 2014 the brand offered its support to various entities, including both Spanish and foreign universities such as the Complutense University of Madrid, the Charles III University of Madrid and the Massachusetts Institute of Technology (MIT). These educational centres, along with other organizations such as the Fundación Carolina, maintain stable and ongoing relations with Inditex.

The Inditex Group has also been a member of the Board Of Trustees of the Spanish National Cardiovascular Research Centre (Fundación Pro-CNIC) since its creation in December 2005 to fight against cardiovascular diseases. In the field of innovation and scientific research, Inditex works with the Fundación CYD and the Fundación Príncipe de Girona.

Culture and sport

The promotion of cultural events and organizations and support for the world of sport also form pillars of Inditex's Sponsorship and Patronage programme. This support is made evident by Inditex's ongoing collaboration with the Galician Symphony Orchestra, the Association of Friends of the Opera of A Coruña, the Fundación Albéniz, the Association of Friends of the Reina Sofía Art Centre and the Real Fundación de Toledo. In the sphere of sports, Inditex supports all work which encourages grassroots sport.

Social assistance

Social reinsertion, integration into the labour market of people with disabilities, support for people in a situation of disadvantage, the fight against cancer and tasks related to assisting people in a vulnerable situation, are some examples of initiatives supported by Inditex during the year 2014.

our priorities (8): corporate governance

Objective

To ensure that all the professionals belonging to the Group proceed diligently, ethically and with transparency in the performance of their duties

Material issues

1 Corporate Governance

2 Code of Conduct and Responsible Practices

3 Corruption

30 Dialogue with and commitment to stakeholders

Corporate Governance is usually defined as the manner in which companies are organized, managed and controlled. In this context, good corporate governance is deemed to exist where directors and officers responsible for governance proceed in a diligent, ethical and transparent manner in the performance of their duties, are accountable for their proceedings and ensure a balance of powers, as well as respect for and equal treatment to all shareholders, namely minority ones.

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

The concept of good corporate governance arises thus as a necessary instrument to help meet the goal of creating net worth in the long-term, and it shall be necessarily embodied through a Management that must act ethically and transparently, subject to control and supervision, both internal and external. This good corporate governance is an active part of the concept of corporate social responsibility, in its broad definition, as a strategic tool for the effectiveness of the company, to achieve competitive advantages, together with the social action or responsibility *strictu sensu*, and environmental sustainability.

Annual Corporate Governance Report

In line with the foregoing, the Annual Corporate Governance Report for financial year 2014 (from 1 February 2014 through 31 January 2015) approved by the Board of Directors of Industria de Diseño Textil, S.A. (hereinafter, Inditex, the Company or the Group) and available at the corporate website (www.inditex.com) and at CNMV [Spanish SEC] web (www.cnmv.es) provides full and reasoned information about the structure and governance practices of the Company, so that the market and the stakeholders may obtain a true image and a full and grounded view of corporate governance of the Group, as well as of the degree of compliance with the recommendations of the Unified Good Governance Code of Listed Companies. During FY2014, such degree of compliance stands at 98% regarding the recommendations which apply to Inditex.

Regulations on Corporate Governance

The rules governing the corporate governance of Inditex, are listed below, with the date of their latest amendment:

Internal Regulations	Competent body	Date of approval / latest amendment
Articles of Association	General Meeting of Shareholders	15-07-2014
Regulations of the General Meeting of Shareholders	General Meeting of Shareholders	15-07-2014
Board of Directors' Regulations	Board of Directors	12-06-2012
Internal Regulations of Conduct regarding Transactions in Securities of Industria de Diseño Textil, S.A. and its Corporate Group (IRC)	Board of Directors	13-06-2006
Code of Conduct and Responsible Practices	Board of Directors	17-07-2012
Code of Conduct for Manufacturers and Suppliers	Board of Directors	17-07-2012
Regulations of the Committee of Ethics	Board of Directors	17-07-2012
Whistle Blowing Channel Procedure	Board of Directors	17-07-2012
Manual on Criminal Risks Prevention	Board of Directors	17-07-2012

Further to the entry into force of Act 31/2014, of 3 December, which amends the Act on Capital Companies to improve corporate governance, and to the publication of the new Good Governance Code for Listed Companies, Inditex has been carrying out throughout financial year 2015 the review and amendment of its internal regulations to comply with the new legal requirements, the latest recommendations in the area of good governance and the most recent trends in the area of corporate governance.

Transparency and Information

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

Therefore, in order to achieve maximum transparency, in addition to including all relevant information and communications on its corporate web (www.inditex.com), Inditex has kept the market regularly posted during financial year 2014 by submitting the relevant results, releases and holding meetings and other proceedings with institutional investors.

A summary of the most relevant issues of the 2014 Annual Corporate Governance Report is included in this section of the Annual Report:

1. Ownership structure
2. General Meeting of Shareholders
3. Board of Directors
4. Board of Directors' Committees
5. Remuneration
6. Senior Executives
7. Related-party transactions and situations of conflict of interest
8. Transparency and independence
9. Code of Conduct and Responsible Practices and Committee of Ethics

1. Ownership structure

Share capital

As at 31 January 2015, Inditex's share capital amounts to EUR 93,499,560 and is divided into 3,116,652,000 shares.

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

The Annual General Meeting held on 15 July 2014 approved a Stock Split, increasing the number of shares in the Company by reducing the nominal value of shares from fifteen cents of a euro (€0.15) to three cents of a euro (€0.03) per share, according to the ratio of five new shares per each existing share, without any change in the share capital, and the subsequent amendment of article 5 of the Articles of Association to include the new number of shares in the Company (3,116,652,000 shares).

Market capitalization

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

As at 31 January 2015, Inditex's share price per the listing price on Spain's Electronic Trading System (continuous market) was EUR 26.14 per share

Ownership structure of the share capital

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

As at 31 January 2015, members of the Board of Directors hold a 59.361% stake in Inditex's share capital, as shown below:

		Indirect voting rights (*)		
Name or Company name of the director	**Number of direct voting rights**	**Direct owner of the stake**	**Number of voting rights**	**% on aggregate voting rights**
Mr Pablo Isla Álvarez de Tejera	1,805,320		0	0.058%
Mr Amancio Ortega Gaona	0		1,848,000,315(*)	59.294%
Mr José Arnau Sierra	30,000		0	0.001%
GARTLER, S.L.	1,558,637,990		0	50.010%
Ms Irene Ruth Miller	66,200		0	0.002%
Mr Nils Smedegaard Andersen	35,000		0	0.001%
Mr Rodrigo Echenique Gordillo	0		0	0%
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	150,000		0	0.005%
Mr Emilio Saracho Rodríguez de Torres	0		0	0%

In addition to directors, according to the information provided at CNMV's web site (www.cnmv.es) the owners of significant shareholdings in the Company were:

- Partler 2006, S.L. (owner of 289,362,325 shares, representing 9.284% in the share capital); and
- Rosp Corunna Participaciones Empresariales, S.L.U. (owner of 157,474,030 shares, representing 5.053 % in the share capital). On 14 October 2014, Inditex's shares owned by Rosp Corunna Participaciones Empresariales, S.L. were acquired by Ms Sandra Ortega Mera and Mr Marco Ortega Mera, having accepted the succession of Ms Rosalía Mera Goyenechea.

Rights on shares

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

Para-social agreements

Inditex has not received any notice regarding the existence of any para-social agreements in respect of voting rights at Annual General Meetings, or which may limit the free transfer of shares, nor has it learned about any concerted actions between its shareholders.

Own shares

The authorization granted by the Annual General Meeting on 16 July 2013 remains in force, by virtue of which the Board of Directors is authorized to acquire the Company's own shares (the full text of this resolution is available at www.inditex.com).

During financial years 2013 and 2014, the Company acquired 3,500,000 own shares (representing 0.112% in the share capital), which represents, as at 31 January 2015, the entire treasury stock of the Company, for the purposes of having the necessary number of shares to be delivered to the beneficiaries of the above-mentioned Long Term Performance Shares Plan, within the scope of the above-mentioned authorization for the derivative acquisition of shares.

2. General Meeting of Shareholders

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

Authorities

The General Meeting of Shareholders is authorized to pass all kinds of resolutions concerning the Company and, in particular, and without limitation to any other powers vested by the applicable regulations, the exercise of the following powers is reserved to such body:

(a) To resolve on the individual annual accounts and, where appropriate, the consolidated accounts of the Company and its Group, as well as on the distribution of the income or loss.

(b) To appoint and remove directors, as well as, confirm or revoke those provisional appointments of said directors made by the Board, and to review their management

(c) To appoint and remove the auditors.

(d) To resolve the issuance of bonds, the increase or reduction of capital, the exclusion or restriction of pre-emptive subscription rights, the transformation, merger, split-off or dissolution of the Company, the global allotment of assets and liabilities, the approval of the final liquidation balance sheet, the transfer of the registered office abroad and, in general, any amendment to the Company's Articles of Association.

(e) To authorize the Board of Directors to increase the Company's share capital, or to proceed to the issuance of bonds and other fixed yield securities.

(f) To approve the adoption of remuneration systems consisting of the granting either of shares or stock options, as well as any other remuneration system linked to the value of the shares, for the benefit of directors, and to conduct an advisory say-on-pay vote on the annual report on Directors remuneration.

(g) To pass the Regulations of the General Meeting of Shareholders and any subsequent amendments.

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

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

(j) To approve those transactions which might entail an effective amendment of the corporate objects and those the effect of which may be equivalent to the liquidation of the Company.

Likewise, in accordance with Act 31/2014 of 3 December, amending the Act on Capital Companies to improve corporate governance, the following powers are reserved to the General Meeting of Shareholders: the acquisition, disposal or contribution to another company of essential assets; the transfer to subsidiary companies of essential activities so far conducted by the Company itself; the transactions the effect of which is equivalent to the liquidation of the Company, and the remuneration policy in respect of the directors. .

Proceedings

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

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

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

General Meetings of Shareholders must be convened by the Board of Directors through notice published in the Official Gazette of the Companies Register or in one of the newspapers with the largest circulation in Spain, at the Company's web site (www.inditex.com) and at CNMV's web site (www.cnmv.es), at least one month in advance of the day scheduled for the meeting to be held, or within any longer period required by law, where appropriate, on account of the scope of the resolutions submitted for deliberation. The notice must state the name of the Company, the day, time and place of the meeting, as well as the date on which, if appropriate, the General Meeting shall be held on second call, and there must be at least a 24-hour period between one call and the other. The notice shall likewise state, clearly and precisely, all the business to be transacted therein.

No later than the date of publication, or at any rate, on the business day that immediately follows, the notice of the meeting shall be sent by the Company to the CNMV, and to the Governing Organisations of the Stock Exchanges where the Company's shares are listed for its insertion in the relevant Listing Bulletins. The text of the notice shall also be available at the Company's web page.

Quorum required to hold a valid General Meeting of Shareholders

Call	General rule (sec. 193 ACC)	Special cases (sec. 194 ACC)
First	Shareholders who are present or represented by proxy must represent at least 50% of the subscribed share capital with the right to vote.	
Second	Generally, the General Meeting shall be validly held regardless of the share capital attending the same	At least 25% of the subscribed share capital with the right to vote must be in attendance.

Passing of resolutions

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

Attendance at the Annual General Meeting held during FY2014

Date of the Annual General Meeting	15-07-2014
Attendance data	
% attendance in person	0.08%
% attendance by proxy	85.14%
% distance voting	0.09%
Total	**85.32 %**

Resolutions passed

The full text of the resolutions passed by the Annual General Meeting held in FY2014 and the result of the votes thereof are available at www.inditex.com. All resolutions were passed by majorities of votes ranging between 92.82% and 99.81%.

Specifically, resolutions were passed regarding the items below:

"First.- Review and approval, where appropriate, of the Annual Accounts (Balance Sheet, Profit and Loss Account, Shareholders' Equity Statement, Cash Flow Statement and Annual Report) and Management Report of Industria de Diseño Textil, Sociedad Anónima, (Inditex, S.A.) for fiscal year 2013, ended 31st January 2014.

Second.- Review and approval, where appropriate, of the Annual Accounts (Balance Sheet, Profit and Loss Account, Statement of Comprehensive Income, Shareholders' Equity Statement, Cash Flow Statement and Annual Report) and Management Report of the consolidated group ("Inditex Group") for fiscal year 2013, ended 31st January 2014, and of the management of the Company.

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

Fourth.- Stock split increasing the number of shares in the Company by reducing the nominal value of shares from fifteen cents of a euro (€0.15) to three cents of a euro (€0.03) per share, according to the ratio of five new shares per each existing share, without any change in the share capital; subsequent amendment of article 5 of the Articles of Association (regarding the number and nominal value of the shares which make up the share capital) and delegation to the Board of Directors, with express power of substitution, of any *and all powers as may be required to implement this resolution.*

Fifth.- Amendment of the Articles of Association:

a) Amendment of article 17.1 ("Notice. Universal General Meetings")

b) Amendment of article 27.1 ("Appointment and duration of the office of Director")

Sixth.- Amendment of section 8.1 ("Notice") of the Regulations of the General Meeting of Shareholders.

Seventh.- Re-election of Mr Carlos Espinosa de los Monteros Bernaldo de Quirós to the Board of Directors as affiliate Director.

Eighth.- Appointment of Mr Rodrigo Echenique Gordillo to the Board of Directors as non-executive independent Director.

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

Tenth.- Granting of powers for the implementation of resolutions."

Shareholders' rights

Any shareholder can attend the General Meeting of Shareholders regardless of the number of shares he/she owns.

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

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

Encouragement of informed participation of shareholders

The information on the Annual General Meeting is included in the section "General Meeting of Shareholders" of the corporate web. .

With regard to the Annual General Meeting held in 2014, this section (http://www.inditex.com/es/investors/corporate_governance/annual_general_meeting) includes: the links to the Electronic Forum of Shareholders and the electronic voting and voting by proxy platform; the notice calling the Annual General Meeting and the Agenda; the proposed resolutions in respect of the items of the Agenda; the documents submitted to the Annual General Meeting for approval (annual accounts, management reports and auditor's reports, both individual and consolidated); the report of the Board of Directors regarding the proposed stock split increasing the number of shares in the Company by reducing the nominal value of shares from fifteen cents of a euro (€0.15) to three cents of a euro (€0.03) per share, according to the ratio of five new shares per each existing share, without any change in the share capital, and the subsequent amendment of the Articles of Association; the report of the Board of Directors regarding the proposed amendment of the Articles of Association in respect of reducing the term of office for Directors to four years and the manner of disclosing the notice calling the Annual General Meeting; the report of the Nomination and Remuneration Committee with regard to the motion of the Board of Directors submitted to the Annual General Meeting on the re-election of a Director and the report of the Nomination and Remuneration Committee including the motion to appoint an independent director; the statement of responsibility on the contents of the annual financial report; the 2013 Annual Corporate Governance Report; the 2013 Annual Report on the Remuneration of Directors; the 2013 Annual Activities Reports of the Audit and Control Committee and of the Nomination and Remuneration Committee; the document implementing the internal regulations on remote voting and granting of proxy; the voting card and the remote proxy granting; the information on the aggregate number of shares and voting rights as at the date of calling; and the resolutions passed at the Annual General Meeting held on 15 July 2014; the information on votes cast and the outcome of the voting; and the link to the online webcast regarding the Annual General Meeting.

Relationship with Investors

Information on the relationship with investors is provided in the Section headed "Investors and Stock Market indexes" of this Annual Report.

3. Board of Directors

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

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

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

Authorities

The Board of Directors will directly exercise the following authorities

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

I. the strategic or business Plan, as well as the management goals and the annual budgets;

II. the investment and financial policy;

III. the definition of the structure of the corporate group;

IV. the corporate social responsibility policy;

V. the policy regarding compensation and assessment of performance of senior executives;

VI. the enterprise risk management and control policy as well as the periodic monitoring of the internal information and control systems;

VII. the dividends policy as well as the treasury stock policy and especially, the limits thereto.

(b) The following decisions:

I. At the proposal of the chief executive of the Company, the appointment and, if applicable, removal of senior executives, as well as their severance packages.

II. The compensation of directors and, in the case of executive directors, the additional compensation to be paid for their executive duties and other terms of their contracts.

III. The financial information that the Company must periodically disclose due to its status as a listed company.

IV. The Investments or transactions of all kinds which are strategic in nature due to the large amount or special characteristics thereof, unless the approval thereof falls upon the shareholders at the General Meeting of Shareholders.

V. The creation or acquisition of interests in special-purpose entities or entities resident in countries or territories regarded as tax havens, as well as any other transactions of a similar nature whose complexity might impair the transparency of the group.

(c) Assessing on a yearly basis:

I. the quality and efficiency of the proceedings of the Board.

II. the performance of his/her duties by the chief executive officer.

III. the proceedings of its Committees, on the basis of the report they submit.

(d) All other authorities reserved by the Board of Directors' Regulations.

Composition

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

As at 31 January 2015 the Board of Directors was comprised of the following members:

Name (person or company) of the Director	Type	Office	Date of first appointment	Date of latest appointment	Election procedure
Mr. Pablo Isla Álvarez de Tejera	Executive	Chairman and CEO	9-06-2005	13-07-2010	AGM
Mr. Amancio Ortega Gaona	Non-executive Proprietary	Ordinary member	12-06-1985	13-07-2010	AGM
Mr. José Arnau Sierra	Non-executive Proprietary	Deputy Chairman	12-06-2012	17-07-2012	AGM
GARTLER, S.L. (representada por Ms. Flora Pérez Marcote)	Non-executive Proprietary	Ordinary member	12-12-2006	17-07-2012	AGM
Ms. Irene Ruth Miller	Non-executive Independent	Ordinary member	20-04-2001	19-07-2011	AGM
Mr. Nils Smedegaard Andersen	Non-executive Independent	Ordinary member	08-06-2010	13-07-2010	AGM
Mr. Rodrigo Echenique Gordillo	Non-executive independent	Ordinary member	15-07-2014	15-07-2014	
Mr. Carlos Espinosa de los Monteros Bernaldo de Quirós	Affiliate	Ordinary member	30-05-1997	15-07-2014	AGM
Mr. Emilio Saracho Rodríguez de Torres	Non-executive Independent	Ordinary member	08-06-2010	13-07-2010	AGM

Profile of Directors

Mr Pablo Isla Álvarez de Tejera

Chairman and CEO of Inditex since 2011. He has been the Deputy Chairman and CEO since 2005. He is a graduate in Law from the Complutense University of Madrid and *Abogado del Estado* [State lawyer] on leave. From 1992 to 1996 he was Director of Legal Services for Banco Popular. He went on to be appointed General Director of State Assets at the Ministry of Economy and Finances. From July 2000 to 2005 he was Chairman of Altadis group. Likewise, he sits on the Board of Directors of Telefónica, S.A.

Mr Amancio Ortega Gaona

He is the founding shareholder of Inditex. He began his textile manufacturing operations in 1963. In 1972 he founded *Confecciones Goa, S.A.*, the first garment-making factory of Inditex and three years later he founded Zara España, S.A. the first distribution and retailing company. He was re-elected to the Board of Directors by the Annual General Meetings held on 30 June 1990, 31 July 1995, 20 July 2000, 15 July 2005 and 13 July 2010.

Mr José Arnau Sierra

A Law graduate from the University of Santiago de Compostela and State Tax Inspector on leave, Mr Arnau has been the chief executive of *Grupo Pontegadea* since 2001, a Director at GARTLER, S.L., PARTLER 2006, S.L. and member of the Board of Trustees of the *Fundación Amancio Ortega Gaona*. He was the director of Inditex's Tax Department and member of its Steering Committee from 1993 through 2001 and he also served on the Board of Directors of the Company from 1997 through 2000. Previously, he held different positions in the Tax administration. He has also been a member of the Board of Directors of *Banco Pastor* (from 2005 through 2012) and *Profesor asociado* [Part-time instructor] of Tax Law at the University of Coruña from 1993 through 1996.

GARTLER, S.L.

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

December 2006, ratified by the AGM held on 17 July 2007, and re-elected by the AGM held on 17 July 2012.

Ms Irene R. Miller

She has been an independent director since April 2001. She is a graduate of the University of Toronto with a Bachelor of Science and of Cornell University with a Master of Science in chemistry. She began her career at General Foods Corporation and later worked as an investment banker for Rothschild Inc. and Morgan Stanley & Co. In 1991 she joined Barnes & Noble Inc. as Senior Vice President of Corporate Finance and in 1993, before the flotation of Barnes & Noble, became Chief Financial Officer. In 1995, she was appointed Director and Vice-Chairman of the Board of Directors of Barnes & Noble. At the present time, she is CEO of Akim, Inc., an American investment and consulting firm, which she joined in 1997. She is also a member of the Board of Directors of the Toronto-Dominion Bank Financial Group. Previously, she served on the Board of Directors of Oakley Inc., Benckiser N.V., The Body Shop International Plc, Barnes & Noble, Inc. and Coach, Inc.

Mr Nils S. Andersen

He has been an independent director since June 2010. He is a graduate in Business and Economics from the University of Aarhus in Denmark. He joined Carlsberg in 1983 and became Group Vice President in 1988. From 1990 to 1997 Nils Andersen worked abroad as CEO of Carlsberg Spain and later of Carlsberg German Brewery group. Nils Andersen left Carlsberg in 1997 to become CEO of Hero's drinks division based in Switzerland until his return to Carlsberg in 1999 as member of the Executive Board with responsibility for European drinks operations. In 2001 he became CEO of Carlsberg A/S and led the group through a period of acquisitions and international growth until 2007 when he left Carlsberg to become Partner & Group CEO of A.P. Moller – Maersk. Nils Andersen is a member of the European Round Table of Industrialists (ERT) since 2001 and since 2007 member of the EU-Russia Industrialists' Round Table (IRT). Within the A.P. Moller – Maersk Group he is Chairman of the Executive Board, Chairman of Maersk Oil & Gas A/S and Chairman of Danish Supermarket A/S. In 2010 he was awarded "Knight of the Dannebrog".

Mr Rodrigo Echenique Gordillo

He has been an independent director since July 2014. He is a graduate in Law from the Complutense University of Madrid and *Abogado del Estado* [State lawyer] currently on leave. From 1973 until 1976 he held several positions in the State Administration. From 1976 through 1983 he was Head of Legal Services and subsequently Deputy General Manager at Banco Exterior de España. He joined Banco Santander in 1984, where he became a member of the Board of Directors in October 1988, being appointed at the same time Chief Executive Officer and member of the Executive Committee where he served until September 1994. From October 1994 through January 1999, he was a member of the Board of Directors, the Executive Committee of Banco Santander, and of all Board Committees, Chairman of the Audit and Control Committee, and Deputy Chairman of Banco Santander de Negocios and of Santander Investment. Since January 1999 he has been a member of the Board of Directors and the Executive Committee of Banco Santander, and also serves on the Committee of Risks, the Nomination and Remuneration Committee, the International Committee and the Audit and Control Committee of said entity. He has been Deputy Chairman of Banco Banif, S.A., Chairman of Allfunds Bank, where he is currently Deputy Chairman, and Chairman of SPREA. He is a member of the Board of Directors of Banco Santander International and of Santander Investment. He has been Ordinary Member of the Board of Directors of different industrial and financial companies: Ebro Azúcares y Alcoholes, S.A., Industrias Agrícolas, S.A., SABA, S.A. and Lar, S.A. He was also a member and subsequently Chairman of the Advisory Board of Accenture, S.A., Lucent Technologies, and Quercus y Agrolimen, S.A. He has been Chairman of Vallehermoso, S.A. At 31 January 2015, he is the Chairman of NH Hoteles, S.A., Vocento, S.A. and Executive Vice-Chairman of Banco Santander. He is a member of the Executive Committee and of the Board of Trustees of Fundación Banco Santander and of Plan España. From July 2001 through February 2008, he chaired the Social Board of Carlos III University in Madrid.

Mr Carlos Espinosa de los Monteros Bernaldo de Quirós

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

Mr Emilio Saracho Rodríguez de Torres

He has been an independent director since June 2010. A Graduate in Economics from the Complutense University in Madrid, he has an MBA from the University of California in Los Angeles (UCLA), awarded in 1980. He was also a Fulbright scholar. Mr Saracho began his career in 1980 in Chase Manhattan Bank, where he was responsible for operations in different sectors such as Oil and Gas, Telecommunications and Capital goods. In 1985, he took part in the launching and implementation of *Banco Santander de Negocios*, where he led the Investment Banking division. In 1989, he was appointed head of the Division of Large Companies of *Grupo Santander* and Deputy General Director. He has been a director of FISEAT, *Santander de Pensiones* and Santander de Leasing. In 1990, he worked for Goldman Sachs in London as co-head of Spanish and Portuguese operations. In 1995, he returned to Santander Investment as General Director in charge for the Investment Banking area worldwide. From 1996 to 1998, he was responsible for the Banking operations in Asia. Mr Saracho joined J.P. Morgan in 1998 as Chairman for Spain and Portugal and head of business for the Iberian Peninsula and member of the European Management Committee. From early 2006 to January 1st 2008, he was Chief Executive Officer of J.P. Morgan Private Bank for Europe, the Middle East and Africa, based in London. He also sat on the Operating Committee and on the European Management Committee, while chairing at the same time J.P. Morgan in Spain and Portugal. He is in charge of Investment Banking operations of J.P. Morgan in Europe, the Middle East and Africa. He sits on the Executive Committee of the Investment Bank and on the Executive Committee of JPMorgan Chase. He is Deputy CEO for EMEA since December 2012.

Chairman and Chief Executive Officer

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

Balanced management is ensured through the following measures:

- Some of the powers delegated to the Chairman and CEO are subject to certain restrictions. Namely, those that involve the disposal of funds in excess of a certain amount expressly require that the Chairman and CEO acts jointly with another person who in virtue of any legal title is also empowered with the power in question; and those transactions that involve the alienation or encumbrance of real property of the Company, for which a prior resolution of the Board of Directors or its Executive Committee, shall be required.
- Mr Amancio Ortega Gaona, the founder and controlling shareholder of the Company and Chairman of the Board of Directors until 19 July 2011, remains on such Board of Directors and its Executive Committee as non-executive proprietary director.
- Mr José Arnau Sierra, non-executive proprietary director since 12 June 2012, has been Deputy Chairman of the Board of Directors since 17 July 2012. He sits on the Executive Committee, the Audit and Control Committee and the Nomination and Remuneration Committee.
- As at 31 January 2015, Mr Nils Smedegaard Andersen is the Lead Independent Director pursuant to the provisions of section 529 *septies* of the Act on Capital Companies, and of section 18.1 of the Board of Directors' Regulations. Mr Andersen was appointed Lead Independent Director further to a resolution passed by the Board of Directors on 15 July 2014 – the executive director abstaining from voting on such issue –, replacing the former Lead Independent Director, Mr Carlos Espinosa de los Monteros, who had to cease in said office, as he had exceeded at the time of his re-election by the Annual General Meeting of 15 July 2014, the maximum period permitted to qualify as independent director, pursuant to the provisions of sec. 529 *duodecis* of LSC and the 2nd Transitional Provision of Order ECC/461/2013.

General Counsel and Secretary of the Board of Directors

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

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

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

Gender diversity

The Nomination and Remuneration Committee shall ensure that, when filling up any new vacancies and when appointing new directors, the selection process does conform to the prohibition of any manner of discrimination.

As at 31 January 2015, two female directors sat on the Board of Directors: Ms Flora Pérez Marcote (representing GARTLER, S.L., non-executive proprietary director) and Ms Irene R. Miller (non-executive independent director); such presence represents 22.22 % on the aggregate number of directors, versus the average 15.6% percentage of female directors sitting on the boards of IBEX35 companies, according to the information disclosed by CNMV with regard to financial year 2013.

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

Membership of Directors on Board of Directors of other listed companies

The Board of Directors may not propose or appoint to fill up a vacancy on the Board any person who already performs the office of director at the same time, in more than four listed companies other than the Company.

As at 31 January 2015, Directors who held offices in listed companies in Spain other than Inditex are shown below:

Name of the director (person or company)	Name of listed company	Office
Mr Pablo Isla Álvarez de Tejera	Telefónica, S.A.	Ordinary member of the Board of Directors
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Acciona, S.A.	Ordinary member of the Board of Directors
Mr Rodrigo Echenique Gordillo	NH Hoteles, S.A.	Chairman of the Board of Directors
Mr Rodrigo Echenique Gordillo	Vocento, S.A.	Chairman of the Board of Directors
Mr Rodrigo Echenique Garodillo	Banco Santander	Executive Vice-Chairman of the Board of Directors

Mr Rodrigo Echenique Gordillo stepped down from the office he held in the company Vocento, S.A., above referred, after 31 January 2015.

Selection, appointment, re-election and removal of directors

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

Directors shall be appointed by the General Meeting, and shall hold their office during the period established to this end by the Articles of Association, which at present is 4 years.

Directors may be re-elected indefinitely, for periods of equal duration, by the General Meeting, which may likewise resolve on the removal of any of these at any time.

The Board of Directors may fill up the vacancies that arise on said Board, temporarily, appointing from among the shareholders the persons who will have to fill the vacancies until the first General Meeting thereafter.

The proposals for the election of directors that the Board of Directors submits to be considered by the Annual General Meeting, and the election resolutions that said body passes by virtue of those powers to co-opt that are legally reserved to it, must be preceded by the relevant report from the Nomination and Remuneration Committee, and regarding independent directors, by the relevant proposal of the Nomination and Remuneration Committee.

The Nomination and Remuneration Committee shall ensure that, when filling up any new vacancies and when appointing new directors, the selection processes conform to the prohibition of any manner of discrimination.

Where the Board of Directors departs from the Nomination and Remuneration Committee's suggestions, it must state the reasons for its actions and place them on the record.

The Board of Directors and the Nomination and Remuneration Committee, shall, within their remit, endeavour for the choice of candidates to fall on persons of well-known ability, qualifications and experience, and must maximize their care in relation to such person called to discharge the office of independent director.

The Board of Directors may not propose or appoint to fill up a director's position any persons who hold the office of director simultaneously in more than four listed companies other than the Company. Where the vacancy which needs to be filled up is that of an independent director, the Board may not propose or appoint any persons who do not meet the independence criteria established in the applicable regulations.

The proposals for re-election of directors that the Board of Directors would submit to the Annual General Meeting will have to be subject to a formal process of preparation, which shall include, necessarily, a report issued by the Nomination and Remuneration Committee in which the quality of work and the dedication to office of the proposed directors during their previous mandate shall be assessed, and regarding independent directors, the relevant proposal for re-election of the Nomination and Remuneration Committee.

With regard to the process of selection, appointment and re-election of Directors, the Nomination and Remuneration Committee has, among others, the following responsibilities:

a) To prepare and check the criteria that must be followed for the composition of the Board of Directors in addition to selecting the candidates.

b) To advise on the proposals for nominations of directors, and regarding independent directors, to make such proposals so that they are approved by the Board of Directors prior to their appointment by the General Meeting of Shareholders or, where appropriate, by the Board of Directors by the co-optation procedure.

c) To advise on the appointment of the internal offices (Chairman, Deputy Chairman, CEO, Secretary and Deputy Secretary) of the Board of Directors.

d) To propose to the Board the members that must form part of each of the Committees.

Requests for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions presented by the Chairman, the members of the Board of Directors, the officers or the shareholders of the Company.

Likewise, the Board of Directors shall explain to the Annual General Meeting in charge of appointing or ratifying the appointment of directors the nature thereof, and said nature shall be confirmed or, where appropriate, reviewed in the Annual Corporate Governance Report, after verification by the Nomination and Remuneration Committee.

As regards the removal of directors, the Nomination and Remuneration Committee is expressly entrusted with the duties of advising on the proposal, if any, of early dismissal of an independent director.

During FY2014, Mr Rodrigo Echenique Goardillo, non-executive independent director, was appointed as Board member and Mr Carlos Espinosa de los Monteros Bernaldo de Quiróas, affiliate director, was re-elected to the Board..

Resignation of Directors

Directors must resign in such scenarios which could have a negative impact on the proceedings of the Board of Directors or the credit and reputation of Inditex.

Additionally, Directors must place their office at the disposal of the Board of Directors and, should this latter deem it appropriate, tender their resignation in the following cases:

a) When they reach the age of 68. However, the directors who hold the office of Chief Executive Officer or Managing Director shall place their office at the disposal of the Board of Directors upon reaching the age of 65, being able to continue as ordinary members of the Board of Directors until the aforementioned age of 68. As an exception, the foregoing rules shall not apply in the case of Director, Amancio Ortega Gaona.

b) When they cease to hold such executive positions to which their appointment as director was associated.

c) When they are involved in any of the grounds of incompatibility or prohibition provided in the Law, the Articles of Association or in the Board of Directors' Regulations. Namely, independent directors shall place their office at the disposal of the Board of Directors and shall tender, where appropriate, their resignation in the event that they fall under any of the cases of incompatibility or prohibitions provided by the applicable laws, or in the event that they suddenly come to hold the office of director in more than four listed companies other than the Company.

d) When they are seriously admonished by the Audit and Control Committee for having breached their duties as directors.

e) When they are involved in any circumstances which might have an impact on the reputation or name of the Company or otherwise jeopardize its interests, or when the reasons for their appointment cease to exist.

For their part, proprietary directors must resign when the shareholders they represent dispose of their ownership interest in its entirety or reduce it up to a limit which requires the reduction of the number of proprietary directors.

Mr Juan Manuel Urgoiti López de Ocaña, non-executive independent director, voluntarily resigned his position on 10 June 2014.

Proceedings of the Board of Directors

Quorum

Any Board meeting will be validly held when it is attended by at least half plus one of its members (or the whole number of directors immediately above half, should the Board be comprised of an odd number), whether in person or by proxy. Directors shall do their best to attend the meetings of the Board of Directors, and, when they cannot do so in person, they shall endeavour to grant a proxy to another member of the Board giving instructions as to its use and communicating the same to the Chair of the Board of Directors.

Attendance to meetings

The data on attendance of Directors to the meetings held during FY2014 are shown below:

Governing body	Number of meetings	% Directors' attendance
Board of Directors	5	88.89%
Audit and Control Committee	5	100%
Nomination and Remuneration Committee	5	100 %

Passing of resolutions

For resolutions to be passed, an absolute majority of votes for by the directors attending the meeting shall be required.

Notwithstanding the above, two-thirds of the members of the Board of Directors need to vote in order to permanently delegate any power of the Board of Directors to the Executive Committee or to the Chief Executive Officer, should there be one, and to appoint the directors who have to hold such offices.

Likewise, in order to amend the Board of Directors' Regulations, the resolution must be passed by a majority of two-thirds of the directors present.

The Chair of the Board of Directors has a casting vote in the event of equality of votes between the directors attending the meeting.

Proxy granting

Any director can grant proxy to another director in writing to be represented, such proxy having to be granted specifically for each meeting, communicating this in writing to the Chair.

External advice

In order to be aided in the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the Company's expense. The commissioned task must of necessity deal with particular problems of a certain weight and complexity which may arise in the performance of the office.

The decision to engage external experts must be notified to the Chairman of the Company and it may be open to veto by the Board of Directors if it proves that: a) such engagement is not necessary for the proper performance of the duties entrusted to the non-executive directors; b) the cost thereof is not reasonable in view of the importance of the problem and of the assets and income of the Company; c) the technical assistance obtained may be adequately provided by in-house experts and technicians or; d) the confidentiality of the information to be provided to the expert may be jeopardized.

Information

The notice for the ordinary meetings of the Board of Directors shall be given at least three days in advance of the meeting, and the notice shall always include the agenda of the meeting and shall be accompanied by the duly summarized and prepared relevant information.

Likewise, Directors have the widest powers to: obtain information on any issue of the Company (and its subsidiary companies); examine its books, registers, documents and other records of the Company's operations and inspect all its facilities, likewise it is also provided that the exercise of the powers of information shall be channeled through the Chairman, the Deputy Chairman or the Secretary of the Board of Directors, who will attend to the requests of Directors by providing them with the information directly, offering appropriate spokespersons at the appropriate level in the organization or establishing such measures so as to enable them to conduct the desired examinations and inspections in situ.

Meanwhile, Directors are bound to diligently gather information on the course of business of the Company and prepare suitably for the Board meetings and for any committees they belong to.

Assessment proceedings

Pursuant to the provisions of article 32.3.e) of the Articles of Association, section 15.2.f) of the Board of Directors' Regulations and the Recommendations of the prevailing Good Governance Code of Listed Companies, the Nomination and Remuneration Committees carried out during FY2014 the annual assessment of the performance of the Board of Directors, the Audit and Control Committee and the Nomination and Remuneration Committee, and of the performance of the Chairman and Chief Executive Officer, as well as the individual evaluation of the performance of Independent Directors, of the affiliate Director, of the members of the Audit and Control Committee and of the Nomination and Remuneration Committee, and of the Deputy Chairman. The findings of this assessment were raised to the Board of Directors.

The result of the assessment carried out in FY2014 is very positive in respect of the assessed topics. Mention should be made, among others, of the qualifications and structure, the duties, the readiness and effectiveness and the planning and organization of the meetings of the Board of Directors, the Audit and Control Committee and the Nomination and Remuneration Committee, as well as the contribution and performance of the independent Directors, and of the Chairman and Chief Executive Officer.

4. Board of Directors' committees

Audit and Control Committee

Composition

Name	Office	Classification
Irene Ruth Miller	Chair	Non-executive independent
Nils Smedegaard Andersen	Ordinary Member	Non-executive independent
José Arnau Sierra	Ordinary Member	Non-executive proprietary
Rodrigo Echenique Gordillo	Ordinary Member	Non-executive independent
Carlos Espinosa de los Monteros y Bernaldo de Quirós	Ordinary Member	Affiliate
Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive independent

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Audit and Control Committee.

Regulations

The Audit and Control Committee shall be made up of a minimum of three and a maximum of seven directors appointed by the Board of Directors, the majority of whom must be independent directors.

The Chair of the Audit and Control Committee, who must be an independent director, shall be appointed for a maximum four-year term, upon expiry of which, he/she must be replaced. He/she may be re-elected once a period of one year has elapsed since the date of his/her removal.

The Committee shall ordinarily meet on a quarterly basis in order to review the periodic financial information that has to be given to the Stock Exchange authorities, as well as the information that the Board of Directors has to approve and include in its annual public documentation. Furthermore, it shall meet each time it is called to meet by its Chair, who must do so whenever the Board or the Chair thereof requests the issue of a report or the approval of proposals and, at any rate, whenever appropriate for the successful performance of its functions.

Members of the management team or of the staff of the Company and its group shall be bound to attend the meetings of the Committee and to collaborate with it and make available the information at their disposal when the Committee so requests. Likewise, the Committee may require the attendance of the auditors to its meetings.

For the best performance of its duties, the Audit and Control Committee may seek the advice of external experts.

Duties

Among the duties incumbent on the Audit and Control Committee the following are to be found:

- Advising the Annual General Meeting of Shareholders on questions raised therein by shareholders in respect of issues within its remit.
- Proposing to the Board of Directors the appointment of the financial auditors, to be subsequently submitted to the Annual General Meeting, as well as the terms of their contracts, the scope of their professional mandate and, where appropriate, the termination or non—renewal of their appointment.
- Liaising with external auditors in order to receive information on those matters that could jeopardise their independence, to be reviewed by the Committee, and on any other matters related to the carrying out of the accounts auditing process, as well as on those other communications envisaged by auditing legislation and auditing standards.
- Overseeing performance of the audit contract, ensuring that the opinion on annual accounts and the main contents of the auditors' report are clearly and accurately worded and assessing the results of each audit.
- Overseeing the terms and the enforcement of the contracts entered into with the external auditors of the Company to carry out assignments or tasks other than those covered in the audit contract.
- Issuing a report every year, prior to the issue of the auditors' report, expressing an opinion on the independence of external auditors of the Company, which shall address at any rate the rendering by the external auditors of any manner of additional services.
- Overseeing the Internal Audit Department of the Company and its group, approving the budget of the Department, the Internal Audit Plan and the annual activities report of the Internal Audit Department and supervising the material and human resources the Internal Audit Department relies on, whether internal or external, to discharge its duties. Advising on the appointment of the Internal Audit Director prior to the relevant report of the Nomination and Remuneration Committee.
- Overseeing the process of preparation and release of the regulated financial information and the effectiveness of the internal control systems of the Company, (in particular SCIIF) by checking the suitability and integrity of the same and by discussing with the external auditors of the Company the significant weaknesses of the internal control system revealed in the course of the audit.
- Periodically reviewing the control policy and the risks management systems, which shall, at least address the different types of risks, the fixing of the risk level which is considered acceptable, the measures foreseen to mitigate the impact of the identified risks, and the systems of information and internal control.
- Reviewing the Company's annual accounts and the periodic financial information that the Board of Directors must provide to the markets and the supervisory bodies, overseeing compliance with the legal requirements and with the correct application of generally accepted accounting principles.

The description of the duties of the Audit and Control Committee is provided in the Articles of Association and in the Board of Directors' Regulations.

Additionally, are two Committees regularly report to the Audit and Control Committee:

- The Code Compliance Supervisory Board: this body is made up of the Chairman and CEO of the Company, who chairs it; the General Counsel who is also the Code Compliance Officer; the Capital Markets Director, and the Human Resources Director. The Code Compliance Supervisory Board is responsible for promoting knowledge and ensuring compliance with the Internal Regulations of Conduct regarding Transactions in Securities of Inditex and its Corporate Group, (the "IRC").
- The Committee of Ethics: this body is made up of the General Counsel and Code Compliance Officer, who chairs it; the Internal Audit Director; the Human Resources Director and the Corporate Social Responsibility Director. The Committee of Ethics ensures compliance with the Code of

Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers of the Inditex Group.

Annual activities report of the Audit and Control Committee

A report on the activities of the Audit and Control Committee is issued on a yearly basis. Said report is available in the section headed: "Audit and Control Committee" of this Annual Report and at www.inditex.com.

Nomination and Remuneration Committee

Composition

Name	Office	Classification
Rodrigo Echenique Gordillo	Chair	Non-executive independent
Irene Ruth Miller	Ordinary Member	Non-executive independent
Nils Smedegaard Andersen	Ordinary Member	Non-executive independent
José Arnau Sierra	Ordinary Member	Non-executive proprietary
Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate
Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive independent

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Nomination and Remuneration Committee.

Regulations

The Nomination and Remuneration Committee shall be made up of a number of directors that is not less than three or greater than seven the majority of whom must be independent directors. A Chair, who must be an independent director, will be appointed from among its members.

The Nomination and Remuneration Committee shall meet each time that it is called to meet by its Chair, who must do so whenever the Board or the Chair thereof requests the issue of a report or the approval of proposals within its remit and, at any rate, whenever appropriate for the successful performance of its functions. At any rate, it shall meet once a year to prepare the information on the remuneration of Directors that the Board of Directors has to approve and include in its annual public documentation.

The description of duties of the Nomination and Remuneration Committee is provided in the Articles of Association and in the Board of Directors' Regulations,

Annual activities report of the Nomination and Remuneration Committee

A report on the activities of the Nomination and Remuneration Committee is issued on a yearly basis. Said report is available in the section headed: "Nomination and Remuneration Committee" of this Report and at www.inditex.com.

Executive Committee

Composition

Name	Office	Classification
Pablo Isla Álvarez de Tejera	Chair	Executive
José Arnau Sierra	Deputy Chair	Non-executive proprietary
Amancio Ortega Gaona	Ordinary Member	Non-executive proprietary
Nils Smedegaard Andersen	Ordinary Member	Non-executive independent
Rodrigo Echenique Gordillo	Ordinary member	Non-executive indpedent
Carlos Espinosa de los Monteros Bernaldo de Quirós	Ordinary Member	Affiliate
Emilio Saracho Rodríguez de Torres	Ordinary Member	Non-executive independent

Mr Antonio Abril Abadín, General Counsel and Secretary of the Board, acts as the Secretary-non-member of the Executive Committee

All categories of directors sitting on the Board of Directors also sit on the Executive Committee.

Regulations

The Executive Committee holds in delegation all the powers of the Board, except for those that cannot be delegated by law or by its Articles of Association and those which are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board of Directors.

The Chair of the Board of Directors acts as Chair of the Executive Committee and the Secretary of the Board, who may also be assisted by the Deputy Secretary, performs the duties of secretary. The office of Deputy Chair of the Executive Committee is held by the Deputy Chair of the Board of Directors.

The permanent delegation of powers by the Board of Directors to the Executive Committee shall require that two-thirds of the members of the Board of Directors vote for such motion, and it may include, at the Board's discretion, all or a part of the powers of the Board itself. In any case, those powers that cannot be delegated by law or by the Articles of Association, may not be delegated to the Executive Committee nor may those that are necessary for the responsible exercise of the general supervisory function that is incumbent on the Board of Directors.

5. Remuneration

Remuneration of Directors

During FY2014, the aggregate remuneration of the Board of Directors has amounted to €9,565k

Annual Report on Remuneration of Directors

The Board of Directors approved on 17 March 2015 the Annual Report on Remuneration of Directors for FY2014 prepared by the Nomination and Remuneration Committee, pursuant to the provisions of section 541 of the Act on Capital Companies (hereinafter, LSC (Spanish acronym)); Order EEC/461/2013 of 20 March, whereby the contents and structure of the Annual Corporate Governance Report, the annual remuneration report and other information instruments of listed public companies, savings banks and other entities which issue securities admitted to trading in official securities markets, are determined; Circular 4/2013 of 12 June of CNMV regarding the annual report on the remuneration of directors of listed public companies, and of section 28, paragraphs 3 and 4 of the Board of Directors' Regulations of Inditex. This report is available at www.inditex.com.

Pursuant to the provisions of section 529 novodecies of the Act on Capital Companies and of Transitory Provision of Act 32/2014, the Annual Report on Remuneration of Directors includes the applicable remuneration policy for the upcoming financial years, and it will be put to the advisory say-on-pay vote of the Annual General Meeting scheduled to be held on 14 July 2015.

6. Senior executives

As at 31 January 2015, Inditex's senior executives, other than the Chairman and Chief Executive Officer, were:

Name	Office
Antonio Abril Abadín	General Counsel and Secretary of the Board
Marco Agnolin	Director of BERSHKA
Lorena Alba Castro	Logistics Director
Eva Cárdenas Botas	Director of ZARA HOME
Carlos Crespo González	Internal Audit Director
José Pablo del Bado Rivas	Director of PULL&BEAR
Jesús Echevarría Hernández	Chief Communication Officer
Ignacio Fernández Fernández	Chief Financial Officer
Begoña López-Cano Ibarreche	Human Resources Director
Abel López Cernadas	Import, Export and Transport Director
Marcos López García	Capital Markets Director
Juan José López Romero	Procurement Director
Gabriel Moneo Marina	IT Director
Javier Monteoliva Díaz	Legal Director
Jorge Pérez Marcote	Director of MASSIMO DUTTI
Óscar Pérez Marcote	Director of ZARA
Felix Poza Peña	Corporate Social Responsibility Director
Ramón Reñón Túñez	Deputy General Manager
José Luis Rodríguez Moreno	Director of UTERQÜE
Carmen Sevillano Chaves	Director of OYSHO
Jordi Triquell Valls	Director of STRADIVARIUS

Remuneration of senior executives

During financial year 2014 the aggregate remuneration accrued by senior executives referred to in the section above, has amounted to €25,143k.

Severance or golden parachute clauses

This type of clause is included in the employment agreement entered into with 15 officers, including the Chairman and Chief Executive Officer. The main description of such clauses is provided in the Annual Corporate Governance Report, available at www.inditex.com.

7. Related-party transactions and conflict of interest situations

Transactions with related parties

The power of approving any transaction between the Company and a director or a significant shareholder is reserved to the Board of Directors. Prior to such approval, the Nomination and Remuneration Committee must issue a report on such transactions which entail or might entail any conflicts of interest, on related-party transactions or on transactions which entail the use of corporate assets.

Under no circumstance shall the Board of Directors approve the transaction if a prior report has not been issued by the Nomination and Remuneration Committee evaluating the transaction from the standpoint of market conditions.

In the event of transactions with significant shareholders, the Nomination and Remuneration Committee shall examine it also from the standpoint of an equal treatment for all shareholders.

In the case of transactions within the ordinary course of Company business and which are usually or repeatedly carried out, a generic authorization of the type of transaction and its conditions of execution will suffice.

The Company shall inform of the transactions conducted with directors, significant shareholders and related persons in the half-yearly periodic information and in the Annual Corporate Governance Report, within the scope provided by statute in each case. Likewise, the Company shall include on the notes to the annual accounts information on the transactions carried out by the Company or any companies within the Inditex Group with directors and with those acting on their behalf, whenever they are alien to the ordinary course of trade of the Company or are not carried out in normal market conditions.

The authorization of the Board of Directors shall not be required for those related-party transactions that meet at the same time the following requirements:

i) they are conducted under contracts with standard terms and conditions which apply en masse to many customers;

ii) they are conducted at prices or rates generally established by those acting as suppliers of the good or service in question; and.

iii) their amount is not in excess of 1% of the Company's annual revenues.

The detail of the transactions carried out by the Inditex Group with related persons (natural or legal), and of significant transactions carried out by Inditex with other entities belonging to the same Group, provided that these are not eliminated in the process of preparing the consolidated financial statements and do not form part of the ordinary business of the Company, is included in the relevant section of the Annual Corporate Governance Report.

During financial year 2014, joint control companies have been consolidated through the equity method and therefore, all the transactions carried out by such companies with the Inditex Group are no longer eliminated during the consolidation process, as they are not proportionally integrated.

Mechanisms to prevent conflicts of interest

The definition of "conflicts of interest" is provided in section 32 of the Board of Directors' Regulations, set of rules which also lays down the rules governing such situations. Sections 31, 34 and 35 of the Board of Directors' Regulations address the rendering of professional services in competing companies, the use of corporate assets, the use of non-public Company information for private purpose, and the taking advantage of business opportunities of the Company. On the other hand, section 37 headed: "Duties of information of the director", establishes the specific topics regarding which Directors must provide information to the Company.

Additionally, section 1 of the Board of Directors' Regulations provides that the rules of conduct established therein for the Directors shall apply, to the extent that they are compatible with their specific nature, to the senior executives of the Company, more particularly and with the due nuances, the following sections: sections 30 (duty of confidentiality), 32 (conflicts of interest), in connection with the duty of informing the Company, 33 (use of corporate assets), 34 (non-public information), 35 (business opportunities), and 36 (prohibition to make undue influence of the office).

Likewise, with regard to significant shareholders, section 38 of the Board of Directors' Regulations provides the rules which apply to "Transactions with directors and significant shareholders".

Among the duties it is entrusted with, it is incumbent on the Nomination and Remuneration Committee to report on the transactions which entail or might entail any conflicts of interests, related-party transactions or transactions which entail the use of corporate assets, and generally, on those topics covered under Chapter IX of the Board of Directors' Regulations. In light of the report of the Nomination and Remuneration Committee, approval of the transaction, where appropriate, falls on the Board of Directors.

Meanwhile, section 5 of the Internal Regulations of Conduct regarding Transactions in Securities sets forth the principles that affected persons must abide by with regard to conflicts of interest (independence, abstention and confidentiality) and provides that such persons shall undertake in writing to act independently in their activities and to apprise the Code Compliance Office of those conflicts of interest with suppliers, agents and franchisees or external advisors to which they are subject on account of their activities outside the Inditex Group, their family ties, their personal property, or otherwise.

Additionally, section 4.8 of the Code of Conduct and Responsible Practices addresses the situations wherein employees must disclose to the Committee of Ethics the existence of a conflict between their personal interests and those of the Company.

8. Transparency, independence and good governance

Financial information

The individual and consolidated annual accounts of the Company that must be stated by the Board of Directors, are previously certified by the Chairman and Chief Executive Officer and by the Chief Financial Officer.

The Audit and Control Committee, mostly made up of non-executive independent directors, meets with the financial auditors in order to review the Company's annual accounts and certain periodic financial information that the Board of Directors must provide to the markets and their supervisory boards, overseeing compliance with the legal requirements and correct application of generally accepted accounting principles in the drawing up thereof. In such meetings, any disagreement or difference of opinion existing between the management of the Company and the external auditors is put forward, where appropriate, so that the Board of Directors may take the necessary steps in order for the auditors' reports to be issued without qualifications. In line with best practices in the area of corporate governance, members of the Audit and Control Committee meet with the financial auditors without any officer of the Company being present.

Furthermore, previously to the drafting of the annual, half-yearly or quarterly financial statements, the management of the Company also meets with the Audit and Control Committee and is subjected by the latter to suitable questions as to, inter alia, the application of accounting principles or the estimates made in the preparation of the financial statements. These topics are subject to discussion with the external auditors.

The auditors' report on Financial Statements for financial year 2014 has been issued without qualifications.

Auditors' independence

Mechanisms set to preserve the independence of the external auditor are:

- The relationship of the Board of Directors with the financial auditors of the Company shall be channeled through the Audit and Control Committee.
- The Audit and Control Committee shall abstain from proposing to the Board of Directors, and the latter shall abstain from putting forward to the General Meeting of Shareholders, the appointment as auditor of the Company of an audit firm subject to any incompatibility in accordance with the legislation on auditing as well as those audit firms where the fees that the Company estimates to pay them, for all services, are higher than 5% of the latter's total revenues over the last financial year.
- The Board of Directors shall publicly disclose the aggregate fees paid by the Company to the audit firm for services other than financial auditing.
- The Audit and Control Committee, mostly made up of independent Directors, proposes to the Board of Directors, to be subsequently submitted to the Annual General Meeting, the appointment of the financial auditors as well as the terms of their agreement, the scope of their professional mandate and, where appropriate, the termination or non—renewal of their appointment;
- Among the functions of the aforementioned Committee is that of liaising with financial auditors in order to receive information on those matters that could jeopardise their independence and on any other matter related to the conduct of the financial auditing process, as well as those other notices envisaged by auditing legislation and auditing standards.
- The Audit and Control Committee shall issue a report every year, prior to the issue of the auditors' report, expressing an opinion on the independence of external auditors of the Company, and addressing at any rate the rendering by the external auditors of any manner of additional services other than those covered in the audit agreement.
- The Audit and Control Committee oversees the terms and the enforcement of the contracts entered into with the external auditors of the Company to carry out assignments or tasks other than those covered in the audit agreement.
- The external auditors regularly meet with the Audit and Control Committee, in order to review the annual accounts of the Company that the Board of Directors must provide to the markets and their supervisory boards.
- The Company discloses in its consolidated annual report the fees paid to its external auditors for each item other than financial auditing.

As regards the mechanisms established to guarantee the independence of the financial analysts, the Company releases information to the market following the principles included in the Internal Regulations of Conduct regarding Transactions in Securities, especially regarding the obligation that the information must be accurate, clear, quantified and complete, avoiding any subjective views that lead or may lead to confusion or deceit.

External audit fees

	Company	Group	Total
Amount of assignments other than auditing (€k)	456	744	1,200
Amount of assignments other than auditing/aggregate amount billed by the audit firm (in %)	61.1%	13.4%	19.1%

9. Code of conduct and responsible practices and committee of ethics

For the purposes of reaffirming the core values and principles which drive Inditex's activity and adapting the risks control system to the social and regulatory environment, the "Code of Conduct and Responsible Practices" (which replaces both the former "Code of Conduct" and the "Internal Guidelines for Responsible Practices of the Inditex Group's Personnel") was approved by the Board of Directors in 2012, and the "Code of Conduct for Manufacturers and Suppliers" (previously named "Code of Conduct for Manufacturers and External Workshops") was also updated. Additionally, the Board of Directors approved the "Manual of Criminal Risks Prevention" and the "Procedure of the Whistle Blowing Channel".

All employees of Inditex, manufacturers, suppliers or third parties with any direct relationship and a lawful business or professional interest, regardless of their tier or geographical location, may report to the Committee of Ethics through the Whistle Blowing Channel, any noncompliance with the Code of Conduct and Responsible Practices or with Code of Conduct for Manufacturers and Suppliers, they may be aware of, which affect Inditex and which arise from other employees, manufacturers, suppliers or third parties with whom Inditex has any direct employment, business or professional relationship, by means of a report made in good faith.

In the course of financial year 2014, the Committee of Ethics has processed 77 dossiers, 71 of them after receipt of a notice or report and the other 6 ex-officio.

The main reasons at the basis of the notices received were the report of which might be in breach of the commitments or ethical values addressed in the Code of Conduct and Responsible Practices or the Code of Conduct for Manufacturers and Suppliers, and clearing up doubts on certain issues regarding the enforcement of the Code of Conduct for Manufacturers and Suppliers. All reports received have been duly processed and resolved by the Committee of Ethics as at the date this Annual Report is published.

The Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties. Its goal consists of exacting an ethical and responsible professional conduct from Inditex and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees is based. For such purposes, the principles and values which shall govern the relationship between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices of the Inditex Group is based upon a number of general principles, inter alia, that according to which the operations of the Inditex Group shall be developed under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with the Inditex Group shall be treated in a fair and honourable manner and that according to which, all the activities of the Group shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources

The Committee of Ethics

For the purposes of ensuring compliance with the Code of Conduct and Responsible Practices and with the Code of Conduct for Manufacturers and Suppliers, Inditex relies on a Committee of Ethics made up of the General Counsel and Secretary of the Board and Code Compliance Officer, who chairs it, the Human Resources Director, the Corporate Social Responsibility Director and the Internal Audit Director.

The Committee of Ethics reports to the Board of Directors through the Audit and Control Committee and has the following duties:

- Overseeing compliance with the Code and the internal circulation thereof to the Group's s personnel.
- Receiving any manner of written instruments with regard to the enforcement of the Code and directing them, where appropriate, to the relevant body or Department which may be responsible for dealing with and settling such instrument.

- Monitoring and supervising the management and settlement of any file.
- Solving any doubts which may arise regarding the enforcement of the Code.
- Proposing to the Board of Directors, after report of the Audit and Control Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.
- Overseeing the Whistle Blowing Channel and compliance with its Procedure.

In the performance of its duties, the Committee of Ethics shall ensure:

- The confidentiality of all the information and backgrounds received and of the acts and deeds performed, unless the disclosure of information is required by law or further to a court order.
- The thorough review of any information or document that originated its action.
- The commencement of such proceedings that adjust to the circumstances, where the Committee of Ethics shall always act with independence and fully respecting the right of any affected person to be heard as well as the presumption of innocence.
- The indemnity of any employee as a result of bringing complaints in good faith to the Committee.

The Committee of Ethics submits a report to the Audit and Control Committee twice a year, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices and of the Code of Conduct for Manufacturers and Suppliers.

Additionally, the Audit and Control Committee reports to the Board of Directors, on an annual basis (twice during FY2014) as well as whenever this latter so requires, on the enforcement of the Code of Conduct and Responsible Practices and of the additional documents which comprise the internal regulatory compliance system of the group from time to time in force.

The Committee of Ethics may act of its own motion or at the behest of any of Inditex employees, manufacturers, suppliers or any third party involved in a direct relationship and with a lawful commercial or professional interest, further to a report made in good faith.

Decisions of the Committee of Ethics are binding for the Company and its employees.

Social Council

During 2014, the Social Council, Inditex's advisory body on matters on Corporate Social Responsibility, held two meetings.

Members of the Social Council do not receive any type of remuneration for their participation in this advisory body.

Members of Inditex's Social Council

Mr Alfred Vernis Domenech	Mr Ezequiel Reficco
Ms Cecilia Plañiol Lacalle	Ms Paula Farías Huanqui
Mr Francisco Javier Sardina López	Mr Victor Viñuales Edo

Meetings held in 2014

Date held	Venue	% of members attending
02-06-14	Madrid (Spain)	100%
09-12-14	Arteixo (Spain)	100%

sustainability balance sheet

1. Consolidated sustainability balance sheet

SUSTAINABILITY INDICATORS	2014	2013
TRACEABILITY		
No. of suppliers with purchase	1,625	1,592
No. of A suppliers	678	697
No. of B suppliers	699	614
No. of C suppliers	133	128
No. of suppliers in Corrective Action Plans	54	82
No. of PR suppliers	61	71
No. of rejected suppliers	56	113
No. of active suppliers	1,569	1,479
No. of active factories	5,382	n/a
SUPPLY CHAIN INTEGRITY		
No. of audits	10,274	6,612
No. of pre-assessment audits	2,367	1,425
No. of social audits	3,893	2,748
No. of special audits	1,551	1,619
No. of production audits	2,463	820
No. of external audits	8,062	4,110
No. of internal audits	2,212	2,502
MANUFACTURING OF RESPONSIBLE PRODUCTS		
No. of chemical products on The List, by Inditex	8,258	4,224
Best Adaptation Good Manufacturing Practices - *Ready To Manufacture* -	90%	65%
No. of manufacture units (wet process plants) involved - *Ready To Manufacture* -	885	571
Investment in innovation (euros)	1,500,000	800,000
EFFICIENT USE OF RESOURCES		
Overall Energy Consumption (TJ)	6,358	5,870
Renewable energy generation, trigeneration and purchasing of renewable energy (kWh)	63,654,362	54,898,057
CO_2 emissions per garment released on the market (g CO_2eq/garment) [1]	674.72	685.65
Products retrieved to be sent for recycling (t) [2]	14,287	12,385
IMPROVING COMMUNITY WELFARE		
Number of direct beneficiaries [3]	2,768,885	756,185
Investment in social programmes (euros)	25,835,851	23,549,814
Number of non-profit organizations supported	351	313
Number of social projects undertaken	460	455
Number of garments donated to social causes	612,743	648,072
Total number of hours dedicated to social programmes by employees during working hours	37,760	26,385
No. of Social Council meetings	2	2
DEVELOPMENT OF TEAMS' MOTIVATION		
Total number of employees	137,054	128,313
% women	78%	78.40%
% men	22%	21.60%
TRANSPARENCY AND GOOD GOVERNANCE		
Indexes Dow Jones Sustainability Indices score	81/100	81/100
FTSE4 Good score	4.3/5	4.3/5
SUSTAINABILITY TEAM		
Total sustainability team	3,620	3,926
- Internal team	105	98
- External team	3,515	3,828

[1] Includes emissions scopes 1 and 2. [2] Includes waste generated in headquarters, brand headquarters, all Inditex factories and logistics centres. [3] Figure corresponding to the number of beneficiaries from social investment projects that involve a long-term commitment to the community. This figure does not include beneficiaries of one-off contributions to social causes.

[G4-9, G4-10, G4-12, AF8, G4-EN3, AF21, G4-EN18, G4-EN23, G4-EN32, G4-LA12, G4-LA14, G4-LA15, G4-HR1, G4-HR10]

2. Environmental indicators

The Inditex system of indicators shows the measurable results of our environmental commitments in terms of natural resources and energy consumption, waste generation and atmospheric emissions. These indicators are expressed in absolute and relative data according to the number of garments released on the market, reflecting the efficiency of all areas of the company. These relative indicators show that greenhouse gas (GHG) emissions have been significantly reduced, a reflection of the successful integration of innovative environmental management into all phases of the business. The scope of the indicators includes Inditex's own premises:

- Headquarters and all brand head offices: Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home, Uterqüe and Tempe, all located in Spain.
- All the Group's factories, all located in Spain.
- All the Group's logistics centres.
- All of the Group's own stores and franchises throughout the world.

International offices are not included within this scope. Those indicators for which the scope differs will be described along with the data in question.

To calculate GHG emissions, we follow the recommendations of the *Intergovernmental Panel on Climate Change*, IPCC *(Guidelines for National Greenhouse Gas Inventories*, 2007) and the *World Resources Institute GHG Protocol* (2008). The emissions factors used are as follows:

- Natural gas: 0.2025 kg CO_2eq/kWh
- Diesel: 2.6919 kg CO_2eq/litre

The emission factors applied to natural gas and diesel are taken from the GHG Protocol for Stationary Combustion v.4.0 by the World Resources Institute (WRI). Emissions from electricity consumption have been calculated using the emissions factor corresponding to the electricity mix of each of the 88 countries in which Inditex operates. The database used corresponds to the *GHG Protocol tool for stationary combustion*. Version 4.5 (World Resources Institute (WRI), 2014).

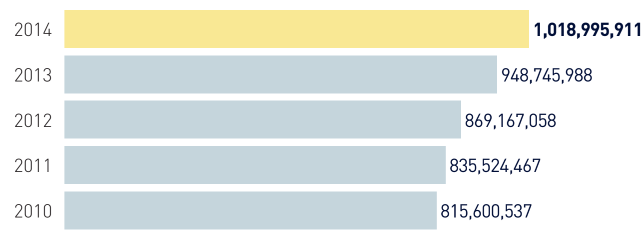
Therefore, the conversion factors used to calculate energy consumption are:

- 1 tonne of oil equivalent (toe) = 41.868 GJ
- 10^3 m^3 natural gas = 0.9315 tep
- 1 tonne diesel = 1.035 toe
- Oil density = 0.832 kg/litre at 15°C (Joint Research Centre, 2007).

Relative indicators are calculated according to the following formula:

Ratio = (absolute value of the year/number of garments released on the market during the year) x 1000.

Garments released on the market*



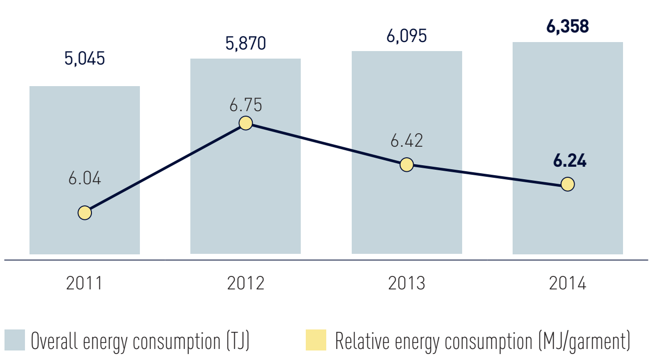
* Includes all product units released on the market through all the stores, both owned and franchised.

The environmental indicator system includes data collected from 1 February 2014 to 31 January 2015.

Energy consumption

Overall energy consumption of Inditex Group facilities, expressed in terajoules (TJ), comes from the use of fossil fuels (natural gas, propane and diesel) and electricity from the grid. This includes energy consumption in all factories, head office, branch offices, logistics centres and own stores.

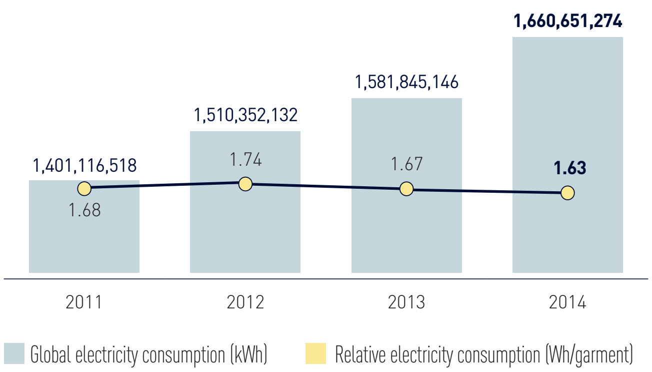
Overall energy consumption (TJ)



The increase in the commercial surface and the extension of the logistical capacity have determined the growth of the Inditex energy consumption. However, the energy growth has been 4.3% below the growth of the commercial surface, which is 10%.

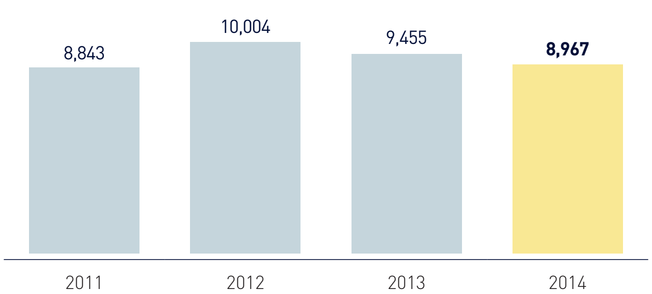
This year the consumption of gas natural and diesel continues to decrease. These reductions are mainly due to a decrease in the activity of trigeneration plants. Diesel consumption continues to decline due to the change to natural gas boilers. As result of this decrease, the SO_2, CO and NO_x emissions associated with this fuel also decrease.

Overall electricity consumption (kWh)

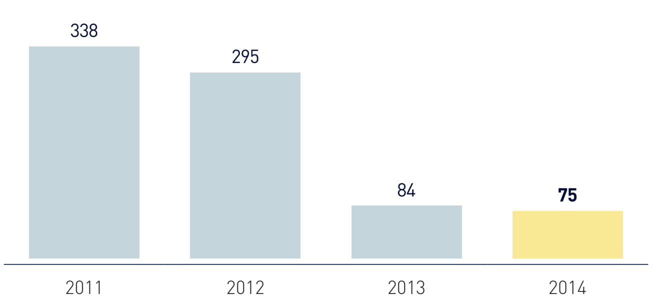


Although the total electricity consumption increases, it is particularly relevant that the electricity consumption of stores per item placed on the market has decreased by 2.3%.

Global consumption of natural gas (toe)



Overall diesel consumption (toe)

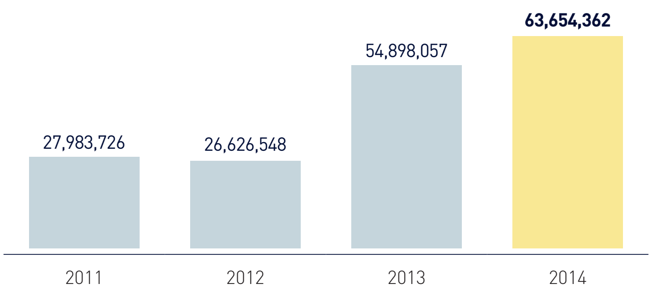


Consumption of natural gas continues its downward trend due to the continuous optimization of industrial processes. Also this year there have been maintenance operations of cogeneration equipments.

The diesel continues showing a decrease due to the replacement of diesel boilers. As a result of this reduction, SO_2, CO and NO_x emissions associated with this fuel has also decreased.

The company's energy consumption scheme permits the combination of different energy sources, including renewable energies. The trigeneration plants, heating and process boilers, solar panels and wind generators account for 42.15% of electric consumed at head offices and factories. In addition to this generation, our own stores in Germany consume from 2013 energy coming from renewable sources.

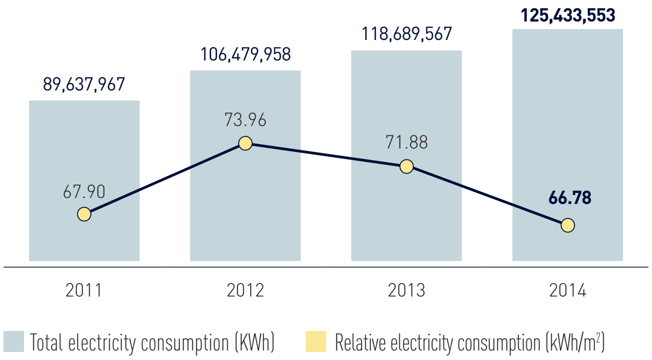
Consumption of electrical energy originating from renewable sources and co-generation (kWh)



Own logistic centres, own head offices and own factories

Our facilities are designed for the construction and maintenance to comply with the requirements of sustainable architecture and to guarantee efficient use of the natural resources.

Electrical energy consumption in own logistic centres, own head offices and own factories

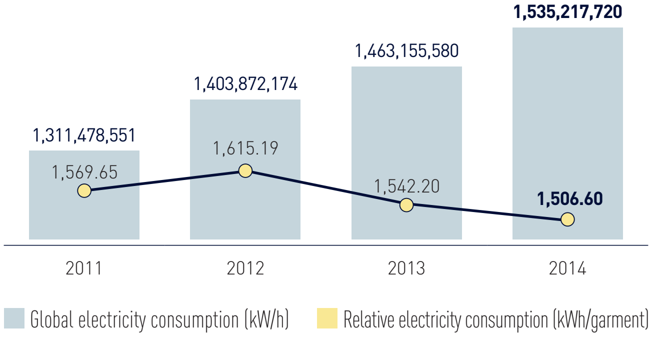


Thanks to the eco-efficiency measures of the Group, the consumption of electricity per meter squared continues to reduce despite the increased surface of our facilities. During this year, the offices of Arteixo almost doubled in size and the surface of the logistics centres grew by 13%.

Own Stores

Electricity consumption at stores is without doubt very high. Therefore, a great deal of effort has been made to continue improving the eco-efficient store model. This effort is reflected in the 2.3% decrease in electrical energy consumption per item placed on the market. Inditex uses a new platform to centrally monitor generated consumption as well as to control the efficiency of heating and cooling systems and electricity in 1,234 eco-efficient stores across 30 countries. The collection of real monitored data has allowed the company to recalculate the environmental parameters associated with its stores.

Estimated electricity consumption in own stores*



*The total and relative electrical consumption data is not comparable to previous years due to the real consumption values obtained from the monitoring platform. To estimate the average consumption, of the 1,234 stores monitored, data has been considered from 427 stores, with 100% of the same being eco-efficient. Although currently only 51% of the total number of Inditex stores are eco-efficient, our objective is to reach 100% by 2020.

Inditex Greenhouse Gas (GHG) Emissions

The Group's greenhouse gas (GHG) emissions are calculated and reported in line with the international directives of the *Intergovernmental Panel on Climate Change*, IPCC *(Guidelines for National Greenhouse Gas Inventories*, 2007) and the World Resources Institute (GHG Protocol, 2008). Emissions from electricity consumption have been calculated using the emissions factor corresponding to the electricity mix of each of the 88 countries in which Inditex operates. The database used corresponds to the GHG Protocol tool for stationary combustion. Version 4.5 (World Resources Institute (WRI), 2014). The Inditex Group's GHG emissions inventory includes direct and indirect emissions for the period 1 February 2014 to 31 January 2015.

A data history based on each of the scopes considered by the GHG Protocol is presented below.

Emissions scopes 1 and 2

- Scope 1: Direct emissions. These are GHG emissions associated with sources under the Inditex Group's control. It includes:
    - Emissions associated with electricity and heat generation in owned premises, detailed at the beginning of the section. Emissions associated with occasional leaks (or isolated leaks) of HFC and PFC gases from air-conditioning equipment are not included.
    - Emissions from the use of own vehicles.
- Scope 2: Indirect emissions. Emissions associated with the generation of electricity or thermal energy the Inditex Group buys. The calculation was based on the GHG emissions from all the Group's facilities, as defined at the beginning of the section. Electricity used in international offices not included. Due to the monitoring of consumption in our premises across the world, this year we have modified the calculation methodology, incorporating the emission factor corresponding to the country where our operations are located.

	2011	2012	2013	2014
Scope 1 (t CO2eq)	21,919	24,479	22,525	21,347
Scope 2 (t CO_2eq)*	543,574	589,758	627,982	666,188
Number of garments released on the market	835,524,467	869,167,058	948,745,988	1,018,995,911
g CO_2eq per garment released on the market**	676.81	706.70	685.65	674.72

*Scope 2 emissions are not comparable with previous years as the calculation method has been modified as explained in the previous section.

**The efficiency ratio includes emissions associated with the Group's operations (scope 1 and 2)

Emissions scope 3

- Scope 3: Optional scope that includes indirect emissions associated with the goods and services supply chain produced outside the organization. Included are emissions from the transport of products from our logistics centres to stores (downstream) performed by external logistics operators (air, land and sea transport) as well as the emissions associated with electricity consumption in franchise stores.

We calculate the GHG resulting from distribution and logistics operations carried out by external logistics operators based on the vehicles used to transport the product (Scope 3). This year, we have modified the calculation methodology for the emissions associated to our franchised stores all over the world, and thanks to the establishment of the monitoring platform, we have been able to calculate emissions incorporating the emission factor corresponding to the energy mix of each country.

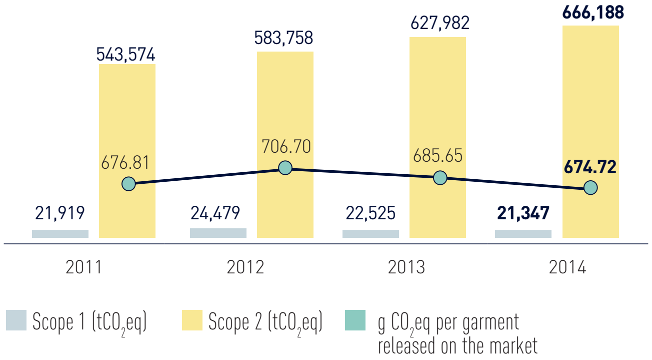
	2011	2012	2013	2014
Scope 3 - Downstream Transport (t CO_2eq)	332,097	398,158	462,120	596,316
Scope 3- Franchised store (t CO_2eq)*	94,074	100,143	108,035	113,094

*Additional emissions (scope 3) from franchise stores are not comparable to previous years due to the modification of the calculation method explained in the previous section.

The transport calculation has been carried out based on the weight of the product sent and the number of kilometres travelled by each means. The following emission factors, as proposed by the GHG Protocol, are used:

- Kg of CO_2/km truck (load 3.5 - 33 t)= 0.8678
- Kg of CH_4/km truck (load 3.5 - 33 t)= 2.3983*10-5
- Kg of N_2O/km truck (load 3.5 - 33 t)= 1.85012*10-5
- Kg of CO_2/tonne and km of short haul flight(<463Km)= 1.96073
- Kg of CH_4/tonne and km of short haul flight(<463Km)= 2.8574*10-5
- Kg of N_2O/tonne and km of short haul flight(<463Km)= 3.2823*10-5
- Kg. of CO_2/tonne and km of medium haul flight(between 463 and 1108Km)= 1.47389
- Kg of CH_4/tonne and km of medium haul flight (between 463 and 1108Km)= 2.8574*10-5
- Kg of N_2O/tonne and km of medium haul flight (between 463 and 1108Km)= 3.2823*10-5
- Kg of CO_2/tonne and km of long haul flight (>1108Km)= 0.61324
- Kg of CH_4/tonne and km of long haul flight (>1108Km)= 2.8574*10-5
- Kg of N_2O/tonne and km of long haul flight (>1108Km)= 3.2823*10-5
- Kg of CO2/tonne and km ship= 0,0079
- Kg of CH4/tonne and km ship = $2{,}8094*10^{-6}$
- Kg of N2O/tonne and km ship= $9{,}5932*10^{-7}$

GHG emissions scope 1 and 2

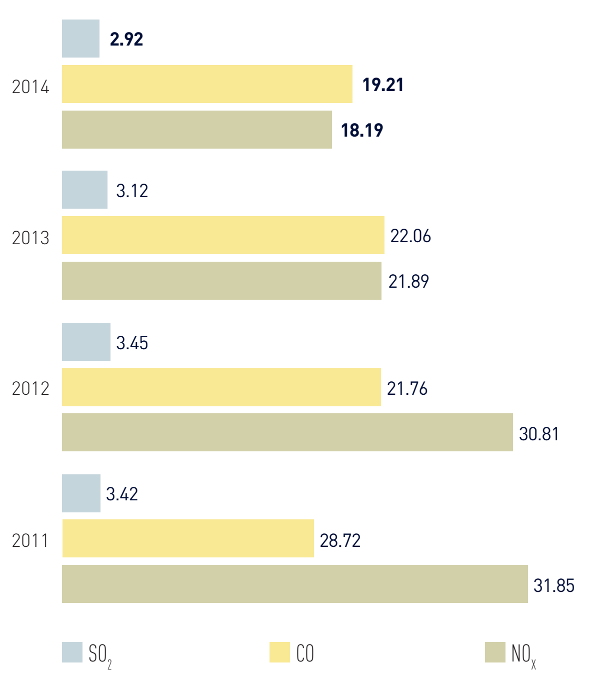


The construction of logistics centres with LEED certification, adequate energy management and optimization of processes permits us to reduce GHG emissions per item by 1.6%.

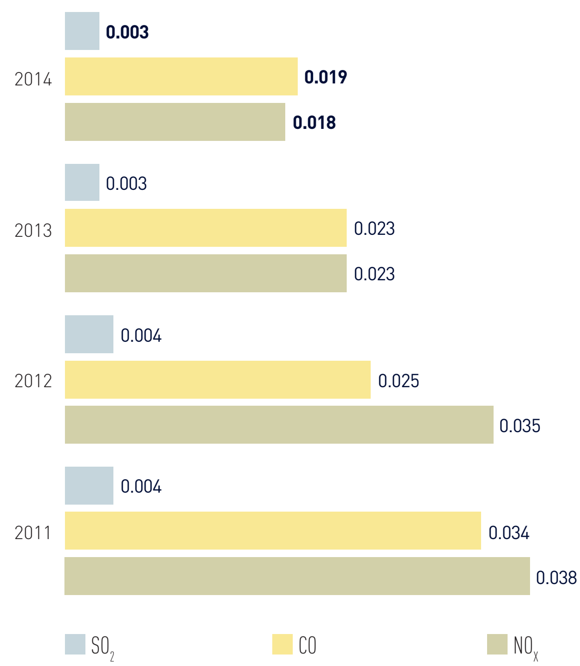
Other atmospheric emissions

All the focuses of emissions of the Inditex Group are submitted to periodic controls by an authorized inspection authority and have been found to be within the parameters set out in the legislation in force. The following is the annual evolution of other atmospheric emissions associated with the emissions focus of the Groups's headquarters, all Inditex factories, brand head offices and logistics centres.

Total other atmospheric emissions * (t)



Relative other atmospheric emissions* (g/garment)



*2014 data does not include emissions of Cabanillas logistics platform since measurements have not yet been performed since its opening.

[G4-EN21, G4-EN27]

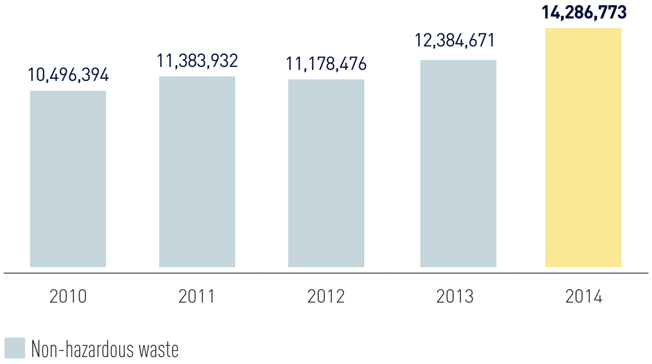
Waste Minimisation Plan

Thanks to the Waste Minimisation Plan and the efforts and commitment of all employees, since 2005 we have reduced the amount of waste generated per garment released in the market. Waste generation data refers to the waste generated in headquarters, brand head offices, all Inditex factories and logistics centres. It does not include the waste generated in stores.

Evolution of recovered products to send to recycling (Kg)

The increase in waste generation is due to the expansion of logistics capacity of the Group, in addition to the maintenance of current and improved source separation processes. All waste generated by Inditex is collected and managed by a legally authorised body that sends the waste for recycling (in the case of paper), for composting or processing (wood, plastics), or to be managed in an environmentally-friendly way.

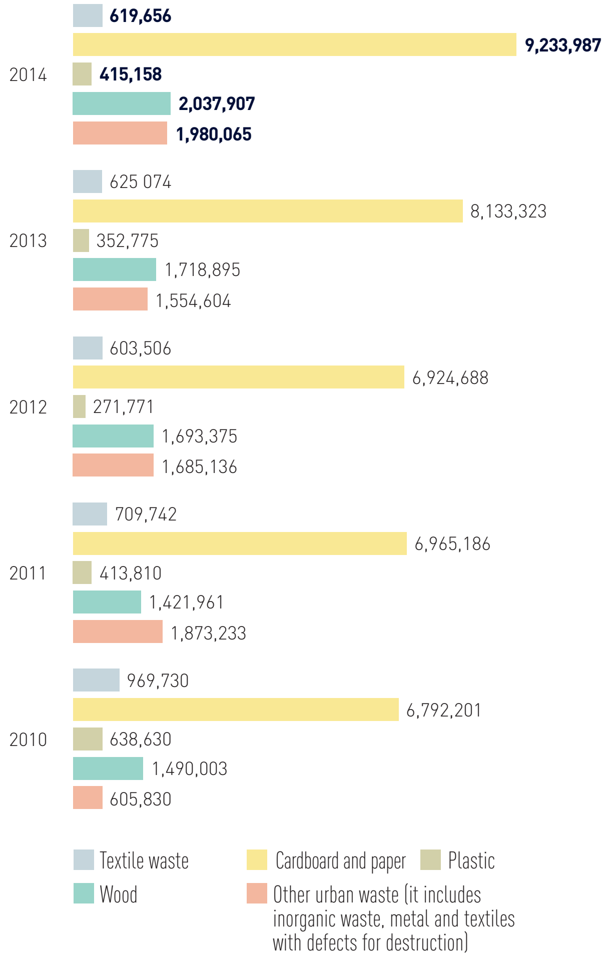
All waste generated by Inditex is collected and managed by legally authorised companies that will send the waste for recycling (in the case of paper) for composting or processing (wood, plastics) or will be managed in a way not prejudicial to the environment.



Annual generation of urban waste or similar

This waste is classified in accordance with the European Waste Catalogue (EWC) and its transposition into national and regional legislation.

Absolute data (kg)



Use of reusable alarms

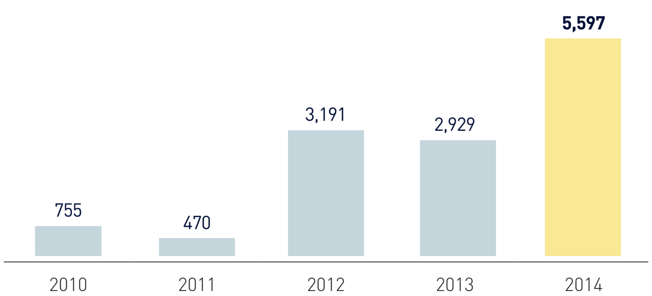
The reusable alarm system introduced in 2011 has made it possible to completely eliminate the use of single-use alarms, making it possible to recirculate 672,377,823 alarms in 2014 In addition to financial savings, this initiative provides an important environmental benefit, since reuse reduces the natural resource consumption and atmospheric emissions associated with security tag manufacture and recycling.

Evolution of principal hazardous waste

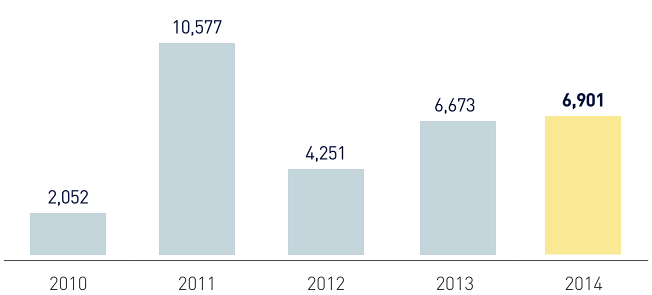
In 2014, thanks to the actions in the field of waste management, we have improved the work in source separation and its subsequent delivery to authorized agent.

The peaks observed are due to the tasks of preventive maintenance for the proper operation of our facilities.

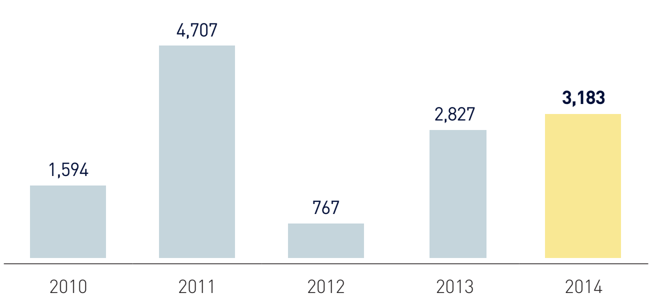
Batteries (kg)



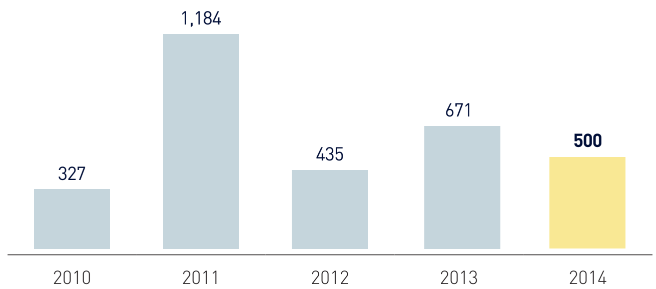
Electronic waste (kg)



Fluorescent bulbs (kg)

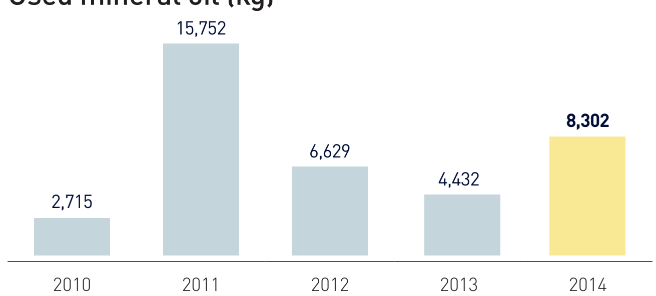


Oil filters (Kg)

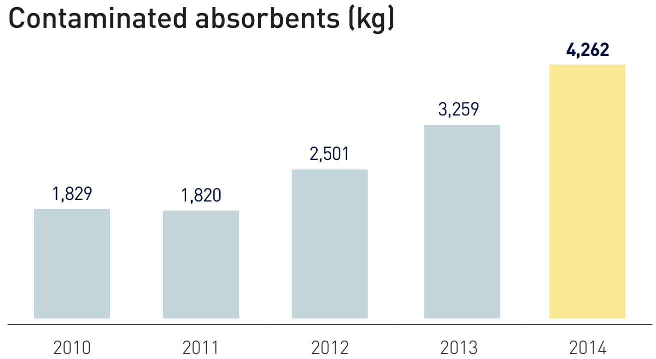


Contaminated metal containers (kg)

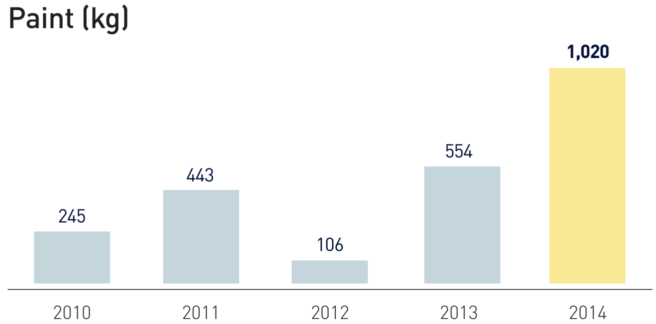
Used mineral oil (kg)



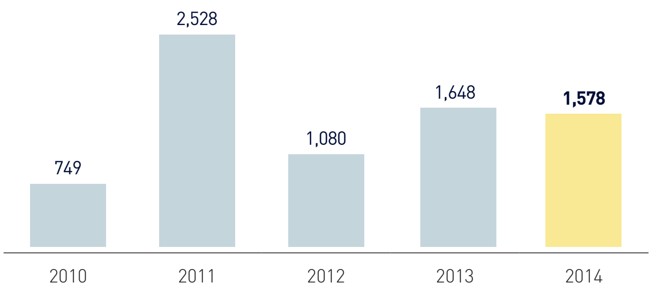
Contaminated absorbents (kg)



Paint (kg)



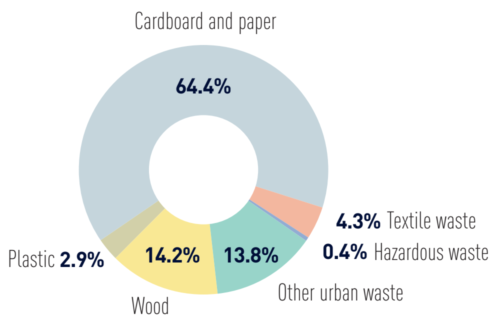
Contaminated plastic containers (kg)



Destination of waste according to type and treatment

As part of the final stage of Inditex's Waste Minimisation Plan, all waste generated by the company is collected and managed by a legally authorised body that sends the waste for recycling (in the case of paper), for composting or processing (wood, plastics), or to be managed in an environmentally-friendly way.

Proportion of waste generated by weight



The packaging materials released on the market (paper and plastic bags, labels, protective elements) along with the products sold by Inditex are adequately managed by authorized bodies. Inditex subscribes to the Integrated Management Systems for Packaging and Wrapping available in countries that employ them. The company's commitment to these systems means that each Inditex brand pays a non-profit management agency to collect and manage the waste generated by the stores. This management agency is established with the recognition of the authorities of each country (Ecoembes in Spain) to ensure that the waste generated by stores is collected, managed and recycled correctly.

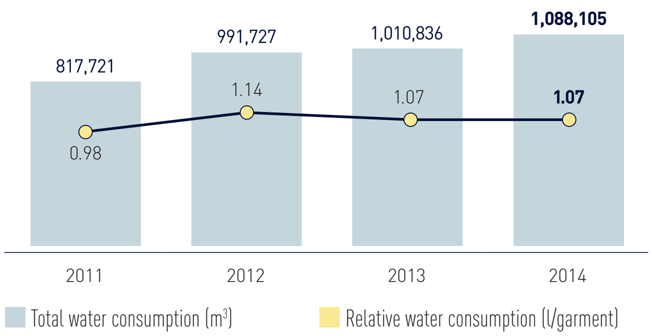
In terms of the recovery of products released on the market, it is not viable to assess the volume generated nor its management on a worldwide level, given that there is no specific collection or management system for textile materials on the global level.

Water consumption in own offices, own Inditex's factories, own logistics centers and own stores

Data on water consumption comes from direct measurements and those received from suppliers (public water suppliers), offices, all Inditex's factories, logistics centres and own stores.

The increased water consumption in 2014 compared to previous years is mainly a result of the opening of new stores and the Group's increased logistic capacity.

Water consumption in own logistic centres, own head offices, own factories and own stores



Water supplied to all the centres for use both in processes and for consumption comes from public, authorised supply networks. Inditex has no impact on protected habitats.

Most of the water consumption is accounted for domestic use – cleaning and sanitation – and its discharge to municipal sewage systems is guaranteed.

In the area of industrial activities, water is mainly required for steam generation and industrial refrigeration in a closed cycle, where recirculation systems are used. Discharge of waste water from all installations was carried out via sanitation networks, in all cases with the corresponding administrative authorization. This requires periodic analyses to guarantee compliance with the law in force. The amount of wastewater can be calculated as equal to water consumed, as there are no productive processes that consume water and the cooling systems use a closed cycle.

3. Social indicators

Traceability

Supplier cluster (*)

	2014	2013
SPAIN		
Number of suppliers with purchase during the year	229	230
Number of sewing factories linked to suppliers with purchase	208	175
Other manufacturing processes	118	88
Workers who form the staff of manufacturers working for Inditex in Spain	6,473	6,226
PORTUGAL		
Number of suppliers with purchase during the year	156	171
Number of sewing factories linked to suppliers with purchase	856	785
Other manufacturing processes	394	163
Workers who form the staff of manufacturers working for Inditex in Portugal	42,437	33,851
MOROCCO		
Number of suppliers with purchase during the year	116	104
Number of sewing factories linked to suppliers with purchase	219	221
Other manufacturing processes	30	9
Workers who form the staff of manufacturers working for Inditex in Morocco	64,501	59,566
TURKEY		
Number of suppliers with purchase during the year	158	150
Number of sewing factories linked to suppliers with purchase	610	653
Other manufacturing processes	416	111
Workers who form the staff of manufacturers working for Inditex in Turkey	100,029	97,135
INDIA		
Number of suppliers with purchase during the year	129	138
Number of sewing factories linked to suppliers with purchase	151	195
Other manufacturing processes	100	28
Workers who form the staff of manufacturers working for Inditex in India	79,102	54,987

	2014	2013
BANGLADESH		
Number of suppliers with purchase during the year	83	107
Number of sewing factories linked to suppliers with purchase	92	264
Other manufacturing processes	108	1
Workers who form the staff of manufacturers working for Inditex in Bangladesh	346,311	358,616
SOUTHEAST ASIA		
Number of suppliers with purchase during the year	9	11
Number of sewing factories linked to suppliers with purchase	152	189
Other manufacturing processes	42	18
Workers who form the staff of manufacturers working for Inditex in Southeast Asia	209,341	54,885
CHINA		
Number of suppliers with purchase during the year	300	273
Number of sewing factories linked to suppliers with purchase	849	1,157
Other manufacturing processes	257	89
Workers who form the staff of manufacturers working for Inditex in China	258,126	213,445
ARGENTINA**		
Number of suppliers with purchase during the year	60	65
Number of sewing factories linked to suppliers with purchase	65	122
Other manufacturing processes	68	30
Workers who form the staff of manufacturers working for Inditex in Argentina	4,838	4,672
BRAZIL**		
Number of suppliers with purchase during the year	49	66
Number of sewing factories linked to suppliers with purchase	117	153
Other manufacturing processes	85	23
Workers who form the staff of manufacturers working for Inditex in Brazil	12,418	9,862

(*) A comparative study of the number of sewing factories and other processes linked to suppliers with purchase has been carried out for information purposes. It is not possible to draw conclusions from its development, since 2013 was the first year when this piece of data was reported and is based on information provided by the suppliers in this regard.
(**) In order to make the data representative, all the active suppliers in the region have been taken into consideration.

Identification

Rating and production volume of suppliers with purchase in 2014 (*)

	2014		2013		2014	2013
Total	**Suppliers**	**% Suppliers**	**Suppliers**	**% Suppliers**	**% Units**	**% Units**
A	678	41.72%	694	43.78%	31.41%	33.38%
B	699	43.02%	613	38.57%	61.32%	58.93%
C	133	8.18%	127	8.04%	3.50%	4.04%
CAP	54	3.75%	82	5.15%	2.22%	2.25%
PR	61	3.32%	76	4.46%	1.55%	1.40%
Total	**1,625**	**41.72%**	**1,592**	**100%**	**100%**	**100%**

Rating and production volume of suppliers with purchase in 2014 by region (*)

	2014		2013		2014	2013
Africa	**Suppliers**	**% Suppliers**	**Suppliers**	**% Suppliers**	**% Units**	**% Units**
A	69	51.11%	66	53.23%	58.95%	54.44%
B	46	34.07%	42	33.87%	33.21%	37.61%
C	8	5.93%	8	6.45%	4.77%	5.04%
CAP	10	7.41%	5	4.03%	2.70%	2.56%
PR	2	1.48%	3	2.42%	0.37%	0.35%
Total	**135**	**100%**	**124**	**100%**	**100%**	**100%**
America						
A	66	82.50%	61	74.39%	60.52%	38.11%
B	10	12.50%	12	14.63%	37.67%	54.72%
C	1	1.25%	5	6.10%	0.26%	5.90%
CAP	1	1.25%	3	3.66%	0.23%	1.13%
PR	2	2.50%	1	1.22%	1.32%	0.15%
Total	**80**	**100%**	**82**	**100%**	**100%**	**100%**
Asia						
A	192	25.30%	201	27.24%	18.29%	24.92%
B	441	58.10%	363	49.19%	73.67%	67.21%
C	89	11.73%	79	10.70%	4.76%	4.99%
CAP	27	3.56%	56	7.59%	3.08%	2.21%
PR	10	1.32%	39	5.28%	0.20%	0.68%
Total	**759**	**100%**	**738**	**100%**	**100%**	**100%**
Europe (non-EU)						
A	67	41.88%	69	45.70%	38.19%	34.12%
B	68	42.50%	56	37.09%	51.04%	55.60%
C	14	8.75%	14	9.27%	5.39%	8.69%
CAP	6	3.75%	7	4.64%	3.70%	1.13%
PR	5	3.12%	5	3.31%	1.68%	0.46%
Total	**160**	**100%**	**151**	**100%**	**100%**	**100%**
European Union						
A	284	57.84%	297	59.76%	41.76%	41.02%
B	134	27.29%	140	28.17%	53.31%	52.36%
C	21	4.28%	21	4.23%	0.85%	0.84%
CAP	10	2.04%	11	2.21%	0.41%	2.71%
PR	42	8.55%	28	5.63%	3.67%	3.07%
Total	**491**	**100%**	**497**	**100%**	**100%**	**100%**

Supplier A: complies with the Code of Conduct
Supplier B: fails to comply with a non-material aspect of the Code of Conduct
Supplier C: breaches a sensitive aspect of the Code of Conduct
Supplier subject to corrective action: suppliers that breach critical aspects of the Code of Conduct are immediately brought under a corrective action plan
Supplier PR: Undergoing the auditing process

Evaluation

Total audits per region

		Social				
Geographic area	**Pre-assessment**	**Initial**	**Follow-up**	**Special (*)**	**Production**	**Total**
Africa	74	100	45	462	163	844
America	154	251	153	2	1,751	2,311
Asia	1,199	1,143	580	1,030	488	4,440
Europe (non-EU)	441	513	223	24	57	1,258
European Union	499	789	96	33	4	1,421
Total	**2,367**	**2,796**	**1,097**	**1,551**	**2,463**	**10,274**

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

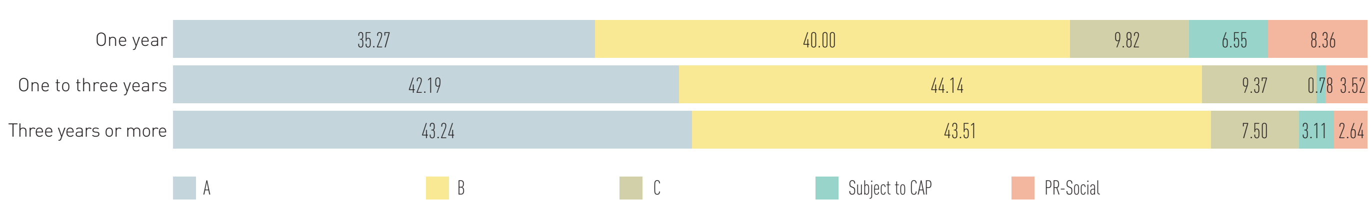
Internal and external audits 2014

	Pre-assessment	Social	Special	Production	Total
Internal	124	601	997	490	2,212
External	2,243	3,292	554	1,973	8,062
Total	**2,367**	**3,893**	**1,551**	**2,463**	**10,274**

Optimization

Classification of suppliers depending on the length on their commercial relationship with Inditex (%)

	Rating A	Rating B	Rating C	Subject to CAP	RP	General total
One year	35.27%	40.00%	9.82%	6.55%	8.36%	100%
One to three years	42.19%	44.14%	9.38%	0.78%	3.52%	100%
Three years or more	43.24%	43.51%	7.50%	3.11%	2.65%	100%
Total	**41.72%**	**43.02%**	**8.18%**	**3.32%**	**3.75%**	**100%**



Distribution of investment in social programmes 2014

	2014	2013	% Variation
Investment in social programmes (in €)	25,835,851	23,549,814	10%
Investment in social programmes / Net profit	1.03%	0.99%	4%

Type of contribution (in €)	2014	%2014	2013	%2013	Variation	
Cash	19,545,730	76%	18,957,306	81%	3%	% management costs included
Time	1,132,486	4%	790,274	3%	43%	
In kind	4,620,670	18%	3,395,434	14%	36%	
Management costs	536,965	2%	406,800	2%	32%	
Total	**25,835,851**	**100%**	**23,549,814**	**100%**	**10%**	

Area of activity (in €)	2014	%2014	2013	%2013	Variation	
Education	5,858,185	23%	7,068,007	31%	-17%	% management costs excluded
Health	2,159,776	9%	866,707	4%	149%	
Economic development	1,156,591	5%	1,954,965	8%	-41%	
Environment	787,881	3%	777,854	3%	1%	
Art and culture	819,446	3%	910,771	4%	-10%	
Social welfare	8,208,916	32%	8,529,377	37%	-4%	
Emergency relief	6,262,171	25%	3,018,963	13%	107%	
Other	45,920	0%	16,370	0%	181%	
Total	**25,298,886**	**100%**	**23,143,014**	**100%**	**9%**	

Geographical area (in €)	2014	%2014	2013	%2013	Variation	
Spain	8,681,879	34%	7,625,649	33%	14%	% management costs excluded
Europe (excluding Spain)	2,797,135	11%	1,803,485	8%	55%	
America	5,966,813	24%	7,311,434	31%	-18%	
Africa	2,172,125	9%	1,300,448	6%	67%	
Asia	5,675,935	22%	4,784,801	21%	19%	
Global	n/a	n/a	317,197	1%	-100%	
Total	**25,298,886**	**100%**	**23,143,014**	**100%**	**9%**	

Category (in €)	2014	%2014	2013	%2013	Variation	
Charitable gifts	7,090,942	28%	8,110,244	35%	-13%	% without management costs
Community investment	15,364,799	61%	13,445,072	58%	14%	
Commercial initiatives in the community	2,843,145	11%	1,587,698	7%	79%	
Total	**25,298,886**	**100%**	**23,143,014**	**100%**	**9%**	

	2014	2013	% Variation
Total number of hours dedicated to social initiatives by employees during working hours	37,760	26,385	43%
Total number of social initiatives	460	455	1%
Number of garments donated to social causes	612,743	648,072	-5%
Total number of direct beneficiaries	2,768,885	756,185	266%
Total number of non-profit organizations benefitting	351	313	12%
Number of children in education	44,532	56,370	-21%
Number of people receiving occupational training	4,441	52,510	-92%
Number of migrants, refugees and displaced persons attended	110,556	180,235	-39%
Number of people receiving healthcare	2,093,453	386,097	442%
Number of employees generated as beneficiaries of social initiatives	3,080	6,283	-51%

For&from Programme data 2014

	2014	2013	Variation
Sales (in euros)	4,066,085	3,647,189	11%
Sales area (m^2)	1,250	1,077	16%
Sales /m^2 (same stores sales)	3,462	3,386	2%
Number of employees with disabilities	60	56	7%

Store	Sales 2014 (in euros)	Store surface area (m2)	No. with disabilities
Tempe for&from Elche	517,016	367	8
Massimo Dutti for&from Allariz	705,158	120	8
Tempe for&from Allariz	123,406	65	5
Stradivarius for&from Manresa	840,921	185	7
Massimo Dutti for&from Palafolls	868,945	140	12
Bershka for&from Palafolls	437,580	120	8
Oysho for&from Palafolls	11,253	80	8
Massimo Dutti for&from Llagostera	1,849	173	4
Total	**4,066,085**	**1,250**	**60**

4. Social cash flow

(in millions of euros)	2014	2013
Net cash received for sale of products and services	18,117	16,724
Cash flow received from financial investments	26	22
Cash received for sales of assets	0	0
Total value-added cash flow	**18,143**	**16,747**

Distribution of value-added cash flow		
Employee wages	2,932	2,698
Tax payments	707	896
Financial debt return	-6	1
Dividends paid out to shareholders	1,510	1,378
Investment in social programmes	26	23
Cash withheld for future growth	-129	51
Payments made outside the Group for the purchase goods, raw materials and services	11,254	10,302
Payments for investments in new productive assets	1,849	1,398
Total distribution of value-added cash flow	**18,143**	**16,747**

5. Capitals balance sheet

Using the International Integrated Reporting Framework, the following table identifies the different capitals involved in the management of each of the challenges the company faces with its business model. In line with the International Integrated Reporting Council (IIRC) Inditex views the different resources the company uses in its value creation processes as capitals. Therefore, all Inditex's activities involve one or more capitals, which are interrelated and in constant transformation.

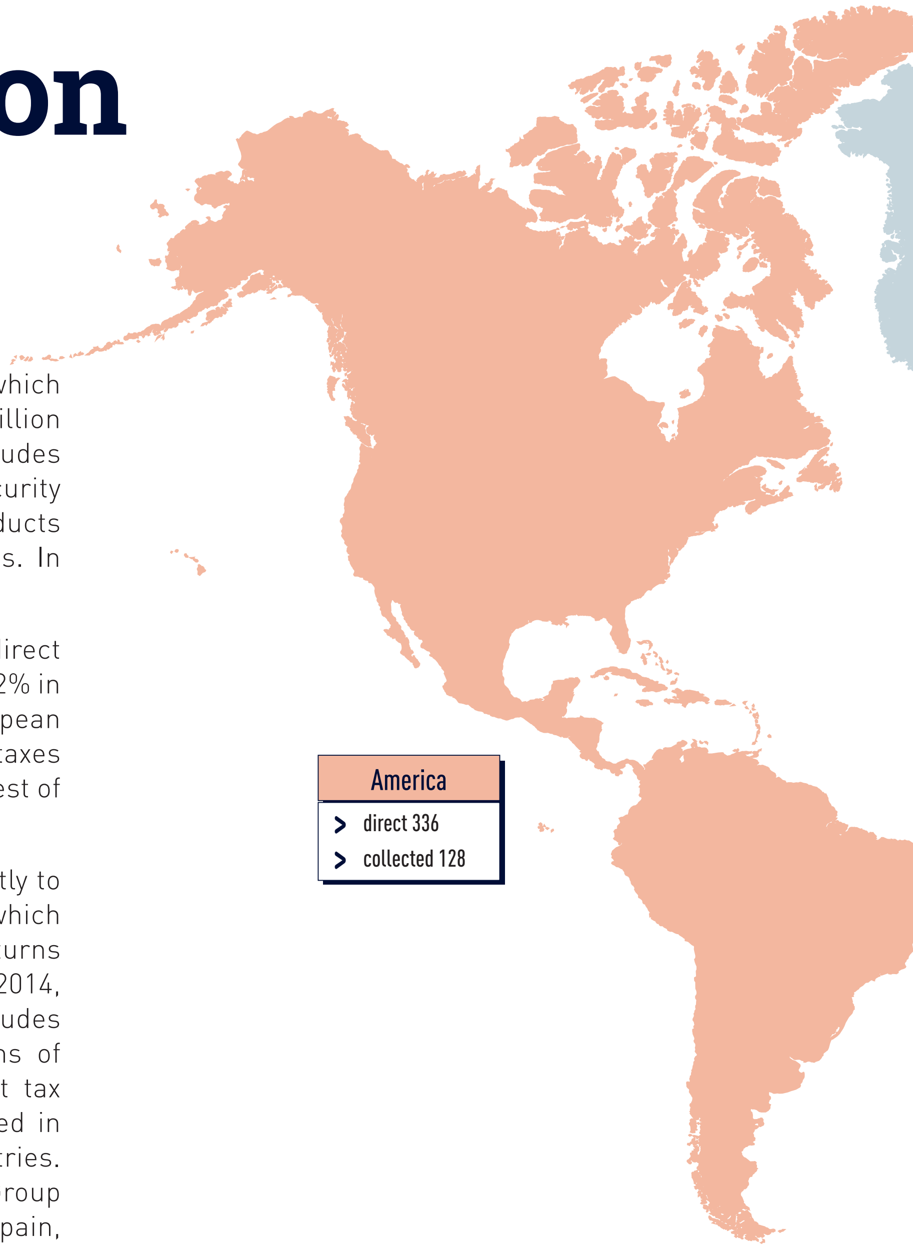
CAPITALS	CHALLENGES
Human capital	Traceability of the supply chain
	Supply chain integrity
	Top quality of the product
	Promoting team motivation
	Innovation in customer services
	Improving community welfare
Intellectual capital	Traceability of the supply chain
Social and relationship capital	Traceability of the supply chain
	Supply chain integrity
	Top quality of the product
	Promoting team motivation
	Innovation in customer services
	Improving community welfare
Industrial capital	Supply chain integrity
	Top quality of the product
	Efficient use of resources
Natural capital	Supply chain integrity
	Top quality of the product
	Efficient use of resources

tax contribution 2014

Inditex's activity in the different markets in which it is present resulted in an outlay of 2,066 million euros in direct taxes. This category includes taxes on profits, contributions to social security systems (535 million euros) and taxes on products and services, as well as environmental taxes. In corporate tax, the average rate was 22.6%.

By geographical area, Inditex paid 38% of its direct tax contribution in Spain (770 million euros), 22% in the European Union and 13% in non-EU European countries. America received 16% of the direct taxes that the Group paid in 2014 and Asia and the rest of the world, 10%.

In addition to the taxes that Inditex pays directly to the public tax offices of all of the markets in which it operates, its activity yields important returns which the Group collects for the States. In 2014, this amounted to 2,298 million euros. This includes taxes such as VAT and income tax. In terms of the geographical distribution of this indirect tax contribution, 1,536 million euros are collected in Europe, of which 1,350 came from EU countries. Another 186 million were collected by the Group for non-EU countries. This does not include Spain, amounting to 480 million (21% of total) million euros (5% of the total).



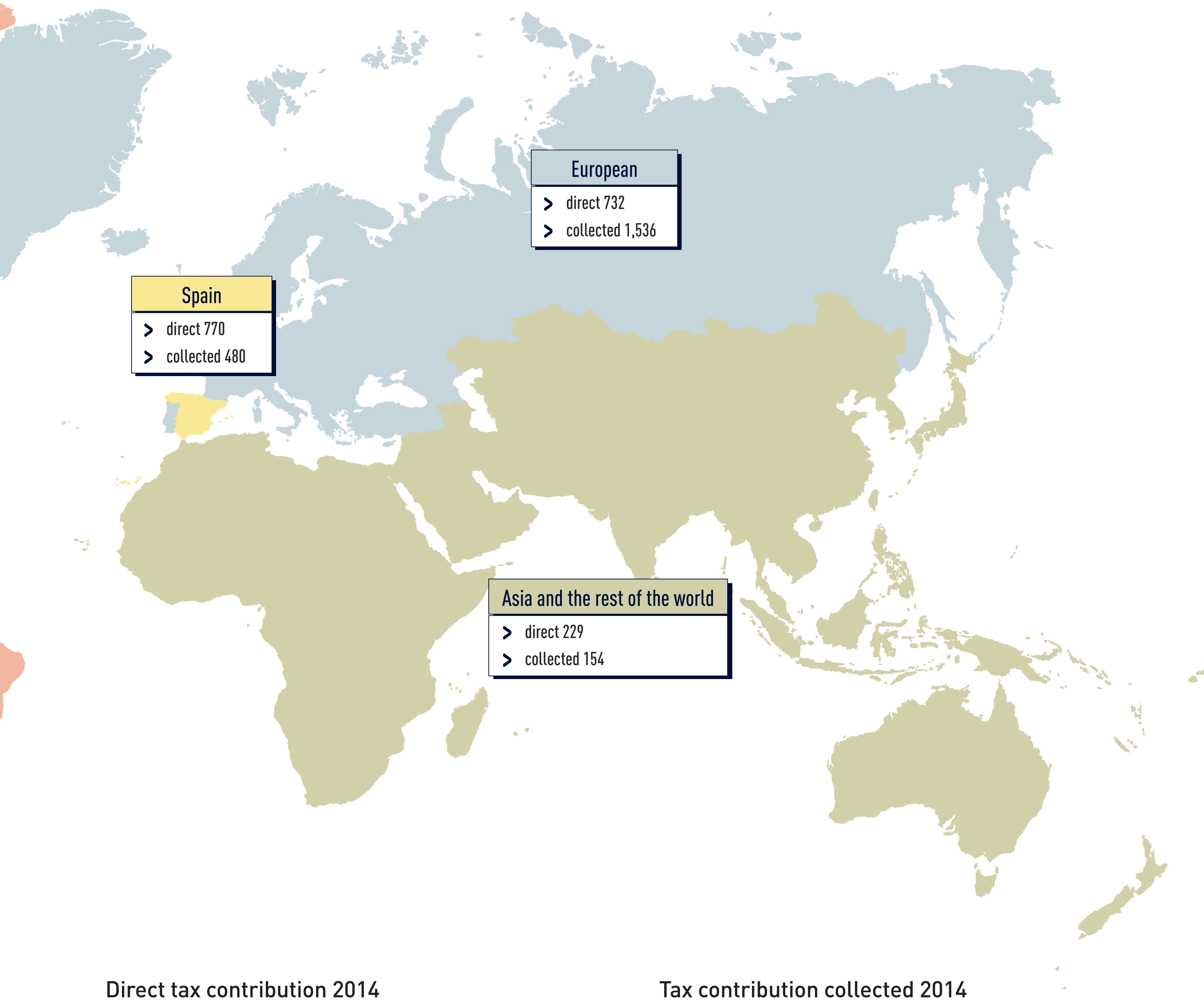
Tax contribution

TOTAL (in millions of euros)	**4,364**
Direct taxes	2,066
Taxes collected by States	2,298

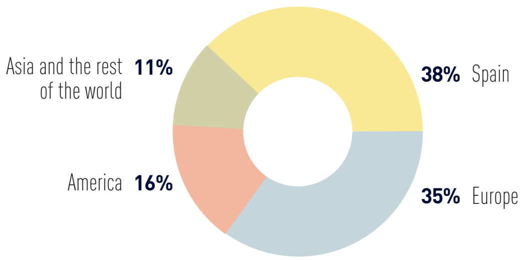
Direct taxes (in millions of euros)

Spain	770
European Union (not Spain)	453
Europe (non-EU)	278
America	336
Asia and the rest of the world	229
Total	**2,066**

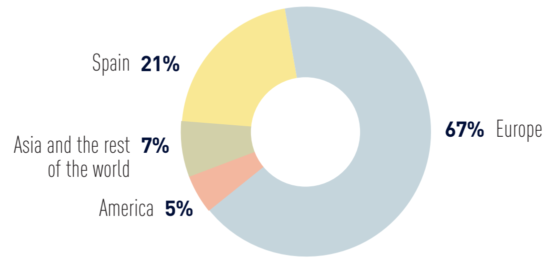
Direct tax contribution and collected taxes by geographical area (in millions of euros)



Direct tax contribution 2014



Tax contribution collected 2014



balance of material issues

	Material issues	Related GRI indicator	Category	Boundaries	Section of Annual Report 2014	Pages
1	Corporate Governance	G4-34 to G4-55 G4-SO6			Corporate governance	131-153
2	Code of Conduct and Responsible Practices	G4-56 to G4-58 G4-EN34, G4-LA16, G4-HR12, G4-SO11			Traceability of the supply chain, Integrity of the supply chain, Promoting team motivation, Corporate governance	37-39, 41-67, 95-105, 131-153
3	Corruption	G4-SO3, G4-SO4, G4-SO5			Corporate governance	131-153
4	Customer relations and satisfaction	G4-PR5			Innovation in customer services	107-111
5	Product quality, health and safety	G4-PR1 to G4-PR4			Traceability of the supply chain, Top quality of the product, Balance of material issues	37-39, 69-81, 155-175
6	Eco-Design	G4-EN1, G4-EN2, G4-EN3 to G4-EN14, G4-EN27 to G4-EN29			Top quality of the product, Sustainability balance sheet	69-81, 155-175
7	Changes in consumption habits	Strategic business issue			Retail formats, Innovation in customer services	17-25, 107-111
8	New sales channels	Strategic business issue			Commercial presence, Retail formats, Innovation in customer services	12-13, 17-25, 107-111
9	Volatility of raw material prices	Strategic business issue			Top quality of the product	69-81
10	Changes in regulation	Strategic business issue			Top quality of the product	69-81
11	Logistics model	Strategic business issue			Efficient use of resources	83-93
12	Expansion in new and emerging markets	Strategic business issue			Commercial presence, Retail formats	12-13, 17-25
13	Exposure in mature markets	Strategic business issue			Commercial presence, Retail formats	12-13, 17-25
14	Working practices	G4-LA3, G4-LA4, G4-LA12, G4-LA13			Efficient use of resources	95-105
15	Attraction and retention of talent	G4-LA1, G4-LA2, G4-EC3			Promoting team motivation	95-105
16	Development of human capital	G4-LA9 to G4-LA11			Promoting team motivation	95-105
17	Energy consumption and GHG	G4-EN3 to G4-EN7, G4-EN15 to G4-EN21, G4-EN30			Efficient use of resources, Sustainability balance sheet	83-93, 155-175
18	Traceability of the supply chain	G4-12 G4-EN32,G4-EN33 G4-LA14, G4-LA15 G4-HR10, G4-HR11 G4-SO9, G4-SO10 G4-PR1, G4-PR2			Traceability of the supply chain, Integrity of the supply chain, Corporate governance	37-39, 41-67, 155-175
19	Capacity building and continual improvement of supply chain	G4-EN32, G4-EN33, G4-LA14, G4-LA15, G4-HR10, G4-HR11, G4-PR1, G4-PR2			Traceability of the supply chain, Integrity of the supply chain, Sustainability balance sheet	37-39, 41-67, 155-175
20	Water consumption in the supply chain	G4-EN8 to G4-EN10			Traceability of the supply chain, Top quality of the product, Efficient use of resources, Balance of material issues	37-39, 69-81, 83-93, 155-175
21	Control of discharges	G4-EN22, G4-EN24, G4-EN26, G4-EN32 to G4-EN34			Top quality of the product, Efficient use of resources, Sustainability balance sheet	69-81, 83-93, 155-175

	Material issues	Related GRI indicator	Category	Boundaries	Section of Annual Report 2014	Pages
22	Human rights and working practices in the supply chain	G4-LA14 to G4-LA16, G4-HR1 to G4-HR6, G4-HR10 to G4-HR12, G4-SO9 to G4-SO11			Traceability of the supply chain, Integrity of the supply chain, Sustainability balance sheet	37-39, 41-67, 155-175
23	Health and safety in suppliers and manufacturers	G4-LA5 to G4-LA8 G4-LA14, LA15			Traceability of the supply chain, Integrity of the supply chain, Sustainability balance sheet	37-39, 41-67, 155-175
24	Animal welfare	G4-EN11 to G4-EN14			Top quality of the product	69-81
25	Responsible purchasing practices	G4-12 G4-EN32,G4-EN33 G4-LA14, G4-LA15 G4-HR10, G4-HR11 G4-SO9, G4-SO10 G4-PR1, G4-PR2			Traceability of the supply chain, Integrity of the supply chain, Top quality of the product	37-39, 41-67, 69-81
26	Waste management	G4-EN23, G4-EN25			Efficient use of resources, Sustainability balance sheet	83-93, 155-175
27	Recycling systems and management of product end of life	G4-EN23, G4-EN25, G4-EN27 to G4-EN29			Top quality of the product, Efficient use of resources, Sustainability balance sheet	69-81, 83-93, 155-175
28	Protection of biodiversity	G4-EN11 to G4-EN14			Efficient use of resources	83-93
29	Social action and local community development	G4-EC1 to G4-EC4, G4-EC7, G4-EC8, G4-SO1, G4-SO2			Contributin to community welfare, Sustainability balance sheet	113-129, 155-175
30	Dialogue with and commitment to stakeholders	G4-24 to G4-27			Traceability of the supply chain, Integrity of the supply chain, Top quality of the product, Efficient use of resources, Promotion team motivation, Innovation in customer services, Contribution to community welfare, Corporate governance	37-39, 41-67, 69-81, 83-93, 95-105, 107-111, 113-129, 131-153

Sustainability Business Within the organisation Outside the organisation Within and outside the organisation

The following organisations, among others, have taken part in the definition of the material issues for 2014

Sustainalytics BV	UNICEF
Cruz Roja	Fundación SERES. Sociedad y Empresa Responsable
Universidade de Santiago de Compostela	Médicos sin Fronteras
Universidade da Coruña	Economics for Energy
Textile Exchange	Canopy
Fundación Entreculturas	Manos Unidas
Fundación Ecología y Desarrollo	Cáritas
Confederación Galega de Persoas con Discapacidade (COGAMI)	The Humane Society of the United States
Medicus Mundi	IndustriALL Global Union
Fundación Lealtad	

annual accounts

investors and stock market indexes

Investors relations

Shareholder body

Inditex shares are represented by means of account annotations. Keeping the register of these annotations is the responsibility of the Management Company for Share Registration, Compensation and Liquidation Systems (Iberclear).

Inditex had 61,597 shareholders according to data from form X-25 which the company requested from Iberclear for the 2014 Ordinary General Shareholders Meeting. Of these 52,367 were individual shareholders and the remainder institutional investors. With the incorporation of significant holdings registered in the Spanish National Securities Market Commission, the approximate overview of shareholder structure is as follows:

Shareholder body	Shares	%
Institutional Inverstors	244,231,880	39.29%
Individuals	9,498,457	1.41%
Partler 2006 SL	57,872,465	9.28%
Gartler SL	311,727,598	50.01%
Total	**623,330,400**	**100%**

Among its operating principles, Inditex includes compliance with a policy of transparency with communication channels and maintenance of those channels. It guarantees that all of its current and potential shareholders have clear, complete, homogeneous and simultaneous information, adequate for evaluating company management and its economic and financial results. The Rules of the Board set down, in article 41, a series of measures which regulate the relations with the shareholders.

Stock Split

Inditex's Annual General Meeting on 15 July 2014 approved a stock split of 5 new shares for every Inditex share registered at the close of trading on 25 July 2014. The newly-issued shares began trading on 28 July 2014 with the ISIN code ES0148396007.

Shareholders' Office

Any individual shareholder can visit the Shareholders' Office to request detailed information on the performance of the business and future strategy. Through this channel individual shareholders can formulate any request for information that they deem relevant on the performance of Inditex. The Shareholders' Office dealt with more than 1,000 petitions from individual investors during 2014.

The Shareholders' Office takes on special relevance during the period that the General Meeting of Shareholders is called and celebrated. It is traditionally held halfway through July at Inditex's corporate headquarters in Arteixo (A Coruña). Information and documentation is sent specifically to provide shareholders with appropriate knowledge on the convening and content of the General Meeting as well as to facilitate their participation in the decision making process of the Group's highest governing body.

Department of Investor Relations

- Some 39 financial and stock-market bodies publish analytical reports relating to Inditex shares. Inditex is Spain's number three company based on the number of analysts covering it.
- Some 9,230 institutional investors, holding 39.2% of corporate capital, play a key role in the formation of the share price and liquidity.

Relevant information on the performance of the business is communicated through the corporate website of Inditex (www.inditex.com) and is distributed to a database of more than 800 investors and analysts.

Inditex complements this information each quarter with freely accessible multiconferences. Additionally, Inditex carries out presentations and holds meetings with investors and analysts throughout the year in the principal financial capitals of the world.

Activities with institutional investors

a) Roadshows

Inditex holds two annual road shows where it presents the results of the first semester (spring-summer season) and the full year (after the autumn-winter season) in the world's principal financial capitals. Over two and a half weeks, the principal investors have access - mainly by means of individual meetings - to the strategic viewpoint of the management team. During these visits direct contact is established with more than 250 investors.

b) Sector Conferences

Other forums for communication with investors are the sector conferences organised by financial institutions. Inditex participates in the principal events held in Europe, each having an average attendance of 50 leading institutional investors.

c) Individual meetings

Apart from the programmed events, large numbers of meetings are held with investors during the year. In the case of specific requests, visits to investors from a certain country or geographical area are also organised. In the past year presentations have been made in the principal financial capitals of Europe, America and Asia to more than 150 institutional investors.

d) Investor visits to corporate facilities

There are also many visits to Inditex facilities from institutional investors. The purpose of these visits is to gain a deeper knowledge of our organization, its business model, and corporate strategy. Throughout 2014, meetings have been held with approximately 80 institutional investors from all over the world. 200 videoconferences and multiconferences were also held.

Inditex on the stock market indices

Inditex is listed on the FTSE4Good and Dow Jones Sustainability Indices for the thirteenth and fourteenth consecutive years, respectively.

Euro STOXX 50/ IBEX 35

Inditex has been a member of Europe's leading blue-chip index for the Eurozone the Euro STOXX 50 since 2011 and the IBEX 35 since 2001.

Dow Jones Sustainability Indexes (DJSI)

Inditex was included in the latest update of this family of indices as a member of DJSI World and DJSI Europe for the fourteenth consecutive year. Inditex scored higher than 98% of the 88 companies included in the Retailing sector.

2014

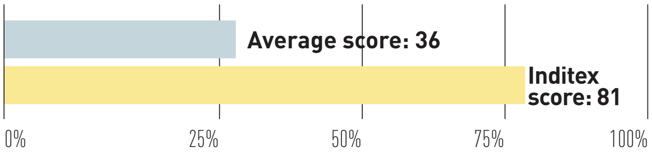
	Inditex score (%)	Percentile ranking*	Average score (%)
Total	**81**	**98**	**36**
Economic	79	98	42
Environmental	90	98	29
Social	76	97	33

2013

	Inditex score (%)	Percentile ranking*	Average score (%)
Total	**81**	**98**	**51**
Economic	80	98	41
Environmental	96	100	29
Social	72	97	32

(*) Percentage of companies in the same sector which scored lower than Inditex

INDITEX SCORED HIGHER THAN 98% OF THE 88 COMPANIES INCLUDED IN THE RETAILING SECTOR OF THE DOW JONES SUSTANAIBILITY INDEXES (DJSI)



FTSE4Good

Inditex has been a constituent of the FTSE4Good series for thirteen years. FTSE4Good updated in 2014 its methodology for the analysis of information, assessing different environmental, social and governance aspects.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economic and financial report

Inditex group consolidated annual accounts

AT 31 JANUARY 2015

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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

We have audited the accompanying consolidated financial statements of Industria de Diseño Textil, S.A. ("the Parent") and subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 January 2015 and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of cash flows, consolidated statement of changes in equity and notes to the consolidated financial statements for the year then ended ("2014").

Director's responsibility for the consolidated financial statements

The Directors of the Parent Company are responsible for the preparation of the accompanying consolidated financial statements, so that they present fairly the consolidated equity, consolidated financial position and consolidated results of Industria de Diseño Textil, S.A. and subsidiaries, in accordance with International Financial Reporting Standards, as adopted by the European Union and the other provisions of the regulatory financial reporting framework applicable to the Group in Spain, identified in the accompanying notes to the consolidated financial statements, and for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free form material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion of these consolidated financial statements based on our audit. We conducted our audit in accordance with the audit regulations in force in Spain. Those regulations require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation by the Parent's Director of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated equity and consolidated financial position of Industria de Diseño Textil, S.A. and subsidiaries as at 31 January 2015, and their consolidated results and their consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards, as adopted by the European Union, and the other provisions of the regulatory financial reporting framework applicable in Spain.

Report on other legal and regulatory requirements

The accompanying consolidated Directors' report for 2014 contains the explanations which the Directors of Industria de Diseño Textil, S.A. consider appropriate about the Group's situation, the evolution of its business and other matters, but is not an integral part of the consolidated financial statements. We have checked that the accounting information in the consolidated directors' report is consistent with that contained in the consolidated financial statements for 2014. Our work as auditors was confined to checking the consolidated directors' report with the aforementioned scope, and did not include a review of any information other than that drawn from the accounting records of Industria de Diseño Textil, S.A. and subsidiaries.

DELOITTE
Registered in R.O.A.C. under Nº S0692

Manuel Arranz Alonso

18 March 2015

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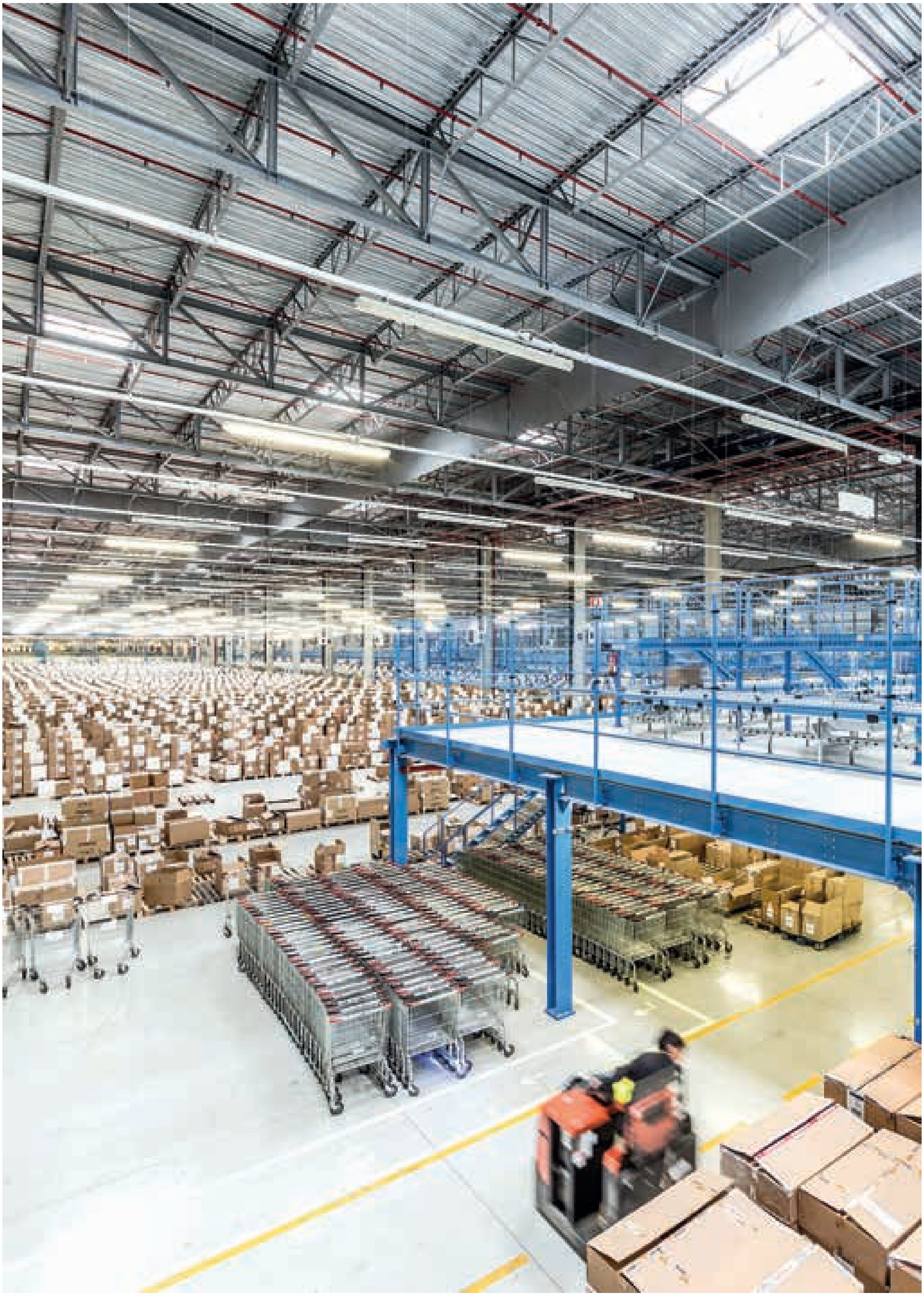


Industria de Diseño Textil, S.A. and Subsidiary Companies

1. Consolidated income statement

(Amounts in thousands of euros)	(notes)	2014	2013
Net sales	(2)	18,116,534	16,724,439
Cost of merchandise	(3)	(7,547,637)	(6,801,507)
GROSS PROFIT		**10,568,897**	**9,922,932**
		58.3%	59.3%
Operating expenses	(4)	(6,457,569)	(5,998,264)
Other losses and income, net	(5)	(8,256)	1,302
GROSS OPERATING PROFIT (EBITDA)		**4,103,073**	**3,925,971**
Amortisation and depreciation	(6, 12,13,14,17)	(904,887)	(855,090)
NET OPERATING PROFIT (EBIT)		**3,198,186**	**3,070,880**
Financial results	(7)	14,483	(18,182)
Results from companies consolidated by equity method		32,125	-
PROFIT BEFORE TAXES		**3,244,794**	**3,052,698**
Income tax	(23)	(734,643)	(671,133)
NET PROFIT		**2,510,151**	**2,381,565**
NET PROFIT ATTRIBUTABLE TO NON-CONTROLLING INTERESTS		**9,603**	**4,483**
NET PROFIT ATTRIBUTABLE TO THE PARENT		**2,500,548**	**2,377,082**
EARNINGS PER SHARE, euro cents (*)	**(8)**	**0.803**	**0.763**

(*) Earnings per share at 31 January 2015 were calculated on the basis of the equivalent number of shares outstanding at year-end following the stock Split (note 22).

Industria de Diseño Textil, S.A. and Subsidiary Companies

2. Consolidated statement of comprehensive income

(Amounts in thousands of euros)	(notes)	2014	2013
Net profit		**2,510,151**	**2,381,565**
Other comprehensive income recognized directly in equity:			
Translation differences related to foreign operations		141,311	(154,696)
Cash flow hedges			
Profit	(25)	97,569	4,768
Loss	(25)	(211)	(8,061)
Tax effect		(27,708)	988
Total		**210,961**	**(157,001)**
Transfers to profit or loss:			
Cash flow hedges			
Profit	(25)	(2,265)	(1,824)
Loss	(25)	3,356	21,216
Tax effect		49	(6,365)
Total		**1,140**	**13,027**
Total comprehensive income for the year		**2,722,252**	**2,237,591**
Total comprehensive income attributable to:			
Equity holders of the Parent		2,712,650	2,233,108
Non-controlling interests		9,603	4,483
Total comprehensive income for the year		**2,722,252**	**2,237,591**

Industria de Diseño Textil, S.A. and Subsidiary Companies

3. Consolidated balance sheet

(Amounts in thousands of euros)	(notes)	31-01-15	31-01-14
ASSETS			
NON-CURRENT ASSETS		**8,271,047**	**6,991,300**
Rights over leased assets	(14)	531,115	508,919
Other intangible assets	(14)	152,995	133,363
Goodwill	(15)	197,901	203,458
Property, plant and equipment	(12)	6,040,573	5,137,581
Investment property	(13)	81,490	82,809
Financial investments	(16)	151,253	20,634
Other non-current assets	(17)	472,146	374,871
Deferred tax assets	(23)	643,574	529,664
CURRENT ASSETS		**7,105,953**	**6,764,961**
Inventories	(11)	1,859,516	1,676,879
Trade and other receivables	(10)	861,811	815,227
Income tax receivable	(23)	68,284	95,637
Current financial investments	(19)	222,259	212,890
Other financial assets	(25)	168,947	13,022
Other current assets		127,207	104,580
Cash and cash equivalents	(19)	3,797,930	3,846,726
TOTAL ASSETS		**15,377,000**	**13,756,261**

LIABILITIES AND EQUITY			
EQUITY		**10,468,701**	**9,278,363**
Equity attributable to the Parent		10,430,655	9,246,244
Equity attributable to non-controlling interests		38,046	32,119
NON-CURRENT LIABILITIES		**1,159,471**	**1,015,605**
Provisions	(20)	200,611	147,768
Other non-current liabilities	(21)	715,771	648,414
Financial debt	(19)	2,265	2,133
Deferred tax liabilities	(23)	240,825	217,291
CURRENT LIABILITIES		**3,748,828**	**3,462,293**
Financial debt	(19)	7,823	2,521
Other finalcial liabilities	(25)	83,222	38,339
Income tax payable	(23)	149,905	88,981
Trade and other payables	(18)	3,507,878	3,332,451
TOTAL EQUITY AND LIABILITIES		**15,377,000**	**13,756,261**

Industria de Diseño Textil, S.A. and Subsidiary Companies

4. Consolidated statement of cash flows

(Amounts in thousands of euros)	2014	2013
Profit before taxes and non-controlling interest	**3,244,794**	**3,052,698**
Adjustments to profit		
Amortisation and depreciation	904,887	855,090
Foreign exchange translation differences	(117,039)	57,591
Provisions for impairment	6,119	4,659
Results from companies consolidated by equity method	(32,125)	-
Other	49,824	(125,796)
Income tax	**(707,232)**	**(895,725)**
Funds from operations	**3,349,228**	**2,948,517**
Variation in assets and liabilities		
Inventories	(243,904)	(142,356)
Receivables and other current assets	(67,349)	25,374
Current payables	209,531	(4,263)
Changes in working capital	**(101,722)**	**(121,245)**
Cash flows from operating activities	**3,247,506**	**2,827,272**
Investments in intangible assets	(166,740)	(133,339)
Investments in property, plant and equipment	(1,629,523)	(1,117,066)
Collections/(Payments) relating investment in companies	-	10,866
Acquisition of other financial investments	29,224	(16,642)
Investments in other assets	(81,553)	(142,095)
Changes in current financial investments	1,455	47,335
Cash flows from investing activities	**(1,847,136)**	**(1,350,942)**
Collections/(Payments) relating to non-current financial debt	1,653	-
Collections/(Payments) relating to acquisitions of treasury shares	(26,861)	(46,494)
Collections/(Payments) relating to current financial debt	6,418	(1,150)
Dividends	(1,510,371)	(1,377,724)
Cash flows used in financing activities	**(1,529,161)**	**(1,425,368)**
Net increase in cash and cash equivalents	(128,791)	50,962
Cash and cash equivalents at the beginning of the year	3,846,726	3,842,918
Effect of exchange rate fluctuations on cash and cash equivalents	79,995	(47,154)
Cash and cash equivalents at the end of the year	**3,797,930**	**3,846,726**

Industria de Diseño Textil, S.A. and Subsidiary Companies

5. Consolidated statement of changes in equity

	Equity attributable to the Parent										
(Amounts in thousands of euros)	Capital	Share premium	Retained earnings	Other reserves	Reserves of companies accounted for using the equity method	Treasury shares	Translation differences	Cash flows	Subtotal	Non-controlling interests	Total equity
Balance at 1 February 2013	**93,500**	**20,379**	**8,439,569**	**54,489**	**-**	**-**	**(150,138)**	**(11,863)**	**8,445,936**	**35,925**	**8,481,861**
Profit for the year	-	-	2,377,082	-	-	-	-	-	2,377,082	4,483	2,381,565
Transfers	-	-	(12,868)	(1,960)	-	-	14,828	-	-	-	-
Other movements	-	-	(18,126)	-	-	-	-	-	(18,126)	(1,397)	(19,523)
Other comprehensive income for the year	-	-	-	-	-	-	(154,696)	10,722	(143,974)	-	(143,974)
Translation differences related to foreign operations	-	-	-	-	-	-	(154,696)	-	(154,696)	-	(154,696)
Cash flow hedges	-	-	-	-	-	-	-	10,722	10,722	-	10,722
Operations with equity holders or owners	-	-	(1,370,832)	2,652	-	(46,494)	-	-	(1,414,674)	(6,892)	(1,421,566)
Treasury shares	-	-	-	-	-	(46,494)	-	-	(46,494)	-	(46,494)
Share-based payments	-	-	-	2,652	-	-	-	-	2,652	-	2,652
Dividends	-	-	(1,370,832)	-	-	-	-	-	(1,370,832)	(6,892)	(1,377,724)
Balance at 31 January 2014	**93,500**	**20,379**	**9,414,825**	**55,181**	**-**	**(46,494)**	**(290,006)**	**(1,141)**	**9,246,244**	**32,119**	**9,278,363**
Balance at 1 February 2014	**93,500**	**20,379**	**9,414,825**	**55,181**	**-**	**(46,494)**	**(290,006)**	**(1,141)**	**9,246,244**	**32,119**	**9,278,363**
Profit for the year	-	-	2,500,548	-	-	-	-	-	2,500,548	9,603	2,510,151
Transfers	-	-	(139,556)	-	139,556	-	-	-	-	-	-
Distribute dividends	-	-	30,035	-	(30,035)	-	-	-	-	-	-
Other movements	-	-	(2,132)	-	-	-	-	-	(2,132)	(372)	(2,504)
Other comprehensive income for the year	-	-	-	-	-	-	141,311	70,791	212,102	-	212,102
Translation differences related to foreign operations	-	-	-	-	-	-	141,311	-	141,311	-	141,311
Cash flow hedges	-	-	-	-	-	-	-	70,791	70,791	-	70,791
Operations with equity holders or owners	-	-	(1,507,371)	8,123	-	(26,860)	-	-	(1,526,108)	(3,303)	(1,529,411)
Treasury shares	-	-	-	-	-	(26,860)	-	-	(26,860)	-	(26,860)
Share-based payments	-	-	-	8,123	-	-	-	-	8,123	-	8,123
Dividends	-	-	(1,507,371)	-	-	-	-	-	(1,507,371)	(3,303)	(1,510,674)
Balance at 31 January 2015	**93,500**	**20,379**	**10,296,350**	**63,304**	**109,521**	**(73,354)**	**(148,695)**	**69,650**	**10,430,655**	**38,046**	**10,468,701**

Translation of consolidated annual accounts originally issued in Spanish and prepared in accordance with the regulatory financial reporting framework applicable to the Company (Group) (see below and note 34). In the event of a discrepancy, the Spanish-language version prevails.

6. Notes to the consolidated annual accounts of the Inditex group at 31 january 2015

The consolidated annual accounts of the Inditex Group for 2014 were prepared by the directors on 17 March 2015 and will be submitted for approval at the corresponding annual general shareholders' meeting, and it is considered that they will be approved without any changes. The consolidated annual accounts for 2013 were approved by the annual general shareholders' meeting held on 15 July 2014.

These annual accounts have been prepared in accordance with the International Financial Reporting Standards (IFRSs) and their interpretations (IFRICs and SICs) adopted by the European Union (EU-IFRSs) and other applicable financial reporting regulations.

Inditex's financial year and that of most of its subsidiaries starts on 1 February of each year and ends on 31 January of the following year. The twelve-month period ended 31 January 2014 will hereinafter be referred to as "2013", the period ended 31 January 2015 as "2014", and so on.

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

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

The separate annual accounts of the Parent (Inditex) for 2014 have been prepared by the Board of Directors in a separate document to these consolidated annual accounts.

These consolidated annual accounts present fairly the consolidated equity, financial position and changes in equity of the Inditex Group at 31 January 2015, as well as the results of its operations and cash flows for the year then ended.

The consolidated annual accounts of the Inditex Group for 2014 have been prepared on the basis of the accounting records of Inditex and the other Group companies.

In the consolidated income statement, Gross Profit, EBITDA and EBIT are defined as:

- Gross Profit: the difference between net sales and the cost of merchandise (see notes 2 and 3 for detailed information on the items included in these income statement line items). The percentage Gross Profit is calculated as the Gross Profit in absolute terms as a percentage of net sales.
- EBITDA: earnings before interest, results of companies accounted for using the equity method, taxes, depreciation and amortisation, calculated as the gross margin less operating expenses and other losses and income, net.
- EBIT: earnings before interest, results of companies accounted for using the equity method and taxes, calculated as EBITDA less amortisation and depreciation

In preparing the consolidated annual accounts at 31 January 2015 estimates were made in order to measure certain of the assets, liabilities, income, expenses and obligations reported herein. These estimates relate basically to the following:

- The assessment of possible impairment losses on certain assets.
- The useful life of the property, plant and equipment, intangible assets and investment property.
- The fair value of certain assets, mainly financial instruments.
- The assumptions used in the actuarial calculation of the pension liabilities and other obligations to employees.
- The calculation of the provisions required for contingencies relating to litigation in progress and doubtful debts.
- The term of leases.
- The amount of the future minimum non-cancellable operating lease payments.

– The recovery of deferred tax assets.

Although these estimates were made on the basis of the best information available at 31 January 2015 and 2014, events that take place in the future might make it necessary to change these estimates in coming years. Changes in accounting estimates would be applied prospectively in accordance with the requirements of IAS 8.

The bases of consolidation and accounting policies applied are disclosed in note 31.

6.1. Activity and description of the Group

Industria de Diseño Textil, S.A. ("Inditex"), domiciled in Spain (Avenida de la Diputación s/n Edificio Inditex, Arteixo, A Coruña), is the Parent of a group of companies, the principal activity of which consists of the distribution of fashion items, mainly clothing, footwear, accessories and household textile products. Inditex carries out its activity through various commercial formats such as Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe. Inditex is listed on all four Spanish stock exchanges and, together with its subsidiary companies, comprises the Inditex Group ("the Group").

Each format's commercial activity is carried out through an integrated store and on-line sales model managed directly by the companies over which Inditex exercises control through ownership of all or the majority of the share capital and voting power, with the exception of certain countries where, for various reasons, the retail selling activity is performed through franchises. Certain franchise agreements entered into by the Group include purchase options which, if exercised, would entitle the Group to lease the premises in which the franchised stores operate and the assets associated with these stores. These options may be exercised after a certain period of time has elapsed since the signing of the franchise agreement.

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

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

Inditex's business model is characterized by the search for flexibility in adapting production to market demand by controlling the supply chain throughout the various stages of design, manufacture and retailing. This enables it to focus both its own and suppliers' production on changes in market trends during each sales campaign.

The Group's logistics system is based on constant deliveries from the distribution centres of the various commercial formats to stores throughout each season. This system essentially operates through centralized logistics centres for each concept in which inventory is stored and distributed to stores worldwide.

At 31 January 2015 the various Group formats had stores in 88 markets, as follows:

Number of stores	Company managed	Franchises	Total
Spain	1,786	36	1,822
Rest of Europe	2,803	139	2,942
Americas	479	135	614
Rest of the World	742	563	1,305
Total	**5,810**	**873**	**6,683**

At 31 January 2014, the geographical distribution of stores was as follows:

Number of stores	Company managed	Franchises	Total
Spain	1,820	38	1,858
Rest of Europe	2,607	137	2,744
Americas	424	124	548
Rest of the World	657	533	1,190
Total	**5,508**	**832**	**6,340**

The majority of store premises are held under operating leases. Information on the main terms of the leases is provided in note 24.

6.2. Sales

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

Details for 2014 and 2013 are as follows:

	2014	2013
Net sales in company-managed stores	16,557,273	15,209,964
Net sales to franchises	1,357,797	1,315,910
Other sales and services rendered	201,464	198,565
Total	**18,116,534**	**16,724,439**

6.3. Cost of sales

Details for 2014 and 2013 are as follows:

	2014	2013
Raw materials and consumables	7,730,274	6,897,088
Change in inventories	(182,637)	(95,582)
Total	**7,547,637**	**6,801,507**

Raw materials and consumables mainly include amounts relating to the acquisition from or production by third parties of products held for sale or conversion, and other direct expenses related to the acquisition of goods (see note 31.2.i).

6.4. Operating expenses

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

	2014	2013
Personnel expenses	2,932,204	2,697,734
Operating leases (note 24)	1,849,564	1,656,310
Other operating expenses	1,675,801	1,644,219
Total	**6,457,569**	**5,998,264**

The detail of the headcount, by category, at 31 January 2015 is as follows:

	Gender		
Categories	**W**	**M**	**Total**
Manufacturing and logistics	3,813	4,734	8,547
Central services	5,906	3,467	9,372
Stores	96,013	23,121	119,134
Total	**105,732**	**31,322**	**137,054**

At 31 January 2014, the distribution was as follows:

	Gender		
Categories	**W**	**M**	**Total**
Manufacturing and logistics	3,604	4,313	7,917
Central services	5,769	3,464	9,233
Stores	90,173	20,990	111,163
Total	**99,546**	**28,767**	**128,313**

The detail of the headcount in both years includes the employees of the Inditex Group companies and those of the Tempe Group companies.

Lease expenses relate mainly to the rental, through operating leases, of the Group's commercial premises. This line item also includes lease incentives, which are recognized in profit or loss. Note 24 provides more detailed information on the main terms of these leases, together with the related minimum future payment obligations.

"Other operating expenses" includes mainly expenses relating to store operations, logistics and general expenses, such as electricity, commissions on credit and debit card payments, travel, decoration expenses, communications and all kinds of professional services.

6.5. Other losses and income, net

This line items includes mainly changes in the prices of the debts recognized as a result of the existence of cross call and put options between the Group and the owners of some of the shares of certain of the subsidiaries, since these cross options are considered to be a deferred acquisition of the shares constituting the underlying. The estimated option strike price is recognized as a liability and changes are recognized in profit or loss.

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

a) Subsidiaries domiciled in Mexico

The Group holds call options on 5% of the share capital of Zara México, S.A. de C.V., owned by the 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.

At 31 January 2014, the Group held call options on 3% of the share capital of Bershka México, S.A. de C.V., on 1.5% of the share capital of Oysho México, S.A. de C.V., on 1.5% of the share capital of Pull&Bear México, S.A. de C.V., on 1.5% of the share capital of Zara Home México, S.A. de C.V. and on 2% of the share capital of Massimo Dutti México, S.A. de C.V. owned by a non-controlling shareholder. On 21 July 2014, the Group exercised those call options and became the sole shareholder of those companies.

b) Subsidiaries domiciled in Korea

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

c) Subsidiaries domiciled in South Africa

The Group holds a call option on 10% of the share capital of ITX Fashion Retail South Africa (Proprietary), LTD. This ownership interest is held by Peter Vundla Retail (Propietary), LTD, which in turn holds an option to sell the full amount of this holding to Industria de Diseño Textil, S.A. The strike price is set on the basis of the non-controlling shareholder's share of the equity of the investee when the call option is exercised.

d) Subsidiaries domiciled in Australia

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

6.6. Amortisation and depreciation

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

	2014	2013
Amortisation and depreciation charge (notes 12, 13, 14 and 17)	861,955	810,963
Variation in impairment losses (notes 12 and 14)	1,470	6,755
Profit/(loss) on assets (notes 12 and 14)	65,000	51,374
Others	(23,538)	(14,002)
	904,887	**855,090**

"Other" relates mainly to gains on non-current asset sales and other transactions recognised directly in equity.

6.7. Financial results

Details of "Financial results" in the consolidated income statements for 2014 and 2013 are as follows:

	2014	2013
Interest income	25,959	22,477
Foreign exchange gains	54,331	8,140
Total income	**80,290**	**30,617**
Other finance costs	(9,912)	(11,109)
Foreign exchange losses	(55,895)	(37,691)
Total expenses	**(65,807)**	**(48,800)**
Total	**14,483**	**(18,182)**

Financial income and expenses mainly comprise interest accrued on the Group's financial assets and liabilities during the year (see note 19). Net foreign exchange differences are principally due to fluctuations in the currencies with which the Group operates (see note 25) between the time when income, expenses, acquisitions or disposals of assets are recognized and when the corresponding assets or liabilities are realized or settled under applicable accounting principles.

6.8. Earnings per share

Basic earnings per share were calculated by dividing net profit for the year attributable to the Parent by the weighted average number of ordinary shares outstanding during the year, excluding the average number of treasury shares held by the Group (see note 22), which totalled 3,113,773,370 in 2014 and 3,115,562,173 in 2013. The earnings per share in 2014 were calculated on the basis of the equivalent number of shares outstanding at year-end following the stock split (see note 22).

Diluted earnings per share is calculated based on profit attributable to the holders of equity instruments of the Company and a weighted average number of ordinary shares outstanding after adjustment for the dilution effect of all potential ordinary shares.

6.9. Segment reporting

The principal activity of the Inditex Group comprises the retail distribution of clothing, footwear, accessories and household textile products through various commercial format stores aimed at different targeted sectors of the public.

The origin and predominant nature of the risks and rewards of the Inditex Group's business units correspond to operating segments, as these risks and rewards are mainly influenced by the fact that each cash-generating unit belongs to a particular commercial format. The internal organization of the Inditex Group, the decision-making process and the system for communicating information to the Board of Directors and Group management are organized by commercial format and geographical areas.

The key business indicators, understood to be those which form part of the segment information reported periodically to the Board of Directors and management of the Group and which are used in the decision-making process, are net sales and operating profit by segment.

The segment liabilities, financial results and taxes are not broken down as they do not form part of the key business indicators defined above or of the segment information reported periodically to the Board of Directors and management of the Group.

Details of Inditex Group segment reporting are as follows:

FY 2014

	ZARA	Bershka	Other	Total
Sales to third parties	11,594,358	1,664,007	4,858,169	18,116,534
Segment EBITDA	2,122,634	244,589	830,964	3,198,186
Amortization and depreciation	570,310	85,716	248,860	904,887
Segment total assets	11,453,301	880,539	3,043,160	15,377,000
ROCE	29%	43%	44%	33%
Number of stores	**2,085**	**1,006**	**3,592**	**6,683**

FY 2013

	ZARA	Bershka	Other	Total
Sales to third parties	10,803,540	1,556,152	4,364,747	16,724,439
Segment EBITDA	2,089,031	240,564	741,285	3,070,880
Amortization and depreciation	534,861	84,610	235,619	855,090
Segment total assets	10,243,434	827,006	2,685,822	13,756,261
ROCE	31%	46%	46%	35%
Number of stores	**1,991**	**954**	**3,395**	**6,340**

For the purposes of the reconciliation with the consolidated financial statements, sales to third parties relate to "Sales" in the consolidated income statement and the amortisation and depreciation corresponds to "Amortisation and depreciation" in the consolidated income statement.

The segment result refers to the operating result (EBIT) of the segment. Income and expenses which are considered corporate in nature or as belonging to the group of segments as a whole have been assigned to each segment in accordance with criteria considered reasonable by Group management. Inter-segment transactions are not material and, therefore, are not broken down.

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

Return on Capital Employed (ROCE) is defined as the ratio between the segment's result for the year (EBIT) and the average capital employed (equity and, where applicable, net financial debt).

Zara was the first chain created by the Inditex Group and its leading position is based on its fashion offering, with a wide range of products.

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

Geographical reporting

In the presentation of information by geographical segment, revenue is based on the geographical location of customers and segment assets are based on the geographical location of assets. Non-current segment assets do not include deferred tax assets.

	Sales		Non-current assets	
	2014	**2013**	**31/01/15**	**31/01/14**
Spain	3,706,663	3,529,014	2,541,139	2,303,471
Other	14,409,872	13,195,424	5,086,333	4,158,165
Rest of Europe	8,723,851	8,011,771	2,864,143	2,673,337
Americas	2,445,948	2,272,230	1,204,289	696,168
Asia and rest of the world	3,240,073	2,911,424	1,017,901	788,660
Total	**18,116,534**	**16,724,439**	**7,627,472**	**6,461,636**

6.10. Trade and other receivables

Details at 31 January 2015 and 2014 are as follows:

	31/01/15	31/01/2014
Trade receivables	182,496	145,977
Receivables due to sales to franchises	176,766	162,039
Public entities	406,479	446,047
Other current receivables	96,070	61,164
Total	**861,811**	**815,227**

Trade receivables are mainly customer debit/credit card payments pending collection.

Part of the Group's activity is carried out through franchised stores (see note 1). Sales to franchisees are made under agreed collection terms, which are partially secured as described in note 25.

Balances receivable from public entities comprise VAT and other taxes and duties incurred by Group companies in the countries in which they operate.

Other current receivables include items such as rental incentives due from shopping centre developers (see note 24) and outstanding balances on sundry operations, largely advances from creditors to sales representatives.

6.11. Inventories

Details at 31 January 2015 and 2014 are as follows:

	31/01/15	31/01/14
Raw materials and consumables	64,925	52,034
Goods in process	22,237	35,789
Finished goods for sale	1,772,354	1,589,056
Total	**1,859,516**	**1,676,879**

The Group contracts insurance policies to cover the potential risk of damage to its inventories.

6.12. Property, plant and equipment

Details of property, plant and equipment in the accompanying consolidated balance sheet and related changes are as follows:

	Land and buildings	Fixtures, furniture and machinery	Other plant and equipment	Work in progress	Total
Cost					
Balance at 01/02/2013	1,463,989	6,766,147	311,421	194,518	8,736,075
Acquisitions	10,315	1,047,333	58,841	219,394	1,335,884
Changes in consolidation scope	-	14,292	1,139	78	15,510
Disposals	(5,010)	(402,493)	(21,760)	(684)	(429,946)
Transfers	16,487	67,512	9,045	(115,952)	(22,908)
Foreign exchange translation differences	(598)	(150,962)	(8,861)	(6,683)	(167,104)
Balance at 31/01/2014	**1,485,184**	**7,341,830**	**349,825**	**290,671**	**9,467,511**
Balance at 01/02/2014	1,485,184	7,341,830	349,825	290,671	9,467,511
Acquisitions	62,393	1,099,435	126,466	338,549	1,626,843
Changes in consolidation scope	(17,948)	(74,494)	(4,644)	(5,344)	(102,430)
Disposals (Note 6)	(10,201)	(352,489)	(34,218)	(5,870)	(402,778)
Transfers	74,359	104,410	183	(179,603)	(652)
Foreign exchange translation differences	49,224	133,215	(3,225)	32,710	211,924
Balance at 31/01/2015	**1,643,011**	**8,251,907**	**434,387**	**471,113**	**10,800,418**
Depreciation					
Balance at 01/02/2013	204,206	3,604,666	168,049	-	3,976,921
Depreciation charge for the year	22,887	630,716	44,122	-	697,725
Changes in consolidation scope	-	6,653	391	-	7,044
Disposals	(1,184)	(340,873)	(18,409)	-	(360,466)
Transfers	24,116	(28,792)	(2,426)	-	(7,102)
Foreign exchange translation differences	(408)	(55,456)	(4,418)	-	(60,281)
Balance at 31/01/2014	**249,617**	**3,816,914**	**187,310**	**-**	**4,253,841**
Balance at 01/02/2014	249,617	3,816,914	187,310	-	4,253,841
Depreciation charge for the year (Note 6)	22,641	662,790	51,938	-	737,369
Changes in consolidation scope	(2,018)	(21,652)	(3,671)	-	(27,341)
Disposals (Note 6)	(2,045)	(295,935)	(30,541)	-	(328,520)
Transfers	(13,350)	14,139	(1,833)	-	(1,044)
Foreign exchange translation differences	3,424	60,348	(77)	-	63,695
Balance at 31/01/2015	**258,269**	**4,236,605**	**203,126**	**-**	**4,698,000**
Impairment losses (note 31.2 g)					
Balance at 01/02/2013	-	96,747	-	-	96,747
Charge for the year	110	31,520	889	-	32,520
Amounts charged to profit or loss	(113)	(24,883)	(81)	-	(25,077)
Disposals	2	(21,376)	(538)	-	(21,912)
Transfers	1,507	(7,802)	1,043	-	(5,253)
Balance at 31/01/2014	**1,506**	**73,287**	**1,296**	**-**	**76,089**
Balance at 01/02/2014	1,506	73,287	1,296	-	76,089
Charge for the year (Note 6)	-	30,407	974	-	31,381
Amounts charged to profit or loss (Note 6)	(93)	(27,591)	(469)	-	(28,153)
Disposals (Note 6)	-	(16,582)	(374)	-	(16,956)
Transfers	-	(142)	3	-	(139)
Foreign exchange translation differences	-	(261)	(117)	-	(378)
Balance at 31/01/2015	**1,413**	**59,118**	**1,313**	**-**	**61,844**
Carrying amount					
Balance at 31/01/2014	**1,234,061**	**3,451,630**	**161,219**	**290,671**	**5,137,581**
Balance at 31/01/2015	**1,383,329**	**3,956,184**	**229,948**	**471,113**	**6,040,573**

The additions to "Work in progress" in 2014 include the amount of the investment made to acquire premises in New York which will house a global benchmark flagship Zara store.

In 2014 there were no material additions to "Land and buildings". "Other plant and equipment" includes, inter alia, information technology equipment and motor vehicles.

An impairment test and a sensitivity analysis were performed in relation to reasonably possible changes in the main fair value estimates and the results did not vary significantly (see note 31.2.g)

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

Fully depreciated items of property, plant and equipment include certain items, mainly machinery, fixtures and furniture, with a gross cost value of euros 1,708,698 thousand and euros 1,548,964 thousand at 31 January 2015 and 31 January 2014, respectively.

Through its corporate risk management policy, the Group identifies, assesses and controls damage and liability-related risks to which the Group companies are exposed. It does this by compiling and measuring the main risks of damage, loss of profits and liability affecting the Group and implements prevention and protection policies aimed at reducing the frequency and intensity of these risks.

Likewise, standard measurement criteria are established at corporate level which enable the different risks to which the Group is exposed to be quantified, measured and insured.

Lastly, the Group takes out insurance policies through corporate insurance programmes to protect its assets from risk and establishes limits, excesses and conditions according to the nature of such risk and the financial relevance of the company concerned

6.13. Investment property

Investment property mainly relates to premises and other properties leased to third parties. The changes in this caption during 2014 and 2013 were as follows:

Cost	31/01/15	31/01/14
Opening balance	88,296	87,052
Acquisitions	-	38
Transfers	(614)	1,206
Closing balance	**87,682**	**88,296**
Depreciation		
Opening balance	5,487	4,485
Depreciation charge for the year (Note 6)	786	751
Transfers	(81)	251
Closing balance	**6,192**	**5,487**
Net carrying value	**81,490**	**82,809**

The total market value of the investment property at 31 January 2015 was approximately euros 83,000 thousand (31 January 2014: euros 83,000 thousand). This market value is supported, in the case of the most significant properties (91% of the total cost), by appraisals conducted in 2012 and 2013 by an independent valuers of acknowledged professional capacity and recent experience in relation to the location and category of the investment property being valued. The appraisals were conducted using a future cash flow discounting method based on the market prices of similar premises.

In 2014 euros 4,347 thousand (euros 4,765 thousand in 2013) of rental income on these properties were included under "Net sales – Other sales and services rendered" (see note 2) in the consolidated income statement.

6.14. Rights over leased assets and other intangible assets

"Rights over leased assets" include amounts paid in respect of leasehold assignment, access premiums or tenancy right waivers and indemnities in order to lease commercial premises.

The payments for these rights are attributable to the leased assets and the related cost is allocated to profit or loss in accordance with the terms and conditions of the leases over the lease term.

At 31 January 2015, the Group had included under "Rights over leased assets" items with an indefinite useful life amounting to euros 128,697 thousand (euros 169,900 thousand at 31 January 2014). The useful life of these assets is reviewed at year-end and no events or circumstances altering this indefinite useful life assessment were identified. The Group does did not have other any intangible assets with an indefinite useful life.

"Other intangible assets" include amounts paid for the registration and use of Group brand names, industrial designs of items of clothing, footwear, accessories and household goods created during the year and the cost of software applications.

An impairment test and a sensitivity analysis were performed in relation to reasonably possible changes in the main fair value estimates and the results did not vary significantly (see note 31.2.g).

Details of other intangible assets and changes during 2014 and 2013 are as follows:

	Rights over leased assets	Patents and similar intangibles	Software	Other intangible assets	Total
Cost					
Balance at 01/02/2013	917,693	23,033	68,951	158,389	1,168,066
Acquisitions	76,025	1,891	22,811	53,650	154,377
Changes in consolidation scope	-	-	13	-	13
Disposals	(23,555)	(1,495)	(340)	(71,086)	(96,476)
Transfers	(3,151)	-	(62)	443	(2,771)
Foreign exchange translation differences	(11,430)	-	(611)	(75)	(12,116)
Balance at 31/01/2014	**955,581**	**23,428**	**90,762**	**141,321**	**1,211,093**
Balance at 01/02/2014	955,581	23,428	90,762	141,321	1,211,093
Acquisitions	74,493	1,816	29,691	62,001	168,001
Changes in consolidation scope	-	(120)	(979)	(15,262)	(16,362)
Disposals (Note 6)	(30,310)	(89)	(23,442)	(50,448)	(104,289)
Transfers	(3,632)	-	28	(27)	(3,631)
Foreign exchange translation differences	14,113	-	429	12	14,554
Balance at 31/01/2015	**1,010,246**	**25,035**	**96,489**	**137,597**	**1,269,367**
Depreciation					
Balance at 01/02/2013	412,748	11,650	30,811	82,586	537,794
Amortization charge for the year	40,363	1,950	15,969	49,838	108,120
Changes in consolidation scope	-	-	8	-	8
Disposals	(19,353)	(1,495)	(331)	(69,202)	(90,380)
Transfers	6,884	2	(81)	527	7,332
Foreign exchange translation differences	(5,543)	-	(419)	(74)	(6,037)
Balance at 31/01/2014	**435,098**	**12,106**	**45,958**	**63,675**	**556,837**
Balance at 01/02/2014	435,098	12,106	45,958	63,675	556,837
Amortization charge for the year (Note 6)	53,203	2,040	14,900	50,089	120,232
Changes in consolidation scope	-	(103)	(821)	(10,579)	(11,504)
Disposals (Note 6)	(21,396)	(89)	(23,510)	(48,060)	(93,056)
Transfers	(134)	-	149	-	15
Foreign exchange translation differences	5,505	-	352	14	5,873
Balance at 31/01/2015	**472,276**	**13,954**	**37,028**	**55,138**	**578,396**
Impairment losses (note 31.2-g)					
Balance at 01/02/2013	17,472	-	-	-	17,472
Impairment charge for the year	2,977	-	-	-	2,977
Amounts charge to profit or loss	(3,648)	-	-	(17)	(3,665)
Disposals	(1,798)	-	-	(492)	(2,290)
Transfers	(3,349)	-	-	919	(2,431)
Foreign exchange translation differences	(90)	-	-	-	(90)
Balance at 31/01/2014	**11,564**	**-**	**-**	**410**	**11,974**
Balance at 01/02/2014	11,564	-	-	410	11,974
Impairment charge for the year (Note 6)	2,262	-	4	(24)	2,242
Amounts charge to profit or loss (Note 6)	(3,617)	-	-	(383)	(4,000)
Disposals (Note 6)	(3,535)	-	-	-	(3,535)
Transfers	139	-	-	-	139
Foreign exchange translation differences	41	-	-	-	41
Balance at 31/01/2015	**6,855**	**-**	**4**	**2**	**6,861**
Carrying amount					
Balance at 31/01/2014	**508,919**	**11,322**	**44,805**	**77,236**	**642,282**
Balance at 31/01/2015	**531,115**	**11,081**	**59,457**	**82,457**	**684,110**

The Group capitalized euros 19,642 thousand in 2014 (euros 13,401 thousand in 2013) corresponding to software development activities that meet the requirements for capitalization under IAS 38. The Group also capitalized euros 61,729 thousand (euros 53,481 in 2013) in respect of industrial designs that meet the requirements for capitalization under IAS 38.

6.15. Goodwill

The detail of this caption in the consolidated balance sheet and of the changes therein in 2014 and 2013 is as follows:

	2014	2013
Opening balance	203,458	207,089
Acquisitions	-	781
Disposals	-	-
Foreign exchange translation differences	(5,557)	(4,412)
Closing balance	**197,901**	**203,458**

Investee	2014	2013
Stradivarius España, S.A.	53,253	53,253
BCN Designs, S.A. de C.V.	13,600	12,609
Zara Polska, S.p. Zo.o.	34,632	34,397
Zao Zara CIS	8,655	14,056
Pull&Bear CIS	191	310
Stradivarius CIS	5,229	5,984
Zara Serbia, D.O.O. Belgrade	4,164	4,437
Pull&Bear Serbia, D.O.O. Belgrade	692	738
Massimo Dutti Serbia, D.O.O. Belgrade	833	888
Bershka Serbia, D.O.O. Belgrade	805	858
Stradivarius Serbia, D.O.O. Belgrade	726	774
Oysho Serbia, D.O.O. Belgrade	484	516
Inditex Montenegro, D.O.O. Podgorica	2,577	2,577
Massimo Dutti Benelux, N.V.	19,921	19,921
Italco Moda Italiana, LDA.	51,357	51,357
Z-Fashion Finland OY	781	781
Closing balance	**197,901**	**203,458**

In 2013 the Group acquired all the shares of Retail Group Kazakhstan, LLP, Best Retail Kazakhstan, LLP, PRO Retail Kazakhstan, LLP, Master Retail Kazakhstan, LLP and Spanish Retail Kazakhstan, LLP, which held the Zara, Bershka, Stradivarius, Pull&Bear and Massimo Dutti franchise rights in Kazakhstan, giving rise to a gain on a bargain purchase of euros 16,426 thousand.

Goodwill arising from the acquisition or termination of franchise contracts is equal to the value of intangible assets that did not meet with the requirements established in IFRS 3 for separate recognition. These requirements were essentially related to the capacity of the assets to generate future cash flows.

The recovery of the goodwill is adequately guaranteed through the profitability of the acquired companies, whose future cash flows support their carrying amount at year end (see note 31.2.g).

Also, sensitivity analyses were performed in relation to reasonably possible changes in the main fair value estimates and the recoverable amount is higher than the related carrying amount (see note 31.2.g)

6.16. Financial investments

The detail of this caption in the consolidated balance sheet and of the changes therein in 2014 and 2013 is as follows:

	Loans and other credit facilities	Investments accounted for using the equity method	Others	Total
Balance at 01/02/2013	1,196	-	2,796	3,992
Acquisitions	17,423	-	-	17,423
Disposals	(489)	-	(292)	(781)
Balance at 31/01/2014	**18,130**	**-**	**2,504**	**20,634**
Balance at 01/02/2014	18,130	-	2,504	20,634
Acquisitions	13,178	-	-	13,178
Changes in consolidation scope	17,423	141,676	-	159,099
Disposals	(31,007)	-	(36)	(31,043)
Short term transfer	(10,616)	-	-	(10,616)
Balance at 31/01/2015	**7,109**	**141,676**	**2,468**	**151,253**

The carrying amount of the ownership interest in the Tempe Group in the accompanying consolidated balance sheet does not differ significantly from the value of the Group's share of the net assets of the Tempe Group (see note 27).

There are no significant restrictions of any kind on the Tempe Group's ability to transfer funds to the Group in the form of cash dividends or the repayment of loans or advances granted by the Group.

6.17. Other non-current assets

The detail of this caption in the consolidated balance sheet and of the changes therein in 2014 and 2013 is as follows:

	Guarantees	Other	Total
Balance at 01/02/2013	223,734	23,023	246,757
Acquisitions	154,741	10,696	165,437
Changes in consolidation scope	226	-	226
Disposals	(13,113)	(119)	(13,232)
Profit/(Loss) for the year	9	(4,376)	(4,367)
Transfers	(12,059)	2,704	(9,356)
Foreign exchange translation differences	(9,236)	(1,358)	(10,594)
Balance at 31/01/2014	**344,302**	**30,569**	**374,871**
Balance at 01/02/2014	344,302	30,569	374,871
Acquisitions	104,992	18,795	123,787
Changes in consolidation scope	(108)	(2)	(110)
Disposals	(34,230)	(197)	(34,427)
Profit/(Loss) for the year (Note 6)	2	(3,570)	(3,568)
Transfers	(787)	(3,543)	(4,330)
Foreign exchange translation differences	15,154	769	15,925
Balance at 31/01/2015	**429,324**	**42,822**	**472,146**

The guarantees and deposits relate mainly to amounts deposited with owners of leased commercial premises to ensure compliance with the conditions stipulated in lease contracts (see note 24) and to amounts paid to secure compliance with contracts in force.

These amounts are recognized at their repayment value as this value does not differ significantly from amortized cost.

6.18. Accounts payable

The detail of this caption in the consolidated balance sheet in 2014 and 2013 is as follows:

	31/01/2015	31/01/2014
Trade payables	2,483,423	2,371,190
Personnel	281,792	217,052
Public entities	453,756	529,674
Other current payables	288,907	214,536
Total	**3,507,878**	**3,332,451**

The following table shows the information on average payment periods required by Law 15/2012, of 5 July, amending Law 3/2004, of 29 December:

Amounts paid and payable at 31/01/2015

	Thousand of euros	%
Paid in the maximum payment period	2,465,024	98.0%
Remainder	49,707	2.0%
Total payments made in the year	**2,514,731**	**100%**
Weighted average period of late payment	52	
Payments at the year-end not made in the maximum payment period	0	

Amounts paid and payable at 31/01/2014

	Thousand of euros	%
Paid in the maximum payment period	2,226,159	97.7%
Remainder	51,401	2.3%
Total payments made in the year	**2,277,559**	**100%**
Weighted average period of late payment	61	
Payments at the year-end not made in the maximum payment period	0	

(*) The weighted average period of late payment.

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

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

6.19. Net financial position

Details of "Cash and cash equivalents" on the asset side of the consolidated balance sheets are as follows:

	31/01/2015	31/01/2014
Cash in hand and at banks	2,135,021	2,117,362
Short-term deposits	1,073,310	1,231,840
Fixed-income securities	589,599	497,524
Total cash and cash equivalents	**3,797,930**	**3,846,726**

Cash in hand and at banks includes cash in hand and in demand deposits at banks. Short-term deposits and fixed-income securities comprise term deposits and money market investment funds that are used to acquire highly liquid, fixed-income securities with average weighted maturity of less than 90 days, a high credit rating and which are highly liquid and convertible to known amounts of cash and are subject to an insignificant risk of changes in value. All the balances under this caption are unrestricted as to their use and there are no guarantees or pledges attaching to them.

"Current assets - Financial investments" on the asset side of the consolidated balance sheet relates mainly to investments in money market investment funds and fixed-income securities, with weighted average maturities ranging from 90 days to 12 months, all of which have high credit ratings and are highly liquid

Details of Group bank loans and borrowings and obligations under finance leases are as follows:

31/01/2015

	Current	Non-current	Total
Loans	4,607	-	4,607
Finance leases	3,216	2,232	5,448
Other financial debt	-	33	33
	7,823	**2,265**	**10,088**

31/01/2014

	Current	Non-current	Total
Loans	1,635	1,520	3,154
Finance leases	274	613	887
Other financial debt	612	-	612
	2,521	**2,133**	**4,654**

At 31 January 2015 the Group had a limit of euros 3,204,535 thousand on its credit facilities (euros 3,059,004 thousand at 31 January 2014).

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:

	31/01/2015	31/01/2014
Euro	4,878	659
Other European currencies	2,467	35
Other currencies	2,743	3,959
	10,088	**4,654**

The maturity of the Group's bank loans and borrowings at 31 January 2015 and 2014 is as follows:

	31/01/2015	31/01/2014
Less than one year	7,823	2,521
Between one and five years	2,265	2,133
	10,088	**4,654**

6.20. Provisions

The detail of this caption in the consolidated balance sheet and of the changes therein in 2014 and 2013 is as follows:

	Pensions and similar obligations with personnel	Liability	Other provisions	Total
Balance at 01/02/2013	22,515	105,393	16,423	144,331
Provisions recorded during the year	12,986	8,167	1,331	22,484
Changes in consolidation scope	-	504	-	504
Disposals	(2,839)	(19,839)	(44)	(22,723)
Transfers	62	8	6,590	6,661
Foreign exchange translation differences	(529)	(1,502)	(1,457)	(3,489)
Balance at 31/01/2014	**32,195**	**92,730**	**22,844**	**147,768**
Balance at 01/02/2014	32,195	92,730	22,844	147,768
Provisions recorded during the year	29,484	13,974	20,146	63,603
Changes in consolidation scope	(128)	(401)	-	(529)
Disposals	-	(8,704)	(192)	(8,896)
Transfers	(1,896)	(3,784)	-	(5,681)
Foreign exchange translation differences	1,244	(338)	3,439	4,345
Balance at 31/01/2015	**60,898**	**93,477**	**46,236**	**200,611**

Provision for pensions and similar obligations with personnel

Certain Group companies have undertaken to settle specific obligations with personnel. The Group has a provision to cover the liability corresponding to the estimated vested portion of these obligations at 31 January 2015. The estimated average payment period for the amounts provisioned is between three and five years.

Provision for liability

The amounts shown here correspond to current obligations from legal claims or constructive obligations deriving from past actions which include a probable outflow of resources that has been reliably estimated. At the date of preparation of these consolidated accounts, there were no legal proceedings whose final outcome could significantly affect the Group's equity position.

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

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

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

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

6.21. Other non-current liabilities

The detail of this caption in the consolidated balance sheet and of the changes therein in 2014 and 2013 is as follows:

	Options with shareholders	Lease incentives	Other	Total
Balance at 01/02/2013	5,211	544,312	33,578	583,100
Acquisitions	-	119,417	425	119,841
Changes in consolidation scope	-	466	-	466
Changes through profit or loss	1,185	(5,941)	16,219	11,463
Disposals	-	(8,628)	-	(8,628)
Transfers	-	(35,140)	891	(34,249)
Foreign exchange translation differences	-	(23,545)	(36)	(23,581)
Balance at 31/01/2014	**6,395**	**590,941**	**51,077**	**648,414**
Balance at 01/02/2014	6,395	590,941	51,077	648,414
Acquisitions	-	89,619	501	90,120
Changes in consolidation scope	-	(3)	(2,780)	(2,783)
Changes through profit or loss	-	22,450	5,581	28,032
Disposals	-	(1,664)	(253)	(1,917)
Transfers	(6,395)	(41,598)	(5,376)	(53,369)
Foreign exchange translation differences	-	7,267	8	7,275
Balance at 31/01/2015	**-**	**667,013**	**48,758**	**715,771**

The additions to "Options with shareholders" with a charge to profit or loss were recognized under "Other losses and income, net" expense of euros 8,256 thousand in 2014 and an income of euros 1,302 thousand in 2013 (see note 5), which related to options classified at short term.

6.22. Capital and reserves

Share capital

The Annual General Shareholders' Meeting of Inditex, S.A. held on 15 July 2014 approved a split of the Parent's shares, through the reduction of their par value from euros 0.15 to euros 0.03 per share, in the ratio of five new shares for every existing share, without changing the share capital amount.

The Parent's share capital amounts to euros 93,499,560 divided, at 31 January 2015, into 3,116,652,000 shares of euros 0.03 par value each (divided, at 31 January 2014, into 623,330,400 shares of euros 0.15 par value each), subscribed and fully paid. All shares are of a single class and series, carry the same voting and dividend rights and are represented by book entries.

The Parent's share premium at 31 January 2015 and 31 January 2014 amounted to euros 20,379 thousand, while retained earnings totalled euros 3,018,476 thousand and euros 2,857,039 thousand, respectively. The Parent's legal reserve, amounting to euros 18,700 thousand, has been appropriated in compliance with article 274 of the Spanish Companies Act, which requires that companies transfer 10% of profits for the year to a legal reserve until this reserve reaches an amount equal to 20% of share capital. The legal reserve is not distributable to shareholders and if it is used to offset losses, in the event that no other reserves are available, the reserve must be replenished with future profits. At 31 January 2015 and 2014, the Parent had appropriated to this reserve the minimum amount required by the Spanish Companies Act.

Of the total consolidated reserves at 31 January 2015, the restricted reserves amount to euros 299,015 thousand (euros 275,645 thousand at 31 January 2014), due mainly to local legal restrictions which limit their distribution.

Inditex shares are listed on the four Spanish stock exchanges. As shares are represented by book entries and the Company therefore does not maintain a record of shareholders, it is not possible to accurately know the share structure of the Company. According to public information registered with the Spanish Stock Exchange Commission, at 31 January 2015 the members of the Board of Directors owned, directly or indirectly, 59.361% of the Parent's share capital, compared to 59.365% at 31 January 2014 (see note 29). At 31 January 2015, Gartler, S.L. held 50.010% of the shares of INDITEX (50.010% at 31 January 2014).

Dividends

Dividends distributed by the Parent during 2014 and 2013 amounted to euros 1,507,068 thousand and euros 1,370,832 thousand, respectively. These amounts correspond to earnings of euros 0.484 per share with a par value of euros 0.03 carrying entitlement thereto in 2014 (which, following the stock split approved by the annual general shareholders' meeting on 15 July 2014, in the ratio of five new shares for every existing share, are equivalent to the aforementioned euros 2.42 per share with a par value of euros 0.15) and euros 2.20 per share with a par value of euros 0.15 in 2013.

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

Treasury shares

The Annual General Shareholders' Meeting held on 16 July 2013 approved a long-term share-based incentive plan (see note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for that plan.

By virtue of the foregoing, the following treasury share acquisitions were made:

- In 2013 450,000 treasury shares of euros 0.15 par value each were acquired for an average acquisition cost of euros 103.32 per share (which, following the stock split approved by the annual general shareholders' meeting on 15 July 2014, in the ratio of five new shares for every existing share, are equal to 2,250,000 treasury shares of euros 0.03 par value each at an average acquisition cost of euros 20.66 per share), representing 0.072% of the share capital.
- In 2014 1,250,000 treasury shares were acquired for an average acquisition cost of euros 20.94 per share, representing 0.040% of the share capital.

In total, the Company holds 3,500,000 treasury shares representing 0.112% of the share capital.

6.23. Income taxes

With the exception of Industria de Diseño Textil, S.A. and Indipunt, S.L., the companies whose information is included in these consolidated annual accounts file individual tax returns.

Industria de Diseño Textil, S.A. is the parent of a group of companies that files consolidated tax returns in Spain. The consolidated tax group is composed of Industria de Diseño Textil, S.A., the Parent, and Spanish subsidiaries which comply with prevailing tax legislation for filing consolidated tax returns. The subsidiaries that comprise this tax group are the following:

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

Indipunt, S.L. is the parent of another tax group formed by it and the subsidiary Indipunt Design, S.L.

"Income tax payable" in the consolidated balance sheet corresponds to the 2014 income tax provision, net of withholdings and payments on account made during the period. "Trade and other payables" includes the liability deriving from the other applicable taxes.

"Income tax receivable" in the consolidated balance sheet essentially corresponds to amounts recoverable from the tax authorities. "Trade and other receivables" in the consolidated balance sheet includes mainly the amount by which the input VAT exceeded output VAT.

The income tax expense comprises both current and deferred tax. Current tax is the amount of income taxes payable in respect of the taxable profit for the year. Deferred tax is the amount of income taxes payable or recoverable in future years and arises from the recognition of deferred tax assets and liabilities.

The income tax expense comprises the following:

	2014	2013
Current taxes	803,873	780,190
Deferred taxes	(69,230)	(109,057)

A reconciliation of the income tax expense under the prevailing Spanish general income tax rate to "Profit before tax" and the expense recorded in the consolidated income statements for 2014 and 2013 is as follows:

	2014	2013
Consolidated accounting profit for the year before taxes	3,244,794	3,052,698
Tax expense at tax rate in force in the country of the Parent (30%)	973,438	915,809
Net permanent differences	(185,401)	(117,682)
Effect of application of different tax rates	(113,288)	(140,439)
Recognition of prior years' tax losses and tax credits	(1,561)	392
Adjustments to prior years' taxes	(4,651)	(2,334)
Tax withholdings and other adjustments	82,550	39,820
Adjustments to deferred tax assets and liabilities	649	(1,401)
Previously unrecognised tax losses used	-	(428)
Tax withholdings and tax benefits	(17,093)	(22,603)
Income tax expense	**734,643**	**671,133**

Permanent differences correspond mainly to non-deductible expenses, taxable income related to a contribution of rights to use certain assets to a subsidiary and the exemption of income from permanent establishments abroad.

Industria de Diseño Textil S. A. holds a 50% stake in two Economic Interest Groupings and a 49.50% stake in two other Economic Interest Groupings. These Groupings lease assets as their activity. They requested from the tax authorities, and were granted, tax incentives in accordance with income tax legislation.

As permitted by the prevailing tax legislation in each country, Group companies took tax credits amounting to euros 17,093 thousand (euros 22,603 thousand at 31 January 2014). These tax credits and tax relief relate mainly to investments and, to a lesser extent, to other tax benefits.

Temporary differences are the difference between the carrying amount of an asset or liability and its tax base. The consolidated balance sheet at 31 January 2015 reflects the deferred tax assets and liabilities at that date.

Details of "Deferred tax assets" and "Deferred tax liabilities" in the accompanying consolidated balance sheet are as follows:

Deferred tax assets arising from:	2014	2013
Provisions	79,735	69,477
Non-current assets	179,929	166,608
Lease incentives	32,887	28,286
Valuation adjustments	29,808	21,728
Tax losses	75,898	53,562
Intra-Group transactions	147,337	139,172
Other	97,980	50,831
Total	**643,574**	**529,664**

Deferred tax liabilities arising from:	2014	2013
Leases	95	1,181
Intra-Group transactions	77,001	57,214
Non-current assets	62,680	80,027
Valuation adjustments	44,333	52,158
Other	56,716	26,711
Total	**240,825**	**217,291**

These balances were determined on the basis of the tax rates that, pursuant to the enacted tax legislation will be in force when they are expected to reverse and the tax rates may differ in some cases from the tax rates in force in the present year.

The expense for deferred income tax was adjusted for the difference between the balances calculated at the tax rate in force at the end of the present year and those calculated at the new tax rates at which they will reverse.

Movement in deferred tax assets and liabilities in 2014 and 2013 is as follows:

Deferred tax assets	2014	2013
Beginning balance	529,664	382,554
Charge/Credit to profit or loss	81,491	140,938
Charge/Credit to equity	39,583	6,172
Changes in consolidation scope	(7,164)	-
Ending balance	**643,574**	**529,664**

Deferred tax liabilities	2014	2013
Beginning balance	217,291	191,653
Charge/Credit to profit or loss	12,261	31,881
Charge/Credit to equity	12,920	(6,243)
Transfers	5,735	-
Changes in consolidation scope	(7,382)	-
Ending balance	**240,825**	**217,291**

At 31 January 2015, the Group has tax losses of euros 310,875 thousand (euros 253,237 thousand at 31 January 2014). The foregoing detail of deferred tax assets includes those relating to tax loss carryforwards, with a balance of euros 75,898 thousand at 31 January 2015. The Group, based on the methodology established for verifying the existence of indications of impairment on its non-current assets (see note 31.2.g), constructs the assumptions for analysing the existence of sufficient taxable profits in the future to make it possible to offset the tax losses before they become statute-barred. Also, the Group takes into account the reversal at the same entity of the deferred tax liabilities relating to the same tax jurisdiction that might give rise to sufficient taxable amounts to be able to offset the unused tax losses. Therefore, the balance of the deferred tax assets recognized in the consolidated balance sheet is the result of that analysis of the total tax losses that the Group reported at year-end that, for the most part, will not be subject to any effective statute-of-limitations period.

Also, certain companies forming part of the consolidated Group have reserves which could be taxable if distributed. These consolidated annual accounts include the tax effect of those cases in which a firm decision will probably be taken to distribute reserves.

In addition, under the tax legislation applicable to the Parent of the Group, the dividends proposed or declared for the Parent's shareholders before the financial statements have been authorized for issue which have not been recognized as liabilities do not have any income tax consequences for the Parent.

The years open to inspection by the tax authorities for the main applicable taxes vary depending on the tax legislation in each country in which the Group operates. Certain Group companies are being audited for tax purposes, including most notably those domiciled in Spain, Italy, Mexico, Turkey and South Korea. In any case, the Group does not expect that significant additional liabilities that might significantly affect the Group equity position or results will arise as a result of these inspections or those that could be carried out in the future in relation to periods that have not yet expired.

6.24. Operating leases

Most of the commercial premises from which the Group carries out its retail distribution activities are leased from third parties. These leases are classified as operating leases since there is no transfer of risks and rewards incidental to ownership because:

- ownership of the asset is not transferred to the lessee by the end of the lease term;
- the lessee does not have any option to purchase the leased asset;
- the leases have an initial term of between 15 and 25 years, which is shorter than the estimated useful life of assets of this nature (see note 31.2 c);
- at the inception of the lease the present value of the minimum lease payments does not amount to at least substantially all of the fair value of the leased asset.

Due to the presence of the Group in various different countries, the variety of legislation governing lease contracts, the diverse nature and economic status of the owners and other factors, there is a broad range of clauses regulating leases contracts.

In many cases the lease contracts simply establish a fixed rental payment, normally monthly, adjusted for inflation based on a price index. In other cases the amounts payable to the lessor are a percentage of the sales obtained by the Group in the leased premises. These variable lease payments or contingent rent may have minimum guaranteed amounts or certain rules of calculation attached. In some countries lease contracts are periodically indexed to market rates, which on occasion entails an increase in rent, but rent is not reduced when market rates fall. Occasionally, staggered rental payments are agreed, which means cash outflows can be reduced during the initial years of the use of commercial premises, although the expense is recognized on a straight-line basis (see note 31.2.q). Free rental periods are also frequently established in order to avoid having to pay rent when premises are being refurbished and prepared for opening.

Lease contracts also sometimes require lessees to pay certain amounts to the lessor, which, from an accounting perspective, could be considered advance rental payments, or to the previous tenants so that they waive certain rights or transfer them to the Group (leasehold assignment rights or different types of indemnities). These amounts are recognized as non-current assets (see note 14) and are generally amortized over the term of the lease contract.

On certain occasions, shopping centre developers or the proprietors of leased premises make contributions towards the establishment of the Group's business in their premises. These contributions are treated as lease incentives (see note 21) and are taken to income over the lease term.

A wide variety of situations also apply to the duration of lease contracts, which generally have an initial term of between 15 and 25 years. However, legislation in certain countries or the situations in which lease contracts are typically used means the duration of contacts is sometimes shorter.

In some countries, legislation or the lease contracts themselves protect the right of the lessee to terminate the contract provided that sufficient advance notice (e.g. three months) is given. In other cases, however, the Group is obliged to see out the full term of the contract, or at least a significant part thereof. Some contracts combine these obligations with get-out clauses that may only be exercised at certain times over the term of the contract (e.g. every five years or at the end of the tenth year).

Details of operating lease expenses are as follows:

	2014	2013
Minimum payments	1,527,972	1,417,264
Contingent rents	321,592	239,047
	1,849,564	**1,656,310**
Sublease income	3,676	4,676

Future minimum payments under non-cancelable operating leases are as follows:

Lease payments 2014

Less than one year	One to five years	Over five years
1,188,059	**2,020,538**	**1,257,421**

Lease payments 2013

Less than one year	One to five years	Over five years
1,099,805	**1,786,950**	**816,594**

6.25. Risk management and financial instruments

Financial risk management policy

The Group's activities are exposed to various financial risks: market risk (including foreign currency risk), credit risk, liquidity risk, and interest rate risk related to cash flows. The Group's risk management policy centres on the uncertainty of financial markets and attempts to minimize the potential adverse effects on the Group's profitability through the use of certain financial instruments as described below.

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 and any changes from the previous year

Foreign currency risk

The Group operates in an international environment and, accordingly, is exposed to foreign currency risk, particularly relating to the US dollar and, to a lesser extent, the Mexican peso, the Russian ruble, the Chinese renminbi, the Japanese yen and the pound sterling. Foreign currency risk arises on future commercial transactions, recognized assets and liabilities and net investments in foreign operations.

Foreign currency risk is managed in line with Group management guidelines, which establish, mainly, the arrangement of financial or natural hedges, ongoing monitoring of fluctuations in exchange rates and other measures designed to mitigate this risk.

In 2014, had the value of the euro increased by 10% compared to the US dollar and, as a result, compared to the rest of the foreign currencies linked to the US dollar, all other things being equal, consolidated profit after income tax would have been approximately euros 58,379 thousand lower (euros 58,100 thousand in 2013), and had the value of the euro dropped by 10%, consolidated profit after income tax would have been approximately euros 38,707 thousand higher (euros 43,853 thousand in 2013), primarily because of the translation of subsidiaries' annual accounts expressed in currencies other than the euro and the impact of merchandise purchases in US dollars.

Credit risk

The Group is not exposed to significant concentrations of credit risk as policies are in place to cover sales to franchises and retail sales comprise the vast majority of revenue. Collections are primarily made in cash or through credit card payments.

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

Investment vehicles are rated using a selection of criteria, including, ratings from the three main rating agencies, the size of the investment vehicle, location and returns. All the investment vehicles have the maximum credit rating.

In addition to taking into account the credit ratings issued by the three main rating agencies, the Group considers the solvency, liquidity, asset quality and management prudence of the banks, as well as the performance potential of the bank in stressed conditions and standard probability of default models.

Based on the aforementioned counterparty risk considerations, the Group assigns a rating that determines the maximum permissible exposure to a given bank. A rigorous analysis of the counterparty does not completely eliminate credit risk and, therefore, these limits seek to guarantee a broad diversification of the banking book. This principle of diversification is also applied to the jurisdiction in which assets are held and the range of financial products used for investing purposes. In the specific case of short-term money market funds, the credit analysis and diversification principles are satisfied by the requisite fulfillment by the investment vehicle of domestic and regulatory requirements.

In relation to credit risk arising from commercial transactions, impairment losses are recognized for trade receivables when objective evidence exists that the Group will be unable to recover all the outstanding amounts in accordance with the original contractual conditions of the receivables. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the effective interest rate. The amount of the impairment loss is recognized in the income statement. The amount used during the year in respect of value adjustments to the balances recorded under this caption amount to euros 536 thousand (net reversals of euros 574 thousand in 2013) and correspond to doubtful trade receivables.

At 31 January 2015 and 2014, no significant outstanding balances existed. Furthermore, based on available historical data, the Group does not consider it necessary to make valuation adjustments to receivables which are not past due. The fair value of the receivables is equal to their carrying amount.

The main financial assets of the Group are shown under Financial Instruments: other information.

Liquidity risk

The Group is not exposed to significant liquidity risk, as it maintains sufficient cash and cash equivalents to meet the outflows of normal operations. In the event the Group requires financing, either in euros or in other currencies, it reverts to loans, credit facilities or other types of financial instruments (see note 19).

Details of financial liabilities are disclosed in note 19, along with their expected maturities

Interest rate risk

Interest rate fluctuations affect the fair value of assets and liabilities which accrue a fixed rate of interest, as well as future cash flows from assets and liabilities tied to a floating interest rate. Group exposure to this risk is not significant for the reasons mentioned above.

The Group does not have any financial assets or liabilities designated as at fair value through profit or loss. Given the Group's investment policy, any changes in interest rates at year-end would not significantly affect consolidated profits.

Capital management

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

The Group manages its capital structure and makes adjustments thereto in response to changes in economic conditions. The current capital management policy is based on self-financing through funds generated by operations. The shareholder remuneration policy is detailed in note 28.

No significant changes to capital management were made during the year.

Financial instruments

Merchandise and goods for resale are partly acquired from foreign suppliers in US dollars. In accordance with prevailing foreign currency risk policies, Group management arranges derivatives, mainly forward contracts, to hedge cash flow fluctuations related with exchange rates.

Occasionally the Group instruments its hedges through financial investments owned by it.

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

Moreover, and as described in note 31.2.o, the Group applies hedge accounting to mitigate the volatility that the existence of significant foreign currency transactions would have on the consolidated income statement. Hedge accounting is used because the Group meets the requirements described in note 31.2.o on accounting policies to be able to classify financial instruments as accounting hedges. More specifically, these financial instruments have been formally designated as hedges and it has been observed that the hedges are highly effective. The expiry dates of hedging instruments have been negotiated so that they coincide with the expiry dates of the hedged items. In 2014, using hedge accounting, no significant amounts were recognized in profit or loss either in relation to gains or losses on transactions that did not occur or as a result of the ineffectiveness of the hedges.

Approximately 60% of the cash flows associated with hedges in US dollars are expected to be generated during the six months subsequent to year-end, while the remaining 40% is expected to be generated between six months to a year. It is also likely that the impact on consolidated profit and loss will arise during these periods.

Also, as part of the risk management policy, the Group designates as hedged items financial assets recognized under "Current financial investments", since the related derivatives qualify for hedge accounting.

The fair value of the hedging instruments was calculated as described in note 31.2.o

At 31 January 2015 and 2014, the Group had arranged derivatives, basically forward contracts on future purchases in US dollars and forwards to hedge intra-Group financing. The fair value of these derivatives is recognized under "Other financial assets" or "Other financial liabilities" depending on the related balance.

The detail of "Other financial assets" and "Other financial liabilities" in the consolidated balance sheet is as follows:

Other financial assets	**2014**	**2013**
Fair value of the hedging instruments	168,947	13,022
Total	**168,947**	**13,022**

Other financial liabilities	**2014**	**2013**
Fair value of the hedging instruments	55,711	21,408
Reciprocal call and put options (Notes 5 and 21)	27,511	16,931
Total	**83,222**	**38,339**

The detail of the fair value (measured as indicated in note 31.2.o) of the hedging instruments in 2014 is as follows:

Other financial assets at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2014	Transfer to income	Transfer to income from equity	Income recognized directly in equity	Fair value 2013
OTC Derivatives						
Foreign exchange forwards	2	168,947	59,162	(238)	97,569	12,454
Cross Currency Swap	2	-	1,459	(2,026)	-	567
Total Derivates		**168,947**	**60,621**	**(2,265)**	**97,569**	**13,022**

Other financial liabilities at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2014	Transfer to income	Transfer to income from equity	Income recognized directly in equity	Fair value 2013
OTC Derivatives						
Foreign exchange forwards	2	38,281	19,621	(3,356)	972	21,044
Cross Currency Swap	2	17,226	17,988	-	762	
Interest rate Swap	2	204	(160)	-	-	364
Total Derivates		**55,711**	**37,448**	**(3,356)**	**211**	**21,408**

There were no transfers among the various hierarchical levels (see note 31.2.o).

The detail of the fair value of the hedging instruments in 2013 is as follows:

Other financial assets at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2013	Transfer to income	Transfer to income from equity	Income recognized directly in equity	Fair value 2012
OTC Derivatives						
Foreign exchange forwards	2	12,454	2,910	(861)	4,768	5,637
Cross Currency Swap	2	567	(663)	(963)	-	2,193
Total Derivates		**13,022**	**2,247**	**(1,824)**	**4,768**	**7,831**

Other financial liabilities at fair value and classification on a fair value hierarchy

Description	Level	Fair value 2013	Transfer to income	Transfer to income from equity	Income recognized directly in equity	Fair value 2012
OTC Derivatives						
Foreign exchange forwards	2	21,044	(19,783)	(21,216)	8,061	53,982
Interest rate Swap	2	364	(154)	-	-	518
Total Derivates		**21,408**	**(19,937)**	**(21,216)**	**8,061**	**54,501**

The changes in the fair value of the hedging instruments shown depend mainly on fluctuations in the US dollar spot rate and on the performance of short-term interest rate curves.

Had at 31 January 2015 the euro appreciated by 10% with respect to the US dollar, the value of the hedging instruments associated therewith (forward contracts on future purchases in US dollars, forwards to hedge intra-Group financing and the Cross Currency Swap) would have been euros 137,994 thousand lower; and had it depreciated by 10%, the value of those hedging instruments would have been euros 151,224 thousand higher, due mainly to the difference between the exchange rate arranged and the spot rate.

The sensitivity analysis shows that the euro-US dollar currency derivatives will have a positive/ negative performance if the value of the euro falls and rises, respectively.

Financial instruments: other information

The main financial assets held by the Group, other than cash and cash equivalents and derivative financial instruments, comprise loans and receivables related to the Group's principal activity and guarantees in relation to the lease of commercial premises, which are shown under other non-current assets. The main financial assets of the Group are as follows:

	2014	**2013**
Cash and cash equivalents	3,797,930	3,846,726
Current financial investments	222,259	212,890
Trade receivables	182,496	145,977
Receivable due to sales to franchises	176,766	162,039
Other current receivables	96,070	61,164
Guarantees	429,324	344,302
Total	**4,904,845**	**4,773,098**

The financial liabilities of the Group mainly comprise debts and payables on commercial transactions.

The fair value of financial assets and liabilities measured at amortized cost does not differ substantially from their carrying amount, taking into account that in the majority of cases collection or payment is made in the short term. In 2014 no significant financial asset impairment losses were recognized.

6.26. Employee benefits

Defined benefit or contribution plan obligations

In general, the Group has no defined benefit or contribution plan obligations to its employees. However, in line with prevailing labour legislation or customary employment practice in certain countries, the Group assumes certain obligations related with the payment of specific amounts for accidents, illness, retirement, etc., to which employees sometimes contribute. The associated risk is partially or fully externalized through insurance policies.

Furthermore, in some countries employees receive a share of the profits generated by Group companies. Liabilities associated with these items are recognized under "Trade and other payables" and "Other non-current liabilities" in the consolidated balance sheet. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not significant.

Long-term cash-settled incentive plan

Inditex's Board of Directors approved a deferred cash-settled incentive plan for members of the management team and other personnel from Inditex and its Group of companies. By complying with the terms of the plan, each beneficiary is entitled to receive an incentive up to the maximum assigned to him/her.

The plan started on 1 February 2013 and ends on 31 January 2016. Incentives are divided into an initial payment for the period ending 31 January 2015 and a final payment for the period ending 31 January 2016.

In order to be entitled to the initial and final payments the employees must, in addition to fulfilling the other terms and conditions provided for in the plan, remain uninterruptedly in the employ of Inditex or of any Inditex Group company to the end of each of the aforementioned periods, unless any of the cases in which early settlement occurs arises (e.g. death, retirement, permanent disability or unjustified dismissal), in which case the incentive to which the employee in question might be entitled will be paid on the basis of the length of time effectively worked from the beginning of the term of the plan as a proportion of the total duration of the plan or, in the case of the initial payment, as a proportion of the duration of the initial period.

The liability in this connection is recognized under "Provisions" and "Trade and other payables" in the consolidated balance sheet (the non-current and current portions, respectively), and the period provision is reflected under "Operating expenses" in the consolidated income statement. The impact of these obligations on the consolidated balance sheet and the consolidated income statement is not material.

The long-term cash-settled incentive plan does not expose the Group to significant risks. There are no plan assets in this connection.

Long-term equity-settled incentive plan

The General Shareholders' Meeting resolved to establish a long-term equity-settled incentive plan targeted at members of the management team and other personnel of Inditex and of its Group of companies whereby each beneficiary will be entitled, if the terms and conditions provide for in the plan are met, to receive up to the maximum number of shares assigned to that beneficiary.

The plan consists of two mutually independent time periods: the first from 1 July 2013 to 30 June 2016 and the second from 1 July 2014 to 30 June 2017.

The amount relating to this plan is recognized under "Equity" in the consolidated balance sheet and the period expense is recognized under "Operating expenses" in the consolidated income statement. The impact of these obligations on the consolidated income statement and the consolidated balance sheet is not material.

The long-term equity-settled incentive plan does not expose the Group to significant risks.

To cater for this long-term equity-settled incentive plan, the Group acquired, as a plan asset, a sufficient number of treasury shares to be able to settle the future obligations (see note 22).

The number of shares granted is calculated on the basis of a performance-based formula approved by resolution five of the Annual General Shareholders' Meeting held on 16 July 2013.

In 2014 no shares were delivered under the long-term equity-settled incentive plan.

6.27. Interest in joint ventures

Inditex has a 50% stake in the group formed by the parent Tempe, S.A. and its subsidiaries as shown in the following table. The principal activity of these companies is the design, supply and distribution of footwear to Inditex Group commercial formats, 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-conceptt	Sale of footwear
Tempe México, S.A. de C.V.	50.00%	Mexico City - México	Equity method	31-dec	Multi-conceptt	Sale of footwear
Tempe Logistics, S.A.	50.00%	Alicante - Spain	Equity method	31-jan	Multi-conceptt	Logistics
Tempe Brasil, Ltda.	50.00%	Sao Paulo -Brazil	Equity method	31-dec	Multi-conceptt	Sale of footwear
Tempe Design, S.L.	50.00%	Alicante - Spain	Equity method	31-jan	Multi-conceptt	Design
Tempe Trading	50.00%	Fribourg - Switzerland	Equity method	31-oct	Multi-conceptt	Dormant
Tempe Trading Asia Limited	50.00%	Hong Kong - China	Equity method	31-jan	Multi-conceptt	Sale of footwear
TMP Trading (Shanghai) Co. Ltd	50.00%	Shanghai- China	Equity method	31-dec	Multi-conceptt	Sale of footwear

Set forth below is the financial information of the Tempe Group (expressed in thousands of euros) obtained from its consolidated annual accounts prepared in accordance with IFRSs, together with other relevant financial information:

	2014
Non-current assets	176,643
Current assets	498,888
Non-current liabilities	(41,630)
Current liabilities	(302,993)
Net assets	**330,908**
Sales	963,457
Gross profit	240,019
Net Operationg Profit (EBIT)	87,345

In 2014 the Group received dividends totalling euros 30,035 thousand from Tempe.

6.28. Proposed distribution of the profit of the Parent

The directors will propose that the euros 1,618,839 thousand of 2014 net profit of the Parent, which is the maximum amount distributable, be distributed as an ordinary dividend of euros 0.402 per share and an extraordinary gross dividend of euros 0.118 per share on the total outstanding shares, and that euros 41,540 thousand be taken to voluntary reserves.

6.29. Remuneration of the Board of Directors and transactions with related parties

Remuneration of the Board of Directors

Remuneration earned by the Board of Directors and senior management during 2014 is shown in the section on transactions with related parties.

Other information concerning the Board of Directors

According to the public registers of the Spanish Stock Exchange Commission (CNMV), at 31 January 2015 the members of the Board of Directors held the following direct and indirect investments in the share capital of Inditex:

Name or company name of director	Number of direct shares	Number of indirect shares	Percentage of capital
Mr Pablo Isla Álvarez de Tejera	1,805,320	-	0.058%
Mr Amancio Ortega Gaona	-	1,848,000,315 [1]	59.294%
Mr José Arnau Sierra	30,000	-	0.001%
GARTLER, S.L.	1,558,637,990	-	50.010%
Ms Irene R. Miller	66,200	-	0.002%
Mr Nils Smedegaard Andersen	35,000	-	0.001%
Mr Rodrigo Echenique Gordillo	-	-	-
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	150,000	-	0.005%
Mr Emilio Saracho Rodríguez de Torres	-	-	-
Total			**59.361%**

[1] Through Gartler, S.L and Partler 2006, S.L

As required by article 229 of the Spanish Companies Act, amended by Law 31/2014, of 3 December, reforming that Law in order to improve corporate governance, the directors did not report any situation of direct or indirect conflict of interest that they or persons related to them might have with the Parent.

When the Board of Directors deliberated on the appointment, re-election, acknowledgment and acceptance of resignation, placement of office at the disposal of the Board, remuneration or any resolution involving a person or company related to a director, the person affected left the meeting room during the deliberation of and voting on the related resolution. Also, the executive director left the meeting room during the deliberation of and voting on the appointment of the Coordinating Independent Director.

Related party transactions

Related parties are subsidiaries, joint ventures and associates, details of which are shown in Appendix I to the consolidated annual accounts, as well as significant or controlling shareholders, members of the Board of Directors of Inditex and senior management of the Inditex Group, as well as their close relatives, as defined in article 2.3 of Spanish Ministry of Economy and Finance Order EHA/3050/2004, of 15 September, on information on related-party transactions that issuers of securities on official secondary markets must disclose. All amounts are expressed in thousands of euros

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

Inditex Group companies

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

Since the beginning of 2014, due to the application of IFRS 11, the joint ventures have been accounted for using the equity method (see note 31.2) and, accordingly, all the transactions performed by these companies with the Inditex Group are no longer eliminated on consolidation since the companies are not proportionately consolidated.

The following tables show the transactions and outstanding balances between Inditex and its joint ventures:

Transactions:

Type of company	2014	2013
Joint ventures	(730,840)	(362,426)

Balances:

	31/01/15
Current financial investments	11,037
Trade and other receivables	6,238
Non-current financial investments	148,145
Trade and other payables	152,129
Current financial debt	401

Details of operations with significant shareholders, the members of the Board of Directors and management are as follows.

Significant shareholders

In 2014 the transactions performed by the Inditex Group with Gartler, S.L., Partler 2006, S.L. or with persons and companies related to them or with Rosp Corunna Participaciones Empresariales, S.L.U. or with persons or companies related to it were as follows:

Fiscal year 2014

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(33,718)
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	171
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	(20)
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Products sales	32
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services rendered	3,162
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(1,421)
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Other expenses	(361)

Fiscal year 2013

Company name of significant shareholder	Nature of relationship	Type of operation	Amount
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	(34,709)
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Lease of assets	161
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Other expenses	(20)
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Products sales	28
Gartler, S.L., Partler 2006, S.L. or related entities or persons	Contractual	Services rendered	517
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Lease of assets	(532)
Rosp Corunna Participaciones Empresariales, S.L. U. or related entities or persons	Contractual	Other expenses	(41)

Several Group companies have leased commercial premises belonging to companies related to the controlling shareholder or to significant shareholders.

Members of the Board of Directors and management

The following tables show the remuneration and termination benefits earned by the directors and management of Inditex in 2014:

An itemized breakdown of the remuneration of the members of the board of directors in 2014 is as follows:

	Type	Remuneration	Remuneration of Deputy Chairman of Board of Directors	Remuneration for serving on Comittees and other Board of Directors	Remuneration for chairing Committees	Fixed remuneration	Variable remuneration	Multiannual variable remuneration	Total 2014
Mr Pablo Isla Álvarez de Tejera	Executive	100				3,250	2,600	1,980	7,930
Mr José Arnau Sierra	Propietary	100	80	100					280
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Independent	100		173	23				296
Mr Rodrigo Echenique Gordillo (1)	Independent	55		55	27				137
Ms Irene R.Miller	Independent	100		100	50				250
Mr Nils Smedegaard Andersen	Independent	100		100					200
Mr Emilio Saracho Rodríguez de Torres	Independent	100		100					200
Mr Juan Manuel Urgoiti López de Ocaña (2)	Independent	36		36					72
GARTLER, S.L .(3)	Propietary	100							100
Mr Amancio Ortega Gaona	Propietary	100							100
		891	**80**	**664**	**100**	**3,250**	**2,600**	**1,980**	**9,565**

Notes:
Amounts in thousands of euros
(1) Appointment at 15 July 2014
(2) Cessation of employment at 10 June 2014
(3) represented by Ms Flora Pérez Marcote

The following table shows the remuneration and termination benefits received by the management of the Inditex Group in 2013:

	Type	Remuneration	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	Total 2013
Mr Pablo Isla Álvarez de Tejera	Executive	100				3,250	3,000	6,350
Mr José Arnau Sierra	Propietary	100	80	100				280
Mr Carlos Espinosa de los Monteros Bernaldo de Quirós	Independent	100		180	50			330
Ms Irene R.Miller	Independent	100		100	7			207
Mr Nils Smedegaard Andersen	Independent	100		100				200
Mr Emilio Saracho Rodríguez de Torres	Independent	100		100				200
Mr Juan Manuel Urgoiti López de Ocaña	Independent	100		100	43			243
GARTLER, S.L .(1)	Propietary	100						100
Mr Amancio Ortega Gaona	Propietary	100						100
		900	**80**	**680**	**100**	**3,250**	**3,000**	**8,010**

Notes:
Amounts in thousands of euros
(1) represented by Ms Flora Pérez Marcote

At the meeting held on 14 June 2011 Inditex's Board of Directors agreed to contract a benefits plan for the Chairman/CEO, as part of his remuneration for carrying out his senior management duties. The plan is a defined contribution plan, consisting of a group life insurance policy contracted by Inditex with a prestigious insurance company operating in the Spanish market. The plan contributions are payable by Inditex and will be settled in single annual installments each September. These annual contributions are equivalent to 50% of the fixed salary approved by Inditex for the Chairman and CEO for each year. Inditex's contribution to the plan amounted to euros 1,625 thousand in 2014 (euros 1,625 thousand in 2013).

The following table shows the remuneration and termination benefits received by the senior management of the Inditex Group in 2014:

	MANAGEMENT
Remuneration	25,143
Termination benefits	-

The following table shows the remuneration and termination benefits received by the senior management of the Inditex Group in 2013:

	MANAGEMENT
Remuneration	17,344
Termination benefits	437

The aforementioned remuneration for 2014 include the amount vested in 2014 under the long-term incentive plan ("the Plan") targeted at management and other employees of the Inditex Group approved by Inditex in 2013 (the features of which are described in note 26). The incentive vested in 2014 by the senior management amounted to euros 5,181 thousand and will be paid in the first half of the 2015 reporting period. In the 2013 reporting period no amount vested under the Plan.

6.30. External auditors

In 2014 and 2013 the fees for financial audit and other services provided by the auditor of the Company's annual accounts, or by companies related to these auditors as a result of a relationship of control, common ownership or common management, were as follows:

	2014	2013
Audit services	5,085	4,742
Other assurance services	318	175
Total audit and similar services	**5,403**	**4,917**
Tax advisory services	254	567
Other services	628	293
Total professional services	**6,285**	**5,777**

The figures in the table above include the total fees for services rendered in 2014 and 2013, irrespective of the date of invoice.

In addition to the audit of the Inditex Group annual accounts, audit services rendered by Deloitte in 2014 and 2013 also include certain audit work related with the external audit.

According to information received from the auditors, fees received from the Inditex Group by the principal auditors and the rest of the firms belonging to the international network (and associated firms) do not exceed 0.024% of their total revenue.

6.31. Selected accounting policies

6.31.1. Basis of consolidation

i) Subsidiaries

Subsidiaries are entities controlled by the Parent. Control exists when the Parent has the power, directly or indirectly, to govern financial and operating policies. Subsidiaries are consolidated by aggregating the total amount of assets, liabilities, income, expenses and cash flows, after carrying out the adjustments and eliminations relating to intra-Group transactions. The results of subsidiaries acquired during the year are included in the consolidated annual accounts from the date that control commences. Details of subsidiaries and jointly-controlled entities are provided in Appendix I. Net identifiable assets acquired, liabilities and contingent liabilities assumed as part of a business combination are stated at their acquisition date fair value, providing this acquisition took after 1 January 2004, the date of transition to EU-IFRSs.

For business combinations subsequent to that date, any consideration given plus the value assigned to non-controlling interests that is in excess of the net assets acquired and liabilities assumed is recognized as goodwill. Any shortfall determined between the consideration given, the value assigned to non-controlling interests and identifiable net assets acquired is recognized in profit and loss.

Acquisitions of shares in businesses subsequent to gaining control and partial disposals that do not result in a loss of control are recognized as transactions with shareholders in equity.

Non-controlling interests in the consolidated statement of changes in equity are presented separately from the consolidated equity attributable to equity holders of the Parent.

The results and each item of other comprehensive income are allocated to equity attributable to equity holders of the Parent and to non-controlling interests in proportion to their investment, even if this gives rise to a balance receivable from non-controlling interests. Agreements entered into between the Group and non-controlling interests are recognized as a separate transaction.

The share of non-controlling interests shareholders of the equity and results of subsidiaries are presented under "Equity attributable to non-controlling interests" and "Net profit attributable to non-controlling interests", respectively. Details of subsidiaries and jointly-controlled entities are provided in Appendix I.

ii) Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement. Pursuant to IFRS 11, these companies are accounted for using the equity method in the consolidated annual accounts.

iii) Harmonization of criteria

Each of the entities included in the consolidated Group prepares its annual accounts and other accounting records in accordance with the accounting policies and legislation applicable in the country of origin. When these accounting criteria and policies are different to those adopted by Inditex in the preparation of its consolidated annual accounts, they have been adjusted in order to present the consolidated annual accounts using homogenous accounting policies.

iv) Intra-Group eliminations

All intra-Group receivables, payables and transactions, and any unrealized gains or losses arising from transactions with third parties, are eliminated in the consolidation process.

v) Translation of annual accounts denominated in foreign currencies

The Group has applied the exemption relating to accumulated translation differences from IFRS 1 First-time Adoption of International Financial Reporting Standards and, therefore, any translation differences recognized in the consolidated annual accounts generated prior to 1 January 2004 are recorded under reserves. Since that date, the financial statements of entities with a functional currency other than the euro are translated as follows:

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

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

However, exchange differences deriving from trade balances payable and receivable and financing operations between Group companies, with foreseeable settlement, are recognized in the consolidated income statement for the year.

vi) Annual accounts in hyperinflationary countries

The annual accounts statements of foreign operations in countries considered to have hyperinflationary economies have been adjusted prior to translation to euros to account for the effect of changes in prices.

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

Companies with a reporting date which differs from that of the consolidated annual accounts were consolidated with the financial statements at their closing date (see Appendix I). Significant operations carried out between the reporting date of these subsidiaries and that of the consolidated annual accounts are subject to a temporary unification process.

viii) Changes in the consolidated Group

The following entities were incorporated or acquired by the Group and consolidated for the first time during the year:

Companies incorporated:

Zara Fashion (Shanghai) CO., Ltd.	Zara Home Danmark A/S
Massimo Duttil India Private Ltd.	LFT RUS Ltd
Pull & Bear Sverige, AB	Robustae Mexico, S.A DE C.V.
Pull & Bear Suisse, SÁRL	ITX Mexico XXI, S.A. DE C.V.
Stradivarius UK Ltd	ITX Korea Ltd
Zara Home Suisse SÀRL	ITX Japan CORPORATION
Zara Home Chile SPA	ITX Services India Private Ltd
Zara Home Australia Pty Ltd	ITX Turkey Perakende Magazacilik Ve Ticaret LIMITED SIRKETI
Zara Home Magyarorszag KFT.	Inditex France, S.A.R.L.
Zara Home Korea Ltd	Nueva comercializadora global XXI, S.A. DE C.V.

Companies acquired:

Born, S.A

The inclusions in the consolidated Group referred to above did not have a material impact on the consolidated annual accounts for 2014.

The names of the following companies were changed:

Old:	New:
Oysho Nederland, B.V.	Stradivarius Nederland, B.V.
Uterqüe Belgique, S.A.	Oysho Belgique, S.A.
Vastgoed Asia, Ltd.	ITX Global Solutions LIMITED

Uterque Macao Ltd and Massimo Dutti Portugal - Comercio e Industria Textil, S.A were liquidated in 2014.

6.31.2. Accounting policies

Certain standards, amendments and interpretations recently came into force for years beginning on or after 1 January 2014. It should be noted in this regard that the new standards are as follows:

- IFRS 10, Consolidated Financial Statements (supersedes IAS 27)
- IFRS 11, Joint Arrangements (supersedes IAS 31)
- IFRS 12, Disclosure of Interests in Other Entities
- IAS 27 (Revised), Separate Financial Statements
- IAS 28 (Revised): Investments in Associates and Joint Ventures

The set on new revised standards supersedes the current standards on consolidation and accounting for interests in subsidiaries, associates and joint ventures. IFRS 10 includes a new definition of control and IFRS 11 classifies joint arrangements into only two types - joint operations or joint ventures. The option of proportionate consolidation for joint ventures is eliminated, making is obligatory for them to be accounted for using the equity method. In turn, IFRS 12 extends the disclosure requirements.

The Group applied IFRSs 10, 11 and 12 for the first time in 2014. The fundamental change that arose from the application of these new standards related to the treatment of the jointly controlled entities (the Tempe Group) which, pursuant to the option provided by IAS 31, had been proportionately consolidated in the consolidated annual accounts and which since 1 February 2014 have been accounted for using the equity method. The Group analysed the impact of retrospective as provided in the transition guidance for IFRSs 10, 11 and 12 and concluded that the impact on the balances in the consolidated annual accounts for 2013 was not material and, therefore, it did not adjust the comparative balances.

Also, the following amendments to standards, mandatorily applicable by the Group from 1 February 2014, did not have any material effects on these consolidated annual accounts:

- Amendments to IAS 32: clarification of requirements for offsetting financial assets and financial liabilities
- Amendments to IAS 36: clarification regarding certain recoverable amount disclosures
- Amendments to IAS 39: clarification regarding the novation of derivatives and continuation of hedge accounting.

At the date of formal preparation of the consolidated annual accounts the following standards and interpretations with a potential impact on the Group had been issued by the IASB and adopted by the European Union for application in annual reporting periods beginning on or after 1 January 2015:

- IFRIC 21 – Levies (mandatorily applicable in reporting periods beginning on or after 17 June 2014)

The application of these amendments is not expected to have a material effect on these consolidated annual accounts.

At the date of preparation of these consolidated annual accounts, the following standards and interpretations, with a potential impact on the Group, had been issued by the IASB but had not yet become effective as they had not yet been adopted by the European Union:

- IFRS 15, Revenue from Contracts with Customers
- Amendments to IAS 19, Defined Benefit Plans: Employee Contributions

- Amendments to IAS 16 and IAS 38, Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to IFRS 11, Accounting for Acquisitions of Interests in Joint Operations
- Amendments to IFRS 9, Financial Instruments
- Amendments to IFRS 10 and IAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Company's directors consider that, taking into account the business activities carried on by the Group companies, the future application of the new legislation will not have a material effect on the consolidated annual accounts.

a) Foreign currency translation

Foreign currency transactions are translated to euros using the exchange rates prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to euros at the exchange rates prevailing at that date. Exchange differences arising on translation are recognized in the income statement as financial results.

Cash flows from transactions in foreign currency are translated into euros in the consolidated cash flow statement at the exchange rates prevailing at the transaction date. The effect of fluctuations in exchange rates on cash and cash equivalents expressed in foreign currencies is presented separately in the consolidated cash flow statement under "Effect of exchange rate fluctuations on cash and cash equivalents".

b) Property, plant and equipment

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

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

The estimated average useful lives are as follows:

Asset description	Useful life
Buildings	25 to 50 years
Fixtures, furniture and machinery (*)	8 to 15 years
Other property, plant and equipment	4 to 13 years

(*) In the case of assets located in leased premises, the depreciation rate is adapted to the estimated term of the lease if this is shorter than the useful lives of the assets.

The Group reassesses property, plant and equipment residual values, useful lives and depreciation methods at each reporting date. Modifications to initially established criteria are recognized as changes in estimates.

After initial recognition of an asset, only costs that will generate future economic benefits that can be classified as probable and be reliably estimated are capitalized.

Periodic maintenance, upkeep and repair costs are expensed as they are incurred.

c) Rights over leased assets

These rights, known as leasehold assignment rights, access premiums or tenancy right waivers, relate to the amounts paid for lease rights over premises for access to commercial premises, in which the acquirer and the new lessee are subrogated to the rights and obligations of the transferor and former lessee under the previous lease.

Since these rights arose as a result of an acquisition for consideration, they were recognized as assets in the accompanying consolidated balance sheet.

These assets are recognized at cost of acquisition. After initial recognition, they are stated at cost less accumulated amortisation and any impairment losses and are amortized over the term of the lease contract, except when, for legal reasons, the rights do not lose value, in which case they are determined to be intangible assets with indefinite useful lives and are therefore systematically tested for impairment.

In order to assess the possible existence of impairment of these assets, the Group uses the procedures described in Note 31.2.g.

d) Other intangible assets

- Intellectual property: intellectual property is charged for the amounts paid for the acquisition of title to or the right to use the related items, or for the expenses incurred in registration of the rights developed by the Group and is amortized on a straight-line basis over a maximum period of ten years.
- Computer software: software is stated at cost and is amortized on a straight-line basis over a five-year period.
- Industrial designs: these items are reflected at their cost of production, which includes the cost of samples, personnel costs and other directly or indirectly attributable costs, and are amortized on a straight-line basis over an estimated useful life of two years.

The Group reviews the intangible asset residual values, useful lives and amortisation methods at the end of each reporting period. Modifications to initially established criteria are recognized, where applicable, as changes in estimates.

e) Financial investments

Marketable securities which represent less than 20% of the share capital of the related investee are stated at cost net of any impairment losses that have to be recognized.

f) Investment property

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

Details of the market value of investment property are shown in note 13.

g) Impairment of non-current assets

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

Impairment of non-current assets (property, plant and equipment and intangible assets) other than goodwill and intangible assets with an indefinite useful life

The Group has developed a general, systematic procedure for carrying out these impairment tests based on the monitoring of certain events or circumstances such as the performance of a store, operating decisions regarding the continuity of a particular location, or other circumstances which indicate that the value of an asset may not be recovered in full.

The recoverable amount of assets is the higher of fair value less costs to sell and value in use. Value in use is determined on the basis of the expected future cash flows for the period in which these assets are expected to generate revenue, forecast variations in the amount or distribution of the cash flows over time, the time value of money, the risk premium attached to the risk of uncertainty attached to the asset, and other factors which a market participant would consider in valuing the cash flows from the asset.

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

Based on the actual management of operations, the Group has defined each of the commercial premises in which it carries out its activities (stores) as basic cash-generating units, although these basic units can be aggregated to concept-country level, or even to all the companies located in the same country. Group assets which are not clearly assignable under this scheme (for example industrial or logistics assets) are treated separately within the context of this general policy according to their specific nature.

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

The estimated cash flows are extrapolated to the period not covered by the business plan using a growth rate and expense structure that are similar to those of the last year of the business plan in the remaining term of the leases for the commercial premises or without any time limit in the case of company-managed premises (perpetual return).

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

The average discount rate, resulting from those applied by the Group in the various markets, used for the purpose of calculating the present value of the estimated cash flows was 7.2% for 2014 (7.5% for 2013).

The results obtained from the 2014 impairment test performed on non-current assets (property, plant and equipment and intangible assets), are shown in the tables of changes reflected in notes 12 and 14 to the consolidated annual accounts relating to property, plant and equipment and rights on leased assets and other intangible assets.

Also, the Group performed sensitivity analyses on the result of the impairment test to test its sensitivity to the following assumptions:

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

These sensitivity analyses performed separately for each of the aforementioned assumptions disclosed the existence of additional de asset impairment amounting to euros 1,385 thousand and euros 1,241 thousand, respectively (euros 2,241 thousand and euros 2,130 thousand, respectively, in 2013).

Impairment of goodwill

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

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

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

Each year, or more often if there are indications of impairment, an impairment test is performed, using the methodology described in the preceding point, unless, if the CGU in question is an acquired company, the cash flow analysis is performed considering a period of five years, after which perpetual income is projected using a perpetuity growth rate of 2% with respect to the growth of the preceding period. The review of the impairment for 2014 did not disclose the need to recognize any impairment loss on goodwill.

Also, the Group performed sensitivity analyses on the result of the impairment test to test its sensitivity to the following assumptions:

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

These sensitivity analyses performed separately for each of the aforementioned assumptions did not disclose the existence of any impairment in any case.

Impairment of intangible assets with an indefinite useful life

The intangible assets with an indefinite useful life are assigned to each of the commercial premises in which the Group carried on its business activities (stores).

These leasehold assignment rights are included in the calculation of the impairment of the non-current assets, as explained above.

Reversals of impairment losses

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

The reversal of an impairment loss on a cash-generating unit is distributed among its assets, except for goodwill, which is distributed in accordance with its carrying amount and taking into account the limitation set out in the preceding paragraph.

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

h) Accounts receivable

Trade receivables are initially recognized at fair value. After initial recognition, they are stated at amortized cost in accordance with the effective interest rate method, less any impairment losses recognized.

Impairment losses are recognized on trade receivables when there is objective evidence that the Group will not be able to collect the entire amount owed by the debtor in accordance with the terms of the debt. The amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows, discounted at the original interest rate. The amount of the impairment loss is recognized in the income statement.

i) Inventories

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

Cost comprises all the costs incurred in acquiring and transforming the inventories, as well as the design, storage, logistics, transport costs and those directly allocable and incurred in bringing the inventories to their present location and condition.

Transformation costs comprise the costs directly related to the units produced and a systematically calculated portion of indirect, variable and fixed costs incurred during the transformation process.

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

The cost of inventories is adjusted through the caption "Cost of merchandise" in the consolidated income statement when cost exceeds net realizable value. Net realizable value is considered as the following:

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

- Goods for resale: estimated selling price in the normal course of business.

- Work in progress: the estimated selling price for the corresponding finished products, less estimated costs of completion.

j) Cash and cash equivalents

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

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

The Group classifies cash flows relating to interest and dividends paid and received as cash flows used in and obtained from investing and financing activities.

k) Current financial investments

Current financial investments include bank deposits and investments in investment funds that are not available at short term or that mature at between three and twelve months from acquisition.

The Group classifies cash flows relating to the amounts invested and received as cash flows from investing activities.

l) Employee benefits

Obligations acquired with Group personnel to be settled in the long term are estimated based on the dates on which they vest through the application, where appropriate, of actuarial assumptions. The Group has created a provision to cover the actuarial liability of the estimated portion vested at 31 January 2015.

Personnel expenses accrued during the year are determined based on the best estimate of how far the conditions of payment have been met and the period that has elapsed since the plan started.

Personnel expenses accrued by the beneficiaries of the plans referred to in note 26 to the consolidated annual accounts are recognized with a credit to liability accounts during the period in which the expenses accrue.

m) Provisions and contingent liabilities

Provisions are recognized in the balance sheet when:

- the Group has a present legal or constructive obligation as result of a past event;
- it is probable that an outflow of economic benefits will be required to settle the obligation; and
- the amount can be reliably estimated.

Provisions are based on the best information available at the date of preparation of the annual accounts and are revised at each balance sheet date.

If it is more likely than not that an outflow of resources will no longer be required to settle the obligation, the provision is reversed. The provision is reversed against the consolidated income statement item where the corresponding expense was recognized.

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

n) Financial liabilities

Financial liabilities, including trade and other payables, are initially recognized at fair value less any transaction costs that are directly attributable to the issue of the financial liability. After initial recognition, the Group's financial liabilities are measured at amortized cost using the effective interest method.

o) Derivatives and hedging operations

Financial instruments acquired by the Group to hedge forecast transactions in foreign currencies are initially recognized at fair value plus any transaction costs directly attributable to acquiring the instrument.

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

Amounts recognized in equity are taken to income when the forecast transaction takes place with a charge or credit to the account in which it was recognized. Also, gains or losses recognized in equity are reclassified to finance income or expenses when the forecast transaction is not expected to occur. The fair value of the hedges is recognized, depending on whether it is positive or negative, under "Other financial assets" or "Other financial liabilities" in the accompanying consolidated balance sheet.

In order for financial instruments to qualify for hedge accounting, they are initially designated as such and the hedging relationship is documented. Also, the Group verifies initially and periodically over the life of the hedge, using "effectiveness tests" that the hedging relationship remains effective, i.e., that it is prospectively foreseeable that changes in the fair value or cash flows from the hedged item (attributable to the hedged risk) are offset almost completely by changes in the fair value or cash flows of the hedging instrument and that, retrospectively, the gain or loss on the hedge was within a range of 80-125% of the gain or loss on the hedged item. Also, the ineffective portion of the hedging instrument is recognized immediately in the consolidated income statement.

The fair value of the hedging instruments has been calculated using measurement techniques based on the spot exchange rate and interest rate curves (Levels 1 and 2), based on the fair value hierarchy shown below:

<u>Level 1</u>

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.

<u>Level 2</u>

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.

<u>Level 3</u>

Unobservable inputs for the asset or liability.

The Group does not have any assets or liabilities assigned to this hierarchical level.

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

Level 1 instruments

The Group assigns certain fixed-income securities to this level and measures them at the prices in the active market in which they are traded.

Level 2 instruments

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

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

<u>Currency forwards</u>

Fair value measurement:

Unit of account used for determining fair value

The Group determines that the appropriate unit of account, i.e., the level at which its assets or liabilities associated with its forward positions are valued for the purposes of their recognition and disclosure, is at aggregate level. This is permitted because the Group:

- Manages the group of financial assets and financial liabilities on the basis of its net exposure to a particular market risk (or risks) or credit risk in accordance with its documented risk management strategy.
- Provides information on that basis about the group of financial assets and financial liabilities to its key management personnel.
- Has master netting agreements with all its counterparties in the form of ISDA agreements the result of which is a net position with respect to the credit risk of the counterparties.
- The adjustment for credit risk is measured at counterparty level taking into account the netting agreements. The calculation of the contribution of each instrument under a given agreement is based on calculating the individual contributions of the expected exposures.

Methodology for determining fair value:

- The risk-free value is calculated by discounting the receipts and payments with the appropriate yield curve based on the currency involved. Amounts in foreign currency are translated to euros and it is calculated as the difference between the two amounts.

- The risk-adjusted value is calculated by obtaining the value of the Credit Value Adjustment (CVA), which represents the credit risk of the counterparty, and the Debit Value Adjustment (DVA), which represents the default risk. Both are a function of the severity of the expected loss in the event of default, of the probability of loss in the interval of time through maturity and of the risk-free value of the instrument.
- The value of the CVA is deducted from, and the value of the DVA is added to, the risk-free value of the derivative.

Cross-Currency Swap

Fair value measurement:

- The risk-free value is calculated. To measure the leg of the receipts in euros, the flows are discounted at the value date using the euro discount factor curve. To value the leg of the payments in US dollars, the flows are discounted at the value date using the US dollar discount factor curve obtained from the euro curve, from the market foreign exchange rates and from the spot exchange rate so that the measurement is consistent with market instruments. The spot rate at the value date is applied to the value obtained to thus obtain the equivalent euro value.
- The risk-adjusted value is calculated. The value of the CVA and DVA is obtained as indicated above.
- The value of the CVA is deducted from, and the value of the DVA is added to, the risk-free value of the derivative.

p) Revenue recognition

The sale of goods is recognized when the significant risks and rewards of ownership of the goods are transferred.

Sales to franchises are recognized when the aforementioned conditions are met and when revenue can be reliably determined and collection is considered probable.

The Group sells certain assets with the right for the buyers to return the goods. In these cases, the sale of the goods is recognized when the above conditions are met and it is possible to reliably estimate future returns based on experience and other relevant factors. Estimated returns are recognized against revenue and with a credit to the provision for sales returns. The estimated cost of returned goods is recognized as inventories, net of the effect of any reduction in value.

Rental income is recognized on a straight-line basis over the term of the lease.

Revenue from royalties is recognized using the accrual principle based on the substance of the contracts, providing collection is considered probable and the amount can be reliably estimated.

q) Leases

Lease contracts in which the significant risks and rewards inherent in ownership of the asset are substantially transferred to third parties are classified as finance leases. All other leases are classified as operating leases.

Assets acquired through a finance lease are recognized as non-current assets at the lower of the present value of the future lease payment and the fair value of the leased asset, while the corresponding debt with the lessor is recognized as a liability. Lease payments are apportioned between the reduction of the outstanding liability and the finance charge, which is recorded as a financial expense during the year.

In the case of operating leases, non-contingent or fixed rent payments are charged to the income statement on a straight-line basis over the term of the lease. Contingent rent is recognized in the period in which payment is probable, as are variable rent increases linked to the consumer price index.

Incentives received from shopping centre developers or owners of commercial premises (mainly contributions to construction work and grace periods) are recognized as non-current liabilities under "Other non-current liabilities – Lease incentives" and, under "Trade and other payables", the portion expected to be charged to income in the coming year. They are booked as a reduction in rental expense under "Other operating expenses" on a straight-line basis over the term of the respective lease contracts.

r) Financial income and expenses

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

s) Income tax

The income tax expense for the year comprises current tax and deferred tax. Income tax comprises current and deferred tax and is recognized in the income statement and included in the determination of net profit or loss for the year, except to the extent that it relates to a transaction which has been recognized in equity in the same or previous years, in which case it is charged or credited to equity, or to a business combination.

Current tax is the tax expected to be paid or recovered in the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable or recoverable in respect of previous years.

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

The Group recognizes deferred tax assets and liabilities derived from temporary differences, except those relating to the initial recognition of an asset or liability in a transaction which is not a business combination and which did not affect either accounting or taxable profit (losses), or in the case of deferred taxes, where temporary differences are related to the initial recognition of goodwill. Deferred tax assets and liabilities are also recognized for temporary differences relating to investments in subsidiaries, except when the Parent can control their reversal and the temporary differences will probably not reverse in the foreseeable future.

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

Deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets, whether recognized or not, are reviewed at each balance sheet date.

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

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

t) Current and non-current assets and liabilities

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

Assets and liabilities are not netted unless there are specific requirements to the contrary or a standard or interpretation so permits.

u) Treasury shares

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

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

6.32. Environment

In view of the business activities carried on by the Group, it does not have any environmental liability, expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results. Therefore, no specific disclosures relating to environmental issues are included in these notes to the consolidated annual accounts.

6.33. Events after the reporting period

At the date of preparation of these consolidated annual accounts no matters had been disclosed that might modify the consolidated annual accounts or give rise to disclosures additional to those already included in these consolidated annual accounts.

6.34. Explanation added for translation to English

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

Appendix I - Composition of the Inditex Group

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Subsidiaries:						
Industria de Diseño Textil, S.A.	Parent	A Coruña - Spain	Full Consol.	31-jan	-	Parent
Comditel, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Zara	Buyer
Zara Asia, Ltd.	100,00%	Hong Kong - China	Full Consol.	31-jan	Zara	Retail sales
Choolet, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Confecciones Fíos, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Confecciones Goa, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Denllo, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Hampton, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Nikole, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Buyer
Samlor, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Stear, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Trisko, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Zintura, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Glencare, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Textil Manufacturing
Indipunt, S.L.	51,00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Textil Manufacturing
Indipunt Diseño, S.L.	51,00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Design
Zara España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Zara Argentina, S.A.	100,00%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Retail sales
Zara Belgique, S.A.	100,00%	Brussels - Belgium	Full Consol.	31-jan	Zara	Retail sales
Zara Chile, S.A.	100,00%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara	Retail sales
Zara USA, Inc.	100,00%	Nuw York - USA	Full Consol.	31-jan	Zara	Retail sales
Zara France, S.A.R.L.	100,00%	París - Francia	Full Consol.	31-jan	Zara	Retail sales
Zara UK, Ltd.	100,00%	London - UK	Full Consol.	31-jan	Zara	Retail sales
Zara Mexico, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-jan	Zara	Retail sales
Zara México, S.A. de C.V.	95,00%	Mexico DF - México	Full Consol.	31-dec	Zara	Retail sales
Zara Portugal Confecçoes Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
G.Zara Uruguay, S.A.	100,00%	Montevideo -Uruguay	Full Consol.	31-jan	Zara	Retail sales
Zara Financiën B.V. Ireland	100,00%	Dublin - Irland	Full Consol.	31-jan	Multi-concept	Financial services
Zara Brasil, Lda.	100,00%	Sao Paulo -Brazil	Full Consol.	31-dec	Zara	Retail sales
Zara Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Retail sales
Zara Österreich Clothing, GmbH	100,00%	Vienna - Austria	Full Consol.	31-jan	Zara	Retail sales
Zara Denmark A/S	100,00%	Copenhaguen - Denmark	Full Consol.	31-jan	Zara	Retail sales
Zara Sverige, AB	100,00%	Stockholm - Sweden	Full Consol.	31-jan	Zara	Retail sales
Zara Norge, AS	100,00%	Oslo - Norway	Full Consol.	31-jan	Zara	Retail sales
Zara Canada, Inc.	100,00%	Montreal - Canada	Full Consol.	31-jan	Zara	Retail sales
Zara Suisse S.A.R.L.	100,00%	Friburgo - Switzerland	Full Consol.	31-jan	Zara	Retail sales
Zara Luxembourg, S.A.	100,00%	Luxembourg - Luxembourg	Full Consol.	31-jan	Zara	Retail sales
Za Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-jan	Zara	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Zara Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-jan	Zara	Retail sales
Zara Japan Corp.	100,00%	Tokyo - Japan	Full Consol.	31-jan	Zara	Retail sales
Zara Ceská Republika, S.R.O.	100,00%	Prague - Czech Republic	Full Consol.	31-jan	Zara	Retail sales
Zara Puerto Rico, Inc.	100,00%	San Juan - Puerto Rico	Full Consol.	31-jan	Zara	Retail sales
Za Clothing Ireland, Ltd.	100,00%	Dublin - Irland	Full Consol.	31-jan	Zara	Retail sales
Zara Magyarorszag, KFT.	100,00%	Budapest - Hungary	Full Consol.	31-jan	Zara	Retail sales
Zara Holding, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara Monaco, SAM	100,00%	Monte Carlo-Monaco	Full Consol.	31-jan	Zara	Retail sales
Zara Commercial (Shanghai), Co Ltd.	100,00%	Shanghai- China	Full Consol.	31-dec	Zara	Retail sales
Zara Commercial (Beijing), Co Ltd.	100,00%	Beijing- China	Full Consol.	31-dec	Zara	Retail sales
Zara Macau, Ltd.	100,00%	Macao- China	Full Consol.	31-dec	Zara	Retail sales
Zara Polska, Sp. Zo.o.	100,00%	Warsaw - Poland	Full Consol.	31-jan	Zara	Retail sales
ZAO Zara CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-dec	Zara	Retail sales
Zara Deutschland, GmbH	100,00%	Hamburg - Germany	Full Consol.	31-jan	Zara	Holding company
Zara Bucuresti, Srl	100,00%	Bucharest-Romania	Full Consol.	31-dec	Zara	Retail sales
Zara Ukraine LLC	100,00%	Kiev-Ukraine	Full Consol.	31-dec	Zara	Retail sales
Zara Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	Full Consol.	31-jan	Zara	Retail sales
Zara Taiwan, B.V. TW Branch	100,00%	Taipei - Taiwan	Full Consol.	31-jan	Zara	Retail sales
Zara Croatia, Ltd.	100,00%	Zagreb-Croatia	Full Consol.	31-jan	Zara	Retail sales
Zara Retail Korea, Ltd.	80,00%	Korea	Full Consol.	31-jan	Zara	Retail sales
Zara Bulgaria LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-dec	Zara	Retail sales
Zara Immobiliare Italia SRL	100,00%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
Zara Diseño, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Zara Management, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Kommanditgesellschaft ZARA Deutschland B.V. & Co.	100,00%	Hamburg - Germany	Full Consol.	31-jan	Zara	Retail sales
ITX Fashion retail South Africa	90,00%	South Africa	Full Consol.	31-jan	Zara	Retail sales
Group Zara Australia Pty. Ltd.	80,00%	Sidney - Australia	Full Consol.	31-jan	Zara	Retail sales
ITX Financien, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
Zara Taiwan, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Holding company
Zara Vittorio 11 Italia S.R.L.	100,00%	Milan - Italy	Full Consol.	31-jan	Zara	Real estate
Zara BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-dec	Zara	Retail sales
Zara Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-jan	Zara	Retail sales
Nikole Diseño, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Design
Inditex Montenegro, D.O.O. Podgorica	100,00%	Montenegro	Full Consol.	31-dec	Multi-concept	Retail sales
Inditex Vastgoed Korea, Ltd.	100,00%	Korea	Full Consol.	31-jan	Zara	Real estate
Inditex Trent Retail India Private LTD	51,00%	Gurgaon-India	Full Consol.	31-mar	Zara	Retail sales
Kiddy´s Class España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Retail sales
Fibracolor, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Zara	Dormant
ITX Holding, S.A.	100,00%	Fribourg - Switzerland	Full Consol.	31-jan	Multi-concept	Holding company
Zara Finland, OY	100,00%	Helsinki - Finland	Full Consol.	31-jan	Zara	Retail sales
Retail Group Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara	Retail sales
ITX Financien III, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Albania SHPK	100,00%	Tirana - Albania	Full Consol.	31-dec	Multi-concept	Retail sales
Zara Fashion (Shanghai) CO., Ltd.	100,00%	Shanghai- China	Full Consol.	31-dec	Zara	Retail sales
Oysho España, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Oysho Venezuela, S.A.	100,00%	Caracas - Venezuela	Full Consol.	31-jan	Oysho	Retail sales
Oysho Portugal, Conf. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-jan	Oysho	Retail sales
Oysho Mexico, S.A. de C.V.	98,50%	Mexico City - México	Full Consol.	31-dec	Oysho	Retail sales
Oysho Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-jan	Oysho	Retail sales
Oysho Hellas, S.A.	100,00%	Athens - Grece	Full Consol.	31-jan	Oysho	Retail sales
Oysho Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-jan	Oysho	Retail sales
Oysho Polska, Sp zo.o	100,00%	Warsaw- Poland	Full Consol.	31-jan	Oysho	Retail sales
Oysho CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-dec	Oysho	Retail sales
Oysho France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-jan	Oysho	Retail sales
Oysho MAGYARORSZAG, KFT	100,00%	Budapest - Hungary	Full Consol.	31-jan	Oysho	Retail sales
Oysho Ro, Srl	100,00%	Bucharest-Romania	Full Consol.	31-dec	Oysho	Retail sales
Oysho Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-dec	Oysho	Retail sales
Oysho Diseño, S.L.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Design
Oysho Bulgaria, LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-dec	Oysho	Retail sales
Oysho Commercial & Trading (Shangai) Co., LTD.	100,00%	Shanghai- China	Full Consol.	31-dec	Oysho	Retail sales
Oysho Korea, LTD	100,00%	Korea	Full Consol.	31-jan	Oysho	Retail sales
Oysho Croacia, LTD	100,00%	Zagreb-Croatia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-jan	Oysho	Retail sales
Oysho Macau, Ltd	100,00%	Macao- China	Full Consol.	31-dec	Oysho	Retail sales
Oysho Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-dec	Oysho	Retail sales
Oysho Hong Kong Ltd	100,00%	Hong Kong - China	Full Consol.	31-jan	Oysho	Retail sales
Oysho Belgique, S.A	100,00%	Brussels - Belgium	Full Consol.	31-jan	Oysho	Retail sales
Grupo Massimo Dutti, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Giyim Ithalat Ih.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Venezuela, S.A.	100,00%	Caracas - Venezuela	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti UK, Ltd.	100,00%	London - UK	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Suisse, S.A.R.L.	100,00%	Fribourg - Switzerland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Sverige, AB	100,00%	Stockholm - Sweden	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Norge, AS.	100,00%	Oslo - Noruega	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ireland., Ltd.	100,00%	Dublin - Irland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti USA, Ltd.	100,00%	New York - USA	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Danmark A/S	100,00%	Copenhagen - Denmark	Full Consol.	31-jan	Massimo Dutti	Dormant
Massimo Dutti CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Deutschland, GmbH	100,00%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Holding company
Massimo Dutti Mexico, S.A. de C.V.	98,00%	Mexico City - Mexico	Full Consol.	31-dec	Massimo Dutti	Retail sales
BCN Diseños, S.A. de C.V.	98,00%	Mexico City - Mexico	Full Consol.	31-dec	Massimo Dutti	Real estate
Liprasa Cartera, S.L.	98,00%	Madrid - Spain	Full Consol.	31-jan	Massimo Dutti	Holding company
Massimo Dutti, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Massimo Dutti	Dormant
Massimo Dutti Hong Kong, Ltd.	100,00%	Hong Kong - China	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Polska, Sp z.o.o.	100,00%	Warsaw - Poland	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Ro, Srl	100,00%	Bucarest-Rumania	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Macau Ltd.	100,00%	Macao- China	Full Consol.	31-dec	Massimo Dutti	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Massimo Dutti Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Ceská Republika, s.r.o	100,00%	Prague - Czech Republic	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Commercial Beijing Co, Ltd.	100,00%	Beijing- China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Bulgaria, LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Croatia, LTD	100,00%	Zagreb-Croatia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Korea, LTD	100,00%	Korea	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Diseño, S.L.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Design
Massimo Dutti Commercial Shangai CO, LTD	100,00%	Shanghai- China	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti Österreich, GMBH	100,00%	Vienna - Austria	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Canada, INC.	100,00%	Montreal - Canada	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Taiwan, B.V. Taiwan Branch	100,00%	Taipei - Taiwan	Full Consol.	31-jan	Massimo Dutti	Retail sales
MD Benelux, N.V.	100,00%	Bruges - Belgium	Full Consol.	31-jan	Massimo Dutti	Retail sales
Italco Moda Italiana, LDA.	100,00%	Lisbon - Portugal	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Japan, Co.	100,00%	Tokyo - Japan	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Puerto Rico, INC	100,00%	San Juan - Puerto Rico	Full Consol.	31-jan	Massimo Dutti	Retail sales
KG Massimo Dutti Deutschland, B.V. & CO.	100,00%	Hamburg - Germany	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Magyarorxzág KFT	100,00%	Budapest - Hungary	Full Consol.	31-jan	Massimo Dutti	Retail sales
Massimo Dutti Taiwan, B.V	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Massimo Dutti	Holding company
Master Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Dutti BH, D.O.O	100,00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-dec	Massimo Dutti	Retail sales
Massimo Duttil India Private Ltd	51,00%	Gurgaon-India	Full Consol.	31-mar	Massimo Dutti	Retail sales
ITX Merken, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Services
Pull & Bear España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Portugal Conf. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Giyim Ith. Ihrac.Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Mexico, S.A. de C.V.	98,50%	Mexico City - Mexico	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Belgique, S.A.	100,00%	Brussels - Belgium	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ceska Republika, S.R.O.	100,00%	Prague - Czech Republic	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ireland, Ltd.	100,00%	Dublin - Irland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Magyarország Kft.	100,00%	Budapest - Hungary	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Polska, Sp zo.o	100,00%	Warsaw- Poland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Uk Limited	100,00%	London - UK	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Ro, Srl	100,00%	Bucharest-Romania	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Croatia, LTD	100,00%	Zagreb-Croatia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Commercial Beijing Co, Ltd.	100,00%	Beijing- China	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Bulgaria, LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Hong Kong LTD	100,00%	Hong Kong - China	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Diseño, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Design

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Pull & Bear Macau, LTD	100,00%	Macao- China	Full Consol.	31-dec	Pull & Bear	Retail sales
Pull & Bear Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Österreich Clothing, Gmbh	100,00%	Vienna - Austria	Full Consol.	31-jan	Pull & Bear	Retail sales
Pul & Bear Taiwan, B.V. Taiwan Branch	100,00%	Taipei - Taiwan	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Korea, LTD	100,00%	Korea	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-dec	Pull & Bear	Retail sales
Plataforma Cabanillas, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
Pull & Bear Taiwan, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Pull & Bear	Holding company
P&B Gmbh	100,00%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Holding company
Pull & Bear Deutschland BV& CO	100,00%	Hamburg - Germany	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Sverige, AB	100,00%	Stockholm - Sweden	Full Consol.	31-jan	Pull & Bear	Retail sales
Pull & Bear Suisse, SÁRL	100,00%	Fribourg - Switzerland	Full Consol.	31-jan	Pull & Bear	Retail sales
Pro Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-dec	Pull & Bear	Retail sales
Uterqüe, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Buyer
Uterqüe España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Hellas	100,00%	Athens - Greece	Full Consol.	31-jan	Uterqüe	Retail sales
Gruputerqüe Portugal Conf. Lda	100,00%	Lisbon - Portugal	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Cis, LTD	100,00%	Moscow- Russia	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Giyim Limited	100,00%	Istanbul - Turkey	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe México S.A. de C.V.	100,00%	Mexico City - México	Full Consol.	31-dec	Uterqüe	Retail sales
Uterqüe Diseño, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Design
Uterqüe Italia, Srl.	100,00%	Milan - Italy	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Hong Kong, LTD	100,00%	Hong Kong - China	Full Consol.	31-jan	Uterqüe	Retail sales
Uterqüe Commercial & Trading (Shangai) Co., LTD.	100,00%	Shanghai- China	Full Consol.	31-dec	Uterqüe	Retail sales
Bershka BSK España, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Retail sales
Bershka Portugal Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-jan	Bershka	Retail sales
Bershka Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-jan	Bershka	Retail sales
Bershka Mexico, S.A. de CV	97,00%	Mexico City - Mexico	Full Consol.	31-dec	Bershka	Retail sales
Bershka Giyim Ithalat Ihracat Ve Tic.Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-jan	Bershka	Retail sales
Bershka Belgique, S.A.	100,00%	Brussels - Belgium	Full Consol.	31-jan	Bershka	Retail sales
Bershka France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-jan	Bershka	Retail sales
Bershka Suisse, S.A.R.L.	100,00%	Fribourg - Switzerland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Bershka	Retail sales
Bershka Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-jan	Bershka	Retail sales
Bershka U.K., Ltd.	100,00%	London - UK	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ireland., Ltd.	100,00%	Dublin - Irland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Ceska Republica, S.R.O.	100,00%	Prague - Czech Republic	Full Consol.	31-jan	Bershka	Retail sales
Bershka Croatia, Ltd.	100,00%	Zagreb-Croatia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Polska Sp Z O.O.	100,00%	Warsaw - Poland	Full Consol.	31-jan	Bershka	Retail sales
Bershka Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Carpati, Srl	100,00%	Bucharest-Romania	Full Consol.	31-dec	Bershka	Retail sales
Bershka Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-dec	Bershka	Retail sales
Bershka Magyaroszag Kft.	100,00%	Budapest - Hungary	Full Consol.	31-jan	Bershka	Retail sales
Bershka Cis, Ltd	100,00%	Moscow- Russia	Full Consol.	31-dec	Bershka	Retail sales
Bershka Osterreich Clothing GmbH	100,00%	Vienna - Austria	Full Consol.	31-jan	Bershka	Retail sales

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Bershka Hong Kong Limited	100,00%	Hong Kong - China	Full Consol.	31-jan	Bershka	Retail sales
Bershka Commercial Beijing Co, Ltd	100,00%	Beijing- China	Full Consol.	31-dec	Bershka	Retail sales
Bershka Bulgaria, LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-dec	Bershka	Retail sales
Bershka Korea, LTD	100,00%	Korea	Full Consol.	31-jan	Bershka	Retail sales
Bershka Taiwan, B.V. Taiwan Branch	100,00%	Taipei - Taiwan	Full Consol.	31-jan	Bershka	Retail sales
Bershka Diseño, S.L.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Design
Bershka Macau, LTD	100,00%	Macao- China	Full Consol.	31-dec	Bershka	Retail sales
Bershka Japan, LTD	100,00%	Tokyo - Japan	Full Consol.	31-jan	Bershka	Retail sales
BSKE, GMBH	100,00%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Holding company
Bershka BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-dec	Bershka	Retail sales
Bershka Deutschland B.V. & CO. KG	100,00%	Hamburg - Germany	Full Consol.	31-jan	Bershka	Retail sales
Bershka Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-jan	Bershka	Retail sales
Bershka Taiwan, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Bershka	Holding company
Best Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-dec	Bershka	Retail sales
Bershka Commercial (Shanghai) Co, Ltd	100,00%	Shanghai- China	Full Consol.	31-dec	Bershka	Retail sales
Bershka USA INC	100,00%	New York - USA	Full Consol.	31-jan	Bershka	Retail sales
Stradivarius España, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-jan	Stradivarius	Retail sales
ITX RE	100,00%	Dublin - Irland	Full Consol.	31-jan	Multi-concept	Insurance
Stradivarius Portugal, Conf. Unip. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Giyim Ithalat Ih. Ve Tic. Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Polska, Sp zo.o	100,00%	Warsaw- Poland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ireland Limited	100,00%	Dublin - Irland	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Italia SRL	100,00%	Milan - Italy	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Magyaroszag Kft.	100,00%	Budapest - Hungary	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Croatia, LTD.	100,00%	Zagreb-Croatia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Slovakia, S.R.O.	100,00%	Bratislava-Slovakia	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Ro, Srl	100,00%	Bucharest-Romania	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Ceská Republika, s.r.o	100,00%	Prague - Czech Republic	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Commercial Shangai CO, LTD	100,00%	Shanghai- China	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Bulgaria, LTD	100,00%	Sofia-Bulgaria	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Diseño, S.L.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Design
Stradivarius Macau, LTD	100,00%	Macao- China	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Korea, LTD	100,00%	Korea	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Hong Kong, LTD	100,00%	Hong Kong - China	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius UK LIMITED	100,00%	London - UK	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Stradivarius	Retail sales
Stradivarius México, S.A. de C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius BH, D.O.O.	100,00%	Sarajevo - Bosnia Herzegovina	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Serbia, D.O.O. Belgrade	100,00%	Belgrade - Serbia	Full Consol.	31-jan	Stradivarius	Retail sales
Spanish Retail Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-dec	Stradivarius	Retail sales
Stradivarius Japan Corporation	100,00%	Tokyo - Japan	Full Consol.	31-jan	Stradivarius	Retail sales
ITX Trading, S.A.	100,00%	Fribourg - Switzerland	Full Consol.	31-jan	Multi-concept	Buyer

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Zara Home España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Portugal, Conf. Soc. Unip. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home U.K., Ltd.	100,00%	London - UK	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Hellas, S.A.	100,00%	Athens - Greece	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Nederland, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Mexico, S.A. de C.V.	98,50%	Mexico City - Mexico	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Italia, S.R.L.	100,00%	Milan - Italy	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Giyim Ithalat Ihracat Ve Ticaret Ltd.	100,00%	Istanbul - Turkey	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Francia, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Ro, Srl	100,00%	Bucharest-Romania	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home CIS, Ltd.	100,00%	Moscow- Russia	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Ukraine, Llc	100,00%	Kiev-Ukraine	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Polska, Sp zo.o	100,00%	Warsaw- Poland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Diseño, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Design
Zara Home Deutschland B.V. & Co. KG	100,00%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Taiwan, B.V. TW Branch	100,00%	Taipei - Taiwan	Full Consol.	31-jan	Zara Home	Retail sales
ZHE, Gmbh	100,00%	Hamburg - Germany	Full Consol.	31-jan	Zara Home	Holding company
Zara Home Brasil Produtos para o Lar, Ltda.	100,00%	Sao Paulo -Brazil	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Croatia, LTD	100,00%	Zagreb-Croatia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Belgique, S.A.	100,00%	Brussels - Belgium	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Commercial & Trading (Shangai) Co., LTD.	100,00%	Shanghai- China	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Japan Corp.	100,00%	Tokyo - Japan	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Canada, Inc	100,00%	Montreal - Canada	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Taiwan, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara Home	Holding company
Zara Home Macao Ltd	100,00%	Macao- China	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Sverige AB	100,00%	Stockholm - Sweden	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Kazakhstan, LLP	100,00%	Almaty - Kazakhstan	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Hong Kong Ltd	100,00%	Hong Kong - China	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Suisse SÀRL	100,00%	Fribourg - Switzerland	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Chile SPA	100,00%	Santiago de Chile - Chile	Full Consol.	31-dec	Zara Home	Retail sales
Zara Home Australia Pty Ltd	100,00%	Sidney - Australia	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Magyarorszag KFT.	100,00%	Budapest - Hungary	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Korea LIMITED	100,00%	Korea	Full Consol.	31-jan	Zara Home	Retail sales
Zara Home Danmark A/S	100,00%	Copenhagen - Denmark	Full Consol.	31-jan	Zara Home	Retail sales
G. Zara Home Uruguay, S.A.	100,00%	Montevideo -Uruguay	Full Consol.	31-jan	Zara Home	Retail sales
Zara Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Europa, S.A.	100,00%	Zaragoza - Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística León, S.A.	100,00%	León- Spain	Full Consol.	31-jan	Zara	Logistics
Plataforma Logística Meco, S.A.	100,00%	Madrid- Spain	Full Consol.	31-jan	Multi-concept	Logistics
Pull & Bear Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Pull & Bear	Logistics
Massimo Dutti Logística, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Massimo Dutti	Logistics
Bershka Logística, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Bershka	Logistics
Oysho Logística, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Oysho	Logistics
Stradivarius Logística, S.A.	100,00%	Barcelona - Spain	Full Consol.	31-jan	Stradivarius	Logistics
Zara Home Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara Home	Logistics
Uterqüe Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Uterqüe	Logistics

Company	Effective % of ownership	Location	Consolidation method	Reporting date	Chain	Line of business
Lefties Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Inditex Logística, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Logistics
Tordera Logística, S.L.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
Nueva comercializadora global XXI, S.A. DE C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Logistics
Corporación de Servicios XX1, S.A. de C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Services
ITX Fashion Ltd	100,00%	Dublin - Irland	Full Consol.	31-jan	Multi-concept	Retail sales
Goa-Invest, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Construction
Goa-Invest Deutschland GMBH	100,00%	Hamburg - Germany	Full Consol.	31-jan	Multi-concept	Construction
Zara Vastgoed, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Zara	Real estate
ITX Global Solutions LIMITED	100,00%	Hong Kong - China	Full Consol.	31-jan	Multi-concept	Services
SNC Zara France Immobiliere	100,00%	Paris - Francia	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Ferreol P03302	100,00%	Paris - Francia	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed France P03301	100,00%	Paris - Francia	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed General Leclerc P03303	100,00%	Paris - Francia	Full Consol.	31-dec	Zara	Real estate
SCI Vastgoed Nancy P03304	100,00%	Paris - Francia	Full Consol.	31-dec	Zara	Real estate
Invercarpro, S.A.	100,00%	Madrid - Spain	Full Consol.	31-jan	Zara	Real estate
Born, S.A.	100,00%	Palma de Mallorca- Spain	Full Consol.	31-jan	Zara	Real estate
LFT RUS Ltd	100,00%	Moscow- Russia	Full Consol.	31-dec	Zara	Retail sales
Robustae Mexico, S.A DE C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-dec	Zara	Retail sales
Robustae S.G.P.S. Unip. Lda.	100,00%	Lisbon - Portugal	Full Consol.	31-jan	Zara	Retail sales
Lefties España, S,A,	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Real estate
Inditex Cogeneración, A.I.E.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Combined heat and power plant
Inditex, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara Holding II, B.V	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Holding company
Zara, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Zara	Dormant
Zara, S.A.	100,00%	Buenos Aires - Argentina	Full Consol.	31-jan	Zara	Dormant
Fashion Logistic Forwarders, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Logistics
ITX Asia Pacific Enterprise Management, Co., Ltd	100,00%	Shanghai- China	Full Consol.	31-dec	Multi-concept	Buyer
FSF New York, LLC	100,00%	New York - USA	Full Consol.	31-jan	Zara	Real estate
FSF Soho, LLC	100,00%	New York - USA	Full Consol.	31-jan	Zara	Real estate
ITX USA, LLC	100,00%	New York - USA	Full Consol.	31-jan	Multi-concept	Retail sales
Fashion Retail España, S.A.	100,00%	A Coruña - Spain	Full Consol.	31-jan	Multi-concept	Retail sales
ITXR Macedonaia Dooel Skopje	100,00%	Skopje-Macedonia	Full Consol.	31-dec	Multi-concept	Retail sales
ITX E-commerce (Shanghai) Co. Ltd	100,00%	Shanghai- China	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Financien II, B.V.	100,00%	Amsterdam - Netherlands	Full Consol.	31-jan	Multi-concept	Financial services
ITX Canada, Inc.	100,00%	Montreal - Canada	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Mexico XXI, S.A. DE C.V.	100,00%	Mexico City - Mexico	Full Consol.	31-dec	Multi-concept	Retail sales
ITX Korea LIMITED	100,00%	Korea	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Japan CORPORATION	100,00%	Tokyo - Japan	Full Consol.	31-jan	Multi-concept	Retail sales
ITX Services India Private Ltd	100,00%	Gurgaon-India	Full Consol.	31-mar	Multi-concept	Buyer
ITX Turkey Perakende Magazacilik Ve Ticaret LIMITED SIRKETI	100,00%	Istanbul - Turkey	Full Consol.	31-jan	Multi-concept	Retail sales
Inditex France, S.A.R.L.	100,00%	Paris - France	Full Consol.	31-jan	Multi-concept	Dormant


ZARA

consolidated directors' report at 31 January 2015

(Amounts expressed in millions of euros)

Translation of report originally issued in Spanish. In the event of discrepancy, the Spanish language version prevails.

Situation of the entity

Inditex is a global fashion group with a presence in five continents, 88 markets and in both the Northern and Southern hemispheres, which engages mainly in the retail sale of fashion goods, principally clothing, footwear, accessories and textile products for home. Inditex carries out its activity through various commercial formats such as Zara, Pull&Bear, Massimo Dutti, Bershka, Stradivarius, Oysho, Zara Home and Uterqüe.

Each format's commercial activity is carried out through chains of stores managed directly by companies in which Inditex holds all or the majority of the share capital, with the exception of certain countries where, for various reasons, the retail selling activity is performed through franchises.

Inditex's business model is a flexible, integrated and customer-orientated model with a clear multi-channel and multi-concept strategy.

The business model encompasses all the phases of the value chain: design, manufacturing and supply, distribution, logistics and retail sales. The offer of an attractive combination of fashion at very competitive prices, the constant renewal of designs and dispatches to stores between twice and six times a week place the customer at the centre of the Group's strategy, and the remittance of information on a daily basis from the stores makes it possible to update collections on an ongoing basis.

The Group's logistics system facilitates constant deliveries from the distribution centres of the various commercial formats to stores throughout each season. This system essentially operates through centralized logistics centers for each concept in which inventory is stored and distributed to stores worldwide.

Organizational structure

Inditex's corporate governance is articulated through the following institutional and operational bodies and mechanisms:

- General Meeting
- Board of Directors
- Audit and Control Committee
- Nomination and Remuneration Committee
- Regulatory Compliance Committee and Department
- Ethics Committee

Business performance and results

Key financial and non-financial indicators

Inditex continues with the global expansion of its integrated store and on-line sales model.

Inditex's operating performance was strong. Net sales in local currencies rose 11% in FY2014.

Net sales for FY2014 reached euros 18,117 million, 8.3% up on FY2013.

Inditex's like-for-like sales increased 5% in FY2014, (4.5% in the first half of the year and 5.0% in the second) up 3% on those in FY2013. The like-for-like calculation includes 77% of FY2013 store sales (i.e. sales in stores open throughout FY2014 and FY2013).

The changes in scope of consolidation gave rise to a 1% decrease in sales.

In FY2014 Inditex retail space increased 10%. The contribution of new retail space to sales was 7%. The total selling area at FYE reached 3,786,099 square meters:

Total selling area	2014	2013	14/13
Zara	2,352,826	2,150,517	9%
Pull&Bear	318,554	284,429	12%
Massimo Dutti	216,175	193,614	12%
Bershka	427,165	384,911	11%
Stradivarius	253,814	232,034	9%
Oysho	84,193	78,742	7%
Zara Home	123,776	107,263	15%
Uterqüe	9,596	10,459	-8%
Total	**3,786,099**	**3,441,969**	**10%**

Net store openings in FY2014 amounted to 343 reaching a total of 6,683 stores in 88 markets. In FY2014 Inditex opened stores in 54 markets.

Store openings, by quarter and stores per market and concept, at FYE were as follows:

Net openings by quarter:

Concept	1Q 2014	2Q 2014	3Q 2014	4Q 2014	Total 2014
Zara	19	17	32	28	96
Zara Kids	(2)	1	(1)	0	(2)
Pull&Bear	11	8	13	13	45
Massimo Dutti	8	8	14	11	41
Bershka	11	8	19	14	52
Stradivarius	8	11	16	17	52
Oysho	0	7	5	14	26
Zara Home	8	6	12	17	43
Uterqüe	(10)	1	0	(1)	(10)
Total	**53**	**67**	**110**	**113**	**343**

Total stores at the end of each quarter:

Concept	1Q 2014	2Q 2014	3Q 2014	4Q 2014
Zara	1,846	1,863	1,895	1,923
Zara Kids	162	163	162	162
Pull&Bear	864	872	885	898
Massimo Dutti	673	681	695	706
Bershka	965	973	992	1,006
Stradivarius	866	877	893	910
Oysho	549	556	561	575
Zara Home	402	408	420	437
Uterqüe	66	67	67	66
Total	**6,393**	**6,460**	**6,570**	**6,683**

Company-managed stores and franchised stores at FYE 2014:

Concept	Co. Managed	Franchised	Total
Zara	1,714	209	1,923
Zara Kids	162	0	162
Pull&Bear	767	131	898
Massimo Dutti	608	98	706
Bershka	865	141	1,006
Stradivarius	742	168	910
Oysho	510	65	575
Zara Home	390	47	437
Uterqüe	52	14	66
Total	**5,810**	**873**	**6,683**

Sales at company-managed and franchised stores:

Concept	Co. Managed	Franchised
Zara	88%	12%
Pull&Bear	84%	16%
Massimo Dutti	82%	18%
Bershka	84%	16%
Stradivarius	78%	22%
Oysho	86%	14%
Zara Home	86%	14%
Uterqüe	84%	16%
Total	**86%**	**14%**

Net sales by concept are shown in the table below:

Concept	2014	2013	Chg % 14/ 13
Zara	11,594	10,804	7%
Pull&Bear	1,284	1,191	8%
Massimo Dutti	1,413	1,293	9%
Bershka	1,664	1,556	7%
Stradivarius	1,130	1,006	12%
Oysho	416	353	18%
Zara Home	548	451	21%
Uterqüe	68	71	-
Total	**18,117**	**16,724**	**8%**

The Group operates a global sales platform. **Store and on-line sales by geographical area** are shown in the table below:

Area	2014	2013
Europe ex-Spain	46.0%	45.9%
Asia & RoW	21.1%	20.4%
Spain	19.0%	19.7%
Americas	13.9%	14.0%
Total	**100%**	**100%**

Inditex continued with the global expansion of its integrated store and on-line sales model with the launch in September 2014 of Zara on-line sales in Mexico and South Korea, which effectively means that Inditex's on-line sales are available in 27 markets.

The gross margin rose to euros 10,569 million, 7% higher than the previous year, accounting for 58.3% of sales (59.3% in FY2013). The change in the method of consolidation of Tempe, which had been proportionately consolidated and is now accounted for using the equity method in accordance with the new IFRS standard communicated at the beginning of FY2014, gave rise to a reduction in Inditex's gross margin of 40 basis points. This change in accounting policy did not affect net profit and was annualized.

Operating expenses were tightly managed over the year and increased by 7.7%, mainly as a result of the growth in sales and the new retail space added. They include all the start-up costs for new store openings.

Million Euros	2014	2013
Personnel expenses	2,932	2,698
Rental expenses	1,850	1,656
Other operating expenses	1,676	1,644
Total	**6,458**	**5,998**

At FYE 2014 the number of employees was 137,054 (128,313 at FYE 2013).

FY2014 **EBITDA** came to euro 4,103 million, 5% upon FY2013 and EBIT came to euro 3,198 million, 4% higher than the previous year.

The breakdown of **EBIT** by concept is shown below:

	EBIT by concept (€m)			% sales	% total
Concept	2014	2013	Chg% 14/13	2014	2014
Zara	2,123	2,089	2%	18%	66%
Pull&Bear	188	196	-4%	15%	6%
Massimo Dutti	267	247	8%	19%	8%
Bershka	245	241	2%	15%	8%
Stradivarius	227	212	7%	20%	7%
Oysho	65	40	63%	16%	2%
Zara Home	81	55	47%	15%	3%
Uterqüe	2	-8	-	2%	-
Total EBIT	**3,198**	**3,071**	**4%**	**18%**	**100%**

The following chart shows the breakdown of financial results:

Million Euros	2014	2013
Net financial income (losses)	16	11
Foreign exchange gains (losses)	(2)	(30)
Total	**14**	**(18)**

The **result of companies accounted for using the equity method** was euros 32 million.

Profit before tax amounted to euro 3,245 million, up 6% compared to FY2013.

Net income came to euros 2,501 million, 5% higher than the previous year.

Return on equity, defined as net profit on average shareholders' equity:

Million Euros	2014	2013
Net income	2,501	2,377
Shareholders equity - previous year	9,246	8,446
Shareholders equity - current year	10,431	9,246
Average equity	9,838	8,846
Return on Equity	**25%**	**27%**

Return on capital employed, defined as EBIT on average capital employed in the year (equity plus net financial debt):

Million Euros	2014	2013
EBIT	3,198	3,071
AVERAGE CAPITAL EMPLOYED		
Average shareholders' equity	9,838	8,846
Average net financial debt (*)	0	0
Total average capital employed	**9,838**	**8,846**
Return on Capital employed	**33%**	**35%**

(*) Zero when net cash

Return on capital employed by concept:

Cadena	2014	2013
Zara	29%	31%
Pull&Bear	39%	50%
Massimo Dutti	45%	45%
Bershka	43%	46%
Stradivarius	55%	53%
Oysho	53%	34%
Zara Home	36%	36%
Uterqüe	6%	-
Total	**33%**	**35%**

To complement the financial statements included in the consolidated annual accounts of the Inditex Group, attached hereto is Appendix I showing the income statement by quarter for 2014.

Appendices II and III show a list of stores by concept and market at 31 January 2015 and the information on the markets in which the various concepts make online sales.

Issues relating to sustainability, the environment and employees

The business model of the Inditex Group is based on the premise that all its processes must be sustainable and responsible. Inditex views sustainability as a shared responsibility in which all the professional teams making up the Group play a role and which is reflected in a series of commitments including most notably the responsible manufacture of goods, the traceability and integrity of the supply chain, efficient use of resources, innovation and customer service and a commitment to its employees and the community.

All suppliers and plants involved in the production process are obliged on an explicit and binding basis to adhere to the social responsibility and environmental values and practices that define the Group and are transmitted through both its Corporate Social Responsibility and Environmental Departments and its sales and purchasing teams. Inditex responds to this challenge through the creation and implementation of policies that are in tune with fundamental employment standards and environmental protection as well as, the establishment of tools for control and direct cooperation with suppliers and multilateral dialogue with bodies and institutions working in these areas.

Noteworthy among the measures that Inditex has initiated in order to face up to the challenge posed by a sustainable production chain are the following:

- Manufacturer and Supplier Code of Conduct Compliance Programme.
- Water Master Plan in the manufacturing chain.
- Supplier Cluster Programme.
- Framework agreement with the international trade union *IndustriALL Global Union.*
- Program for improved energy, water and waste management in the manufacturing chain.

- Forest product policy to protect primary forests in danger of extinction.

The goods sold by Inditex and its stores provide the Group's main instrument of communication with its customers and are not exempt from this commitment to sustainability. Products must comply with the Clear to Wear (health) and Safe to Wear (safety) standards, which set down the most stringent requirements in this connection in the world. In turn, the stores constitute the cornerstone of any sustainable development policy based on eco-efficiency.

Various environmental initiatives are carried out including most notably the implementation of certified environmental management systems in all of Inditex's logistics centres, and programmes for product recycling and end of product life and for efficient resource usage.

Inditex understands that its relationships with its employees and with the community in which it is integrated must be based on the principles set forth in its Code of Conduct and Responsible Practices. The policies on equal opportunities and the balance between family and working life and the integration projects constitute essential instruments for creating a work environment that encourages the personal and professional growth of the workforce.

People constitute a key driving force behind the push to consolidate Inditex's growth. In a complex, demanding and competitive environment, and as part of a modern, different and changing industry, the workforce is one of the factors that sets the Group apart from its competitors.

The average headcount, by category, is as follows:

	Gender		
Categories	**W**	**M**	**Total**
Manufacturing and logistics	3,813	4,734	8,547
Central services	5,906	3,467	9,372
Stores	96,013	23,121	119,134
Totales	**105,732**	**31,322**	**137,054**

Bonus profit-sharing plan

In view of the Group's performance in recent years a bonus plan was approved for 2015-2016 as a means of enabling employees to participate in the company's growth. The plan was set up for all the employees of the stores, manufacturing and logistics centres, and chains and subsidiaries around the world with more than two years of service within the Group. Among those covered by the plan the Group will distribute 10% of the increase in net profit for the year attributable to the Parent of the Group with respect to the prior year up to a maximum of 2% of total net profit. This group of employees includes around 70,000 individuals in 54 markets.

The plan covers two years. The first phase of the plan will be collected in 2016 based on the increase in the Group's profit in 2015 compared to FY2014. The second phase will be executed in 2017 in the same way. The plan will accrue in 2015 and 2016.

Liquidity and capital resources

Inditex continued to show a strong financial position in FY2014.

Million Euros	**31 January 2015**	**31 January 2014**
Cash & cash equivalents	3,798	3,847
Short term investments	222	213
Current financial debt	(8)	(3)
Non current financial debt	(2)	(2)
Net financial cash (debt)	**4,010**	**4,055**

The operating working capital position remains negative, as a consequence of the business model:

Million Euros	**31 January 2015**	**31 January 2014**
Inventories	1,860	1,677
Receivables	862	815
Payables	(3,658)	(3,421)
Operating working capital	**(936)**	**(929)**

Funds from operations reached euros 3,349 million in FY2014, 14% higher than in 2013.

In recent years, Inditex has been involved in substantial capital expenditure at its head offices, logistics centres and stores and on-line sales platforms. Ordinary capital expenditure for FY2014 amounted to euros 1,396 million. Extraordinary capital expenditure amounted to euros 400 million mainly as a result of the acquisition of unique retail premises for Zara in Soho in New York.

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 has available credit lines, against which no amounts have been drawn down, that guarantee access to such additional funds as might be required.

Analysis of contractual obligations and off balance sheet transactions

There are no contractual obligations or off balance sheet transactions that might have a significant impact on the consolidated annual accounts.

Main risks and uncertainties

The Group is exposed to various risks inherent to its operations in the various markets in which it operates.

For the purposes of the management of these risks, the Group classifies them in the following categories:

1. Business environment

Risks arising from external factors relating to the Group's business activities.

This category includes risks relating to difficulties in adapting to the environment or market in which the Group operates, as regards both the procurement processes and the product retaining and sale activities. These risks are inherent in 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.

In this regard, geo-political, demographic and socio-economic changes in countries in which procurements or retail sales are made, the emergence of new means of communication and changes in consumer behaviour or a downturn in demand in certain markets constitute, inter alia, factors that might have an adverse effect on the optimum achievement of the Group's business objectives.

2. Legislative and regulatory

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

The risks included in this category include risks relating to tax, customs, labour law, commercial and consumption-related regulations, intellectual property regulations and risks relating to other types of legislation, in particular, regulations in relation to criminal risk, which determine the criminal liability of legal entities.

3. Reputation

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

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

4. Human resources

The main risks relating to human resources are those arising from potential dependence on key employees and the difficulties involved in identifying and adequately retaining talent, and maintaining an adequate working environment in all the work 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 constant changes in fashion trends, and in manufacturing, buying and selling new items that meet customer expectations.

The risk arising from the interruption of operations is associated with the possible occurrence of extraordinary events not within the Group's control (natural disasters, fires, transport or key supplier strikes, interruptions in energy and fuel supplies, withholding of goods in freight, etc.), which could have a significant effect on the normal functioning of the Group's operations.

6. Financial

The normal functioning of the Group's operations exposes it to risks of a financial nature. This category includes foreign currency risk and counterparty credit risk. In addition, the increasingly international nature of the Group's businesses exposes it to country risk in its various different markets.

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.

8. Technology and information systems

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

9. Corporate governance

This category includes the risk relating to the possibility of an inadequacy in the Group's management leading to the failure to comply with corporate governance and transparency rules.

Risk management at the Group is a process promoted by the Board of Directors and senior management and is the responsibility of all members of the Organization, the purpose of which is to provide reasonable assurance that the objectives established by the Group will be achieved, furnishing shareholders, other stakeholders and the market in general with sufficient guarantees to ensure that the value generated will be protected.

In this context, the Group's Risk Management Policy establishes the basic principles, key risk factors and the general action guidelines for managing and controlling the risks that affect the Group. This Policy is applicable to the entire Group and forms the basis for an Integral Risk Management System that is currently being implemented at corporate level and in key areas of the business.

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

- Investment Policy
- Payment Management Policy
- Foreign Currency Risk Management Policy
- Policy regarding Powers of Attorney
- Code of Conduct and of Responsible Practices
- Manufacturer and Supplier Code of Conduct
- Occupational Risk Prevention Policy
- Environmental Risk Management Policy
- IT Security Policy
- Product Health and Safety Policies (Safe to Wear and Clear to Wear)

For more details, see Section E-Risk control systems of the Annual Corporate Governance Report for 2014.

Significant events after the reporting period

No significant events have occurred since the reporting date.

Information on the outlook for the Group

Store and on-line sales in local currencies increased by 13% from 1 February to 14 March 2015. The Spring/Summer season is influenced by the performance over the Easter period due to its significant sales volumes.

Capital expenditure in FY2015 is expected to be approximately euros 1,350 million, driven mainly by the addition of new retail space during the year.

FY2015 space growth is expected to be in line with long-term targets. In FY2015 Inditex expects 420-480 gross openings and the absorption of 80-100 small units into neighbouring stores. Approximately 70% of the new contracts have been signed but in some cases openings may not take place in FY2015.

On-line sales

Inditex continued with the global expansion of its integrated store and on-line sales model. In FY2015 Zara envisages launching on-line sales in Taiwan, Hong Kong and Macao.

R&D+I activities

The Inditex Group generally does not carry out research and development projects, which are defined as projects, other than those involving the design of garments, accessories or household products, in which amounts are invested over several years to develop assets on which a return is expected over multi-year periods.

Since its inception, the Group has been run with the help of the technology available in all areas of activity in order to improve manufacturing and distribution processes, and by developing in-house or third-party tools to facilitate the management of the business. Some examples of this are point-of-sale terminals, inventory management systems, distribution centre delivery systems, systems for communications with stores and in-store garment labelling systems.

Acquisition and sale of treasury shares

The Annual General Shareholders' Meeting held on 16 July 2013 approved a long-term share-based incentive plan (see note 26) and authorized the Board of Directors to derivatively acquire treasury shares to cater for that plan.

As a result, the following treasury share acquisitions were performed:

- In FY2013 450,000 treasury shares of euros 0.15 par value each were acquired with an average acquisition cost of euros 103.32 per share (and, following the splitting of the shares approved by the Annual General Meeting on 15 July 2014, by splitting each old share into five new shares, thereby increasing the current number of shares to 2,250,000 treasury shares of euros 0.03 par value each at an average acquisition cost of euros 20.66 per share), representing 0.072% of the share capital.
- In FY2014 1,250,000 treasury shares were acquired with an average acquisition cost of euros 20.94 per share, representing 0.040% of the share capital.

In total, Inditex is the holder of 3,500,000 treasury shares, representing 0.112% of the share capital.

Other salient information

Stock market information

Inditex's share price rose by 18.0% in 2014 to euros 26,135 per share on 31 January 2015, following the 7.3% increase in 2013. The average daily trading volume was approximately 8.4 million shares. The Dow Jones Stoxx 600 Retail and Ibex 35 indexes rose by 7.6% and 4.9%, respectively, in the same period.

Inditex's market capitalisation stood at euros 81,454 million at FYE 2014, up 789% on its capitalisation when its shares were admitted to trading on 23 May 2001, as compared with an 8% rise in the Ibex 35 index in the same period.

The dividend for FY2013 totalling euros 0.484 per issued share was paid in May and November 2014.

Dividend policy

Inditex's Board of Directors will propose at the Annual General Meeting a dividend increase of 7.5%, composed of an ordinary dividend of euros 0.402 per share and a bonus dividend of euros 0.118 per share, equating to a total dividend of euros 0.52 per share. Euros 0.26 will be payable on 4 May 2015 as an interim ordinary dividend and euros 0.26 will be payable on 3 November 2015 as the final ordinary and bonus dividend.

Dividends paid to shareholders in 2014 reached euros 1,511 million.

Other information

Related party transactions

Transactions with related parties are described in note 29 to the consolidated annual accounts. The

Company did not carry out any transactions with related parties in FY2014 that substantially affected its financial position or results.

The following table shows the information on average payment periods required by Law 15/2012, of 5 July, amending Law 3/2004, of 29 December

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

Annual Corporate Governance Report

The Annual Corporate Governance Report for 2014 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 2015.

Appendix I

Income statement: FY2014 quarterly results:

	1Q	2Q	3Q	4Q
Net sales	3,748	4,337	4,624	5,408
Cost of sales	(1,540)	(1,887)	(1,791)	(2,330)
Gross profit	**2,208**	**2,450**	**2,833**	**3,078**
	58.9%	56.5%	61.3%	56.9%
Operating expenses	(1,474)	(1,562)	(1,623)	(1,799)
Other net operating income (losses)	(1)	(4)	(2)	(1)
Operating cash flow (EBITDA)	**732**	**884**	**1,208**	**1,278**
	19.5%	20.4%	26.1%	23.6%
Amortisation and depreciation	(203)	(220)	(241)	(241)
Operating income (EBIT)	**530**	**664**	**967**	**1,037**
	14.1%	15.3%	20.9%	19.2%
Financial results	(1)	6	(2)	11
Results from companies consolidated by equity method	3	1	13	15
Income before taxes	**532**	**671**	**978**	**1,063**
Taxes	(124)	(148)	(216)	(247)
Net income	**408**	**523**	**763**	**816**
	10.9%	12.1%	16.5%	15.1%
Minorities	2	1	3	3
Net income attributable to the controlling company	**406**	**522**	**759**	**813**
	10.8%	12.0%	16.4%	15.0%

Appendix II

Stores by concept and market at 31 January 2015:

Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
ALBANIA	1		1	1	1	1				5
ALGERIA	1				1			1		3
ANDORRA	1		1	1	1	1	1	1	1	8
ARGENTINA	10									10
ARMENIA	2		2	1	2	2	1			10
AUSTRALIA	13							0		13
AUSTRIA	13		2	1	7		0			23
AZERBAIJAN	2		1	2	2	1	1			9
BAHREIN	2		2	2	1	1	1	1		10
BELGIUM	27		7	23	11		0	7	0	75
BOSNIA	2		2	1	2	2				9
BRAZIL	53							9		62
BULGARIA	6		5	5	6	5	5			32
CANADA	26			5				2		33
CHILE	9									9
CHINA	165		65	61	66	68	53	23	0	501
COLOMBIA	11		3	4	8	9	1	2		38
COSTA RICA	2		2	1	2	2		1		10
CROATIA	9		5	3	7	5	2	1		32
CYPRUS	6		5	4	6	7	4	4	0	36
CZECH REPUBLIC	7		5	1	5	2				20
DENMARK	2									2
DOMINICAN REPUBLIC	2		1	2	2	2	2	1		12
ECUADOR	2		2	1	2	2	1			10
EGYPT	5		5	4	5	4	3	3	0	29
EL SALVADOR	2		2		1	1				6
ESTONIA	2		1	1	1	1				6
FINLAND	4									4
FRANCE	127	1	29	22	42	21	10	19		271
GEORGIA	2		1	2	1	1	1			8
GERMANY	79		6	15	10		0	12		122
GREECE	40	6	23	13	28	16	18	10	0	154
GUATEMALA	2		2	1	2	2	2	1		12
HONDURAS	2		2	1	2	2		1		10
HUNGARY	8		7	3	10	8	2	1		39
ICELAND	2									2
INDIA	15									15
INDONESIA	13		10	4	7	11		1		46
IRELAND	9		4	2	6	2				23
ISRAEL	23		25	2	6					56
ITALY	94	8	44	10	54	54	45	28		337
JAPAN	95				20	8		8		131

Market	Zara	Zara Kids	Pull&Bear	Massimo Dutti	Bershka	Stradivarius	Oysho	Zara Home	Uterqüe	INDITEX
JORDAN	2		2	2	1	5	1	1	1	15
KAZAKHSTAN	4		4	3	4	5	2	2		24
KUWAIT	6		4	2	2	2	4	2	2	24
LATVIA	4		3	2	3	1				13
LEBANON	7		5	6	6	4	5	4	2	39
LITHUANIA	4		4	4	4	4				20
LUXEMBOURG	3			1						4
MACEDONIA	1		1	1	1	1				5
MALAYSIA	9		2	5	4					20
MALTA	1		3	1	2	2	1	1		11
MEXICO	64		53	35	59	21	41	21	10	304
MONACO	1									1
MONTENEGRO	1		1		1	1	1			5
MOROCCO	4		2	2	2	6	3	3	1	23
NETHERLANDS	25		6	7	15		0	3		56
NORWAY	3			1						4
OMAN	1					1	1	1		4
PANAMA	2		1	1	1	1	1	1		8
PERU	2							2		4
PHILIPPINES	8		1	3	3	3				18
POLAND	47		34	24	52	73	16	9		255
PORTUGAL	63	18	55	43	50	44	34	25	4	336
PUERTO RICO	2			1						3
QATAR	2		2	2	2	1	2	2	2	15
ROMANIA	21		19	9	19	19	7	4		98
RUSSIAN FEDERATION	85		76	39	84	75	58	31	7	455
SAUDI ARABIA	28		13	13	27	40	19	5	2	147
SERBIA	4		2	2	2	2	2			14
SINGAPORE	8		4	4	4	3				23
SLOVAKIA	3		2		3	3				11
SLOVENIA	5		2	1	4	4				16
SOUTH AFRICA	6									6
SOUTH KOREA	43		5	7	5	4		1		65
SPAIN	323	129	256	221	245	292	183	142	31	1,822
SWEDEN	10			3				1		14
SWITZERLAND	17			6	4					27
TAIWAN	7		1	2				1		11
THAILAND	9		3	3	2	3		1		21
TUNISIA	2				2		1			5
TURKEY	37		29	22	31	29	26	19	0	193
UAE	11		8	11	9	8	8	7	3	65
UKRAINE	9		11	4	11	11	6			52
UNITED KINGDOM	66		7	12	5	1		10		101
UNITED STATES	53			2						55
URUGUAY	2							1		3
VENEZUELA	10		5	0	10		0			25
Total	**1,923**	**162**	**898**	**706**	**1,006**	**910**	**575**	**437**	**66**	**6,683**

Appendix III

Markets and concepts with on-line sales:

	Concept	Market
2007	Zara Home	Europe: Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Monaco, Netherlands, Portugal, Spain, Sweden, UK, Switzerland, Norway, Finland, Poland
2010	Zara	Spain, Portugal, France, Germany, Italy, UK, Netherlands, Belgium, Luxembourg, Austria, Ireland
2011	Zara	United States, Japan, Switzerland, Monaco, Sweden, Denmark, Norway
From 2011	Massimo Dutti, Bershka, Pull&Bear, Stradivarius, Oysho, Uterqüe	Europe
2012	Zara	China, Poland
2012	Massimo Dutti, Zara Home	United States
2013	Zara	Canada, Russian Federation
2013	Massimo Dutti, Bershka, Stradivarius, Oysho	Russian Federation
2014	Zara	South Korea, Mexico, Greece, Romania
2015	Zara	Taiwan, Hong Kong, Macau
Progressive roll-out	All Concepts	Globally

systems for control of risks

1. Scope of the Company's Risks Management System

Risks management in the Inditex Group is a process driven by the Board of Directors and the senior management, incumbent on each and every single member of the Organization, which aims at providing a reasonable safety in the achievement of the targets established by the Group, ensuring the shareholders, other stakeholders and the market in general, an appropriate level of guarantee which ensures protection of value built.

In this context, the Enterprise Risks Management Policy of the Group sets the overarching principles, key risk factors and the general action lines to manage and control the risks which affect the Group. This Policy is enforced on the whole Group and is at the basis of an Integral Risks Management System which is currently being implemented, gradually, starting at corporate level and in key business areas.

The Enterprise Risks Management Policy is developed and supplemented by specific policies with regard to certain areas or units of the Group. Among the policies developed and implemented by the above-mentioned areas regarding the management of the different risks, the following should be pointed out:

- Investment Policy
- Payment Management Policy
- Foreign Exchange Risk Management Policy
- Proxies Policy
- Code of Conduct and Responsible Practices
- Code of Conduct for Manufacturers and Suppliers
- Occupational Hazards Policy
- Environmental Risks Management Policy
- IT Safety Policy
- Health and Safety of the Product Policies (Safe to Wear and Clear to Wear)

The risk management process is described in detail in the Risks Management Manual in connection with this Policy. The whole process is based upon the identification and assessment of the factors which may have a negative impact on attainment of the business objectives, which translates into a risks map of the main risks which are classified in different groups together with an assessment thereof based upon their potential impact, their likelihood of occurrence and the level of preparedness of the Group to face up to them. The risks map is regularly reviewed to keep it updated, in order to include amendments related to the evolution of the Group itself and the environment where it operates. This risks management process also addresses a certain response vis-à-vis such factors, and the establishment of the control measures which are necessary for such response to be effective.

Within the Risks Management System, business units represent the first line of defense, and they report relevant information to the Risks Management Department, which coordinates the System as second line of defense.

Internal Audit acts as third line of defence, overseeing in an independent and objective manner the Risks Management System and reporting to the Board of Directors through the Audit and Control Committee.

2. Corporate bodies responsible for drawing up and enforcing the Risks Management System

The main responsibilities of the governing bodies and areas involved in Enterprise Risks Management at the INDITEX Group are described below:

Board of Directors

- Approval of the Enterprise Risks Management Policy, on the proposal of the Management, wherein strategy in the area of risks management and the disclosure thereof to the organization is defined. Based upon such policy, the ERM System is implemented, as well as the mechanisms for the regular follow-up of internal information and control systems.

Audit and Control Committee

- Periodic review of the control policy and of the effectiveness of the ERM System, ensuring that the main risks are duly identified, managed and disclosed in an appropriate manner.

Financial Division (ERM Department)

- Setting in train the ERM System.
- Overseeing and coordinating the work of Risks Managers at each Business Unit or Area, both at corporate or format level, providing valid tools for risks assessment and management.
- Maintaining and updating knowledge, techniques, methodologies and tools allowing observance of the principles underlying the ERM system at maximum quality levels.
- Regularly reviewing the risks management policies and manuals and proposing the amendment and update thereof to the Board of Directors, where applicable.
- Coordinating and processing the information received by Risks Managers at each Business Unit or Area, reporting to the senior managers and the Board of Directors through the Audit and Control Committee.
- Monitoring the ERM System and encouraging its integration in the activities, process and decision-making.
- Promoting appropriate and effective communication channels between ERM Division and the remaining Divisions and areas involved.

Risks Managers

- Monitoring the risks under their remit, in accordance with the methodology and tools defined by the ERM Department
- Identification of events which may entail any likely risks and opportunities within the assigned scope of responsibility, reporting the necessary information to the ERM Department.
- Follow-up and notice of the risks management evolution, as well as the defined action plans.

Internal Audit

- Contributing to the improvement of risks management, control and governance processes, assuring to the Audit and Control Committee an effective and independent supervision of the internal control system and issuing recommendations for the Group which help reduce to reasonable levels the potential impact of risks which hamper the attainment of objectives of the Organization.
- Internal Audit function must always remain independent in respect of ERM System, and it shall not be responsible for making any key decisions regarding its operation.

Senior Managers

- Raising awareness regarding the weight of the ERM System and its value for all the stakeholders of the Company, encouraging the creation of an all encompassing risks management culture.
- Defining and validating functions, powers and responsibilities within the framework of the ERM System.
- Provision of appropriate and sufficient resources to implement risks management activities.
- Validation of action and work plans resulting from the risks management process itself.
- Follow-up of activities.

Additionally, certain specific Committees have been set up in respect of the follow-up of the major risks:

- Expansion Committee
- Logistics Committee
- Committee of Ethics
- Business Monitoring Committee
- Code Compliance Supervisory Board
- Committee for Information Security
- Investments Committee

3. Main risks that could prevent attainment of business goals

In order to permit a standard and comprehensive risks management, the Group has established a definition of risk valid for the whole Organization. Thus, the Group defines risk as: "any potential event which might have a negative impact on attainment of business objectives".

Risks reviewed are classified and grouped in the following categories:

3.1. Business environment

These are risks stemming from external factors, connected with the Group's business.

This category encompasses the risks regarding the difficulty in adjusting to the environment or market in which the Group operates, whether as regards procurement processes or distribution and sale of goods processes. This is inherent in the fashion retail business and consists of the eventual incapacity of the Group to follow and offer a response to the evolution of its target market or to adjust to the new situations in procurement countries.

With this respect, geopolitical, demographic and social and economic changes in procurement or distribution countries, the new ways of communication that arise, and changes in consumption habits, or the consumption decline in certain markets are, inter alia, factors which may have an impact on the effective achievement of the business goals of the Group.

3.2. Regulatory risk

Those are risks to which the Group is exposed arising from the different laws and regulations in force in the different countries where it does business.

Included in this category are risks regarding tax, customs, employment, trade and consumption and industrial and intellectual property regulations and risks associated with the remaining laws and regulations, namely regulatory risks of a criminal nature, whether or not they determine criminal liability of the natural person.

3.3. Reputation

Those are the risks which have a direct impact on the way the Group is perceived by its stakeholders (customers, employees, shareholders and suppliers) and by the society at large.

These risks arise out of a potentially inappropriate management of the issues regarding the social responsibility and sustainability, the responsibility on account of safety of products, the corporate image of the Group, including in social networks, as well as any other potential regulatory noncompliance which might have an impact on the reputation of the Organization.

3.4. Human Resources

The main risks in the human resources area are those arising out of the potential dependence on key personnel and of the difficulty in properly identifying and retaining talent, and in keeping an appropriate work climate.

3.5. Operations

The main operational risks the Group has to face up to arise out of a potential difficulty in recognizing and taking in the ongoing changes in fashion trends, and in manufacturing, supplying and putting on the market new models meeting customers' expectation.

The risk arising out of business interruption is associated with the eventual occurrence of extraordinary events beyond the control of the Group (natural disasters, fires, strikes of haulers or of key suppliers, discontinuance in the supply of power or fuel, retention of goods during carriage, etc.,) that may significantly affect normal operations.

Given the way the Group works, the main risks included in this category are to be found in logistics centres and in external operators charged with carriage of the goods. The distribution of apparel, footwear, accessories and homeware for all the concepts is based upon 14 logistics centres spread throughout the territory of Spain. Logistics operations are also ensured by other smaller distribution centres located in different countries and with external logistics operators in charge of small volume distribution operations.

Other risks included in this category are those associated with real estate management, related to the search and selection of business premises and their profitability.

3.6. Financial

In the regular conduct of its business, the Group is exposed to financial risks. Included in this category are foreign exchange risk and counterparty credit risk. Additionally, given the ever growing international dimension of the Group's business, the Company is exposed to the country risk in different markets.

Euro is the functional currency of the Group. Its international transactions involve using a large number of currencies other than the Euro, which gives rise to the foreign exchange risk. The Group has various investments abroad, the net assets of which are exposed to foreign exchange rate risk. As the consolidated financial statements of all the companies in the Group are prepared in the functional currency, i.e., Euro, it is faced with the foreign exchange risk on account of translation, in respect of all its entities outside the European Union. The company is also faced with the risk resulting from transactions in currencies other than Euro of flows of collections and payments for acquisition of goods and rendering of services both in respect of transactions within the Group and outside the Group.

The Group is not exposed to significant concentrations of counterparty credit risk. Most of its revenue results from retail sales, where payment is primarily made on demand, in cash or with credit card. At any rate, the Group is faced with the risk that counterparties, mainly financial ones, would fail to comply with the obligations stemming from investment of cash or other financial and securities vehicles, and from derivatives used for financial risks hedging.

3.7. Information for the decision making

The risks hereunder included are those linked to the appropriate information at all levels: transactional and operational, financing-accounting, management, budgeting and control.

The different departments of the Group and especially the Planning and Management Control Department and the Administration Department, which report to the Financial Division, are directly responsible for producing and supervising the quality of such information.

3.8. Technology and information systems

The risks hereunder covered include those linked to the technical infrastructure, the effective management of information, of computer and robotic networks and of communications. Risks connected with the physical and logical safety of the systems are also included, namely the risk of cyber-attacks against IT systems, which might eventually affect the confidentiality, integrity and availability of key information.

3.9. Corporate Governance

This category includes the risk of not having the appropriate management of the Group which might entail a breach of Corporate Governance and transparency rules.

4. Company's risk tolerance level

The Inditex Group relies on standard criteria to identify, assess and prioritize risks, based upon the concept of risk tolerance as key tool.

It is incumbent on senior managers to establish strategy and risk tolerance, which must reflect the risk volume that the company is willing to assume to reasonably attain the goals and interests of the Group. Such tolerance is regularly updated, at least every time the Group strategy changes.

Once the risks tolerance for strategic and business goals of the Group has been defined, it is duly disclosed to the Corporate Enterprise Risks Manager, who determines the assessment scales of key business risks (impact, likelihood and readiness level).

5. Risks which have materialized during the year

During the year, risks inherent in the business model, the Group's business and the market environment have materialized as a result of circumstances inherent in the development of business and the prevailing economic climate. Although none of them has had a significant impact on the Organization, materialization of foreign exchange had a higher weight.

The Group operates globally and, therefore, it is exposed to the foreign exchange risks in respect of transactions in currencies, namely in US dollar, Russian ruble, Chinese renminbi, Mexican peso, Sterling pound and Japanese yen. In the course of the year, depreciation of non euro currencies has had a 2.5 percentage points negative impact on the growth rate of net sales of the company.

The foreign exchange risk is managed pursuant to the guidelines set out by the Management of the Group, which mainly cover the establishment of financial or natural hedging systems, constant monitoring of foreign exchange rates flows and other measures aimed at mitigating such risk.

6. Response and supervision plans for the main risks faced by the Company

The Group relies on response plans seeking to reduce the impact and materialization likelihood of critical risks described under section E.3 above, or to improve the level of risk preparedness.

The main response plans for each risks category are explained below:

6.1. Business environment

In order to reduce the risk exposure in this area, the Group carries out a feasibility research for each new market, business line or store, considering pessimistic scenarios, and subsequently monitors whether the expected figures are met or not. Moreover, the business model of the Group is not only based upon the management of new openings, but also on improvements in the efficiency and effectiveness of the markets, business lines and stores already existing, so that the growth achieved via expansion and diversification, be complemented by the organic growth of the current business.

In line with the foregoing, the expansion policy, the multi-brand format of the Group and the use of new technologies as an option for communicating and selling to our customers, represent a way to diversify this risk, which downplays the global exposure to this risk of business environment.

6.2. Regulatory risk

In order to reduce risk exposure in this area and secure the appropriate enforcement of the prevailing local legislation in force, the corporate Legal, Tax, Industrial Property, Human Resources, Internal Audit and Corporate Social Responsibility Departments, in addition to the General Counsel's Office liaise with the different supervisors and the legal external advisors of each country or geographic area.

Special mention should be made of criminal regulatory risks. For the purposes of reducing such risks, the Group relies on a Manual on Criminal Risks Prevention, overseen by the Committee of Ethics.

The Internal Audit Department conducts regulatory compliance audits on a regular basis with teams of independent professionals specializing in certain regulations which apply to business.

6.3. Reputation

The Group has developed a Compliance Programme in respect of the Code of Conduct for Manufacturers and Suppliers through Social Audits and Pre-Assessment, based on the external and independent verification of the facilities which are necessary to manufacture the fashion items that it distributes, in order to minimize the potential risks of harming the image due to improper behaviour by third parties. Said programme specifies the review procedures which secure the gathering of information and evidences on the minimum working conditions that all manufacturers, suppliers and external workshops must comply with. Additional information on this Programme and on other programmes is available in the Annual Report and at the corporate web page. Likewise, the Corporate Social Responsibility Department carries out technical and production audits on a regular basis and the Environment Department conducts audits and exercises controls regarding the facilities where wet processes are carried out.

In such sizable and visible organisations as the Group, some conflicts might arise out of an inappropriate relationship with third parties alien to the proceedings of the Group (*CNVM*, communication media, investors, public authorities, etc.,).

The Group, through its Communication and Institutional Relations Office and Corporate Social

Responsibility Department, sets out the procedures and protocols required to minimize this risk. Likewise, given their relevance, the General Counsel's Office and the Capital Markets Department are charged with managing specifically the relationship with *CNMV* and the latter is also charged with investors' relations.

Likewise, the Communication and Institutional Relations Office is responsible for tracking the image of the Group in the social networks.

To reduce the risks associated with the features of finished product, ensuring that they do not entail any hazard for the health and safety of customers, the Group carries out controls and verifications of the health and safety of the products standards ("Safe to Wear" and "Clear to Wear"), whose enforcement is mandatory throughout the production line for all finished products, footwear and accessories.

The Group also relies on a Code of Conduct and Responsible Practices and a Code of Conduct for Manufacturers and Suppliers. The Committee of Ethics is responsible for the enforcement and construction thereof.

6.4. Human Resources

To minimize these risks, the Human Resources Department carries out continuous recruitment and hiring processes of new personnel, including hunting processes for key personnel. It has also developed a regular training programme for its staff and has implemented specific systems:

- to combine quality in employees' performance and the job satisfaction each of them may derive at the workplace;
- to facilitate the exchange of jobs among those employees wishing to broaden their experience in the different areas of the Organisation
- to provide career opportunities to the most talented and diligent persons within the Organization.

On the other hand, the work system implemented within the Organization favours the transfer of knowledge between the relevant employees in the different areas, thus minimizing the risk linked to depending excessively on the knowledge of key personnel. Additionally, the use of career development, training and compensation policies seek to retain key employees.

To ensure the appropriate working climate, the Human Resources Department is governed by a series of action lines which are thoroughly reviewed in the Performance section of the Annual Report.

Meanwhile, a growing demand has arisen lately within the labour market, linked to the social responsibility of companies, which has become a key factor upon selecting a company for the job of choice. Therefore, such issues as equal opportunities, remuneration systems other than salary or labour and work-family balance are inter alia, factors that the company takes into account, with policies designed for such purposes.

With this respect, the INDITEX Group has implemented Equal Opportunities Plans, with measures that seek to meet different goals, such as, inter alia: fostering the commitment and effective implementation of the equal opportunities principle between female and male employees, contributing to reduce inequality and imbalance, preventing labour discrimination, fostering the company's commitment towards improving life quality, ensuring a healthy work environment and providing actions to promote family and work balance.

6.5. Operations

The Group reduces exposure to this risk through a manufacturing and procurement system that ensures a reasonably flexible answer to unexpected changes in our customers demand. Stores are permanently in touch with the team of designers, through the Product Management Department, and this allows perceiving the changes of taste of the customers. Meanwhile, the vertical integration of the transactions allows reducing manufacturing and delivery terms as well as the stock volumes, while at the same time, the reaction capacity to introduce new products throughout the season, is kept.

Given the relevance that an efficient logistics management has on the appearance of such risks, the Group conducts a review of all the factors which may have a negative impact on the target of achieving the maximum efficiency of the logistics management, to actively monitor such factors under the supervision of the Logistics Committee.

To mitigate the risk resulting from stoppage of operations, associated with the likelihood of occurrence of extraordinary events beyond the control of the Group, mainly in connection with logistics centres and external operators charged with trucking of goods, the size and use of all centres has been optimized, based upon the volume of each format or the specific requirements of the geographic area which they service. Namely, part of the above-mentioned logistics centre specializes in distribution of goods sold on-line. The different centres have been set in such a manner as to be able to assume storage and distribution capacity from other centres in the event of any contingency resulting from potential accidents or stoppage of distribution activities.

Additionally, the Group takes active measures to reduce risk exposure, by keeping high levels of safety and protection in all its distribution centres, together with insurance policies covering both the potential property damage incurred by the facilities and stock, as well as any loss of profit which might arise out of any loss.

In order to ensure the growth of the Group and enhance the flexibility of its business model, the Logistics Expansion Plan assesses the need and envisages, where appropriate:

- investing in new distribution centres or in the extension of the existing ones, so as to minimize the risk associated with the logistics planning and sizing.
- investments made to improve and automate processes in the existing centres, for the purposes of increasing their capacity and efficiency and to improve the internal control on goods stored in such centres. In this respect, mention should be made of the progressive application of RFID technology within the supply chain, which allows reaching a very high degree of control on goods.
- The search, approval and control of external logistics operators, in different strategic points, with full integration in the logistics capacity of the company.

With regard to the potential risk or retaining goods in the course of carriage, the Group relies on a network of agents in different procurement and distribution points, as well as on alternative routes for carriage of goods.

The Group reduces the risks associated with the real estate management, regarding the search and selection of business premises and the profitability thereof, through the monitoring of local markets where it operates and through the evaluation and supervision of new openings by the Expansion Committee.

6.6. Financial

In order to reduce the foreign exchange risk, it must be managed in a proactive, sufficient and systematic manner. To achieve this, the Group has implemented the Foreign Exchange Risk Management Policy with the main goals of reducing potential economic losses and volatility in the financial statements resulting from such risk. Exchange exposure materializes in terms of net investment, translation and transaction risks. The above-referred Policy sets the guidelines to manage all such exposures and provides that exchange management is done centrally by the Financial Management Department of the Group. The Policy sets forth the review and follow-up procedures regarding exchange exposure and the potential hedging strategies, the procedure to contract financial derivatives and the registration and documentation thereof. At present, the exchange risk insurance (forward contract) is the main hedging instrument.

Payment Management Policy addresses the principles leading to ensure compliance with Group's obligations, safeguarding its interests and setting up the required procedures and processes to ensure an effective payment management. Such policy determines the best method, currency and terms to make payments, in economic, accounting and legal terms. Finally, the Payment Policy covers the potential payment exceptions and the procedure to authorize such exceptional payments. Meanwhile, the Proxies Policy determines the different proxies included in each Group authorized to approve financial transactions on behalf of the company, including payments, the level of authorization according to the Group to which they belong, the authorized amount of the transaction and the required pairing of proxies according to such criteria.

The Investment Policy of the Group, which aims at ensuring security, integrity and liquidity of financial assets of the company, provides the guidelines which need to be observed by counterparties and classifies them in panels in accordance with their rating and solvency profile and their relevance for the Group. Likewise, such Policy sets maximum exposure limits in terms of counterparty and provides procedures to ensure control, follow-up and monitoring of credit risk.

Such Policy sets guidelines with regard to the role of sovereign risk in terms of counterparty credit risk, and the influence thereof on financial assets and/or investment vehicles.

6.7. Information for the decision making

In order to reduce exposure to this kind of risk, the Group regularly reviews the management information disclosed to the different officers. The Group invests in IT, monitoring and budgeting systems, among others.

The Ethical Hacking Department, reporting to the IT Division, is responsible for ensuring that such information is available and/or amended, exclusively by the persons authorized to do so, setting the parameters for the systems to ensure the reliability, confidentiality, integrity and availability of key information.

With regard to the risks associated with financial reporting, the Group has set up an Internal Control System on Financial Reporting *(SCIIF, Spanish acronym)* aimed at achieving an ongoing follow-up and assessment of the main risks associated, which permits ensuring reasonably the reliability of the public financial information of the Group. Additional information on this issue is available in Section F of this report.

In addition, the consolidated Financial Statements and those of each and every relevant company are subject to review by the independent auditors who are also in charge of carrying out certain audit works regarding the financial information. Likewise, as regards the most significant companies of the Group, independent auditors are requested to issue recommendations on internal control.

6.8. Technology and IT

Given the importance of the smooth running of technological systems to attain the goals of the Group, the IT Division exercises, through the Ethical Hacking area and with the support of the Committee for Information Security, a permanent control aimed at ensuring streamlining and consistency of such systems, in addition to the security and stability required for business continuity. The Group is aware that its systems will require ongoing improvement and investment to prevent obsolescence and keep the response capacity thereof at the levels required by the Organization.

As a benchmark, aimed at keeping the safety of the information and of the elements which process it, the Group is governed by the IT Safety Policy, which is accepted by all users with access to information. Such Policy is available at the corporate intranet.

For the specific purpose of keeping a continuous systems operation, the Group relies on technical and procedural contingency systems which would reduce the consequences of any breakdown or stoppage. Among such technical contingency systems, the main data centre, TIER IV certified, the storage of synchronous data in redundant locations exposed to different physical or geological risks, or the duplicity of teams and lines may be found.

Additionally, the Ethical Hacking area within the IT Division relies on continuous review mechanisms, which are regularly assessed by different internal and external audits, to prevent, detect and respond to any potential cyber-attack. Such controls would allow advancing and/or reducing the consequences of risk materialization, together with insurance policies covering loss of profit, expenses stemming from cyber-attack and public liability of the company for damages incurred by third parties. The company considers, based upon the available information, that these controls have been successful to date.

However, taking into account that each year there is a large number of hackers attempting to gain access to the information of corporations globally, the Group is aware that technological risks progress exponentially, in an unpredictable and sometimes highly elaborate manner (advanced hacking, cyber terrorism, cyber war, etc.,). For such reason, although Security Information is one of the top priorities of the Group, the possibility of a non detectable attack, including to its services providers, which might have an impact on the operations of the information managed by the Organization, cannot be ruled out.

6.9. Corporate Governance

In order to reduce these risks, compliance with the corporate governance system of the company is required. Such system comprises the Articles of Association, the Board of Directors' Regulations, the Regulations of the General Meeting of Shareholders, the corporate policies implemented for enterprise risk management, and the internal regulations of the Group (the Code of Conduct and Responsible Practices, the Code of Conduct for Manufacturers and Suppliers, and the Internal Regulations of Conduct regarding Transactions in Securities– hereinafter, IRC).

The Code Compliance Supervisory Board and the Code Compliance Officer are charged with overseeing and enforcing the IRC.

With regard to the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers, the Committee of Ethics is responsible for the enforcement and construction thereof. Such Committee may act ex officio or at the behest of any of Inditex's employees, manufacturers or suppliers, or any third party involved in a direct relationship and with a lawful business or professional interest, by submitting a report in good faith.

With regard to corporate governance supervision, the Board of Directors and the Audit and Control Committee are the main governing bodies responsible for risks control.

1.- The Board of Directors

The Board of Directors is responsible for identifying the main risks for the Group and for organising the appropriate internal control and information systems.

2.- The Audit and Control Committee

The Audit and Control Committee assists the Board of Directors in its supervision and control duties by reviewing the internal control systems. The duties of the Audit and Control Committee are provided in the Articles of Association and the Board of Directors' Regulations.

The Board of Directors' Regulations provide that it is incumbent on the Audit and Control Committee, exclusively comprised of non-executive directors of the Group, to supervise the process for preparing and presenting the regulated financial information and the effectiveness of the internal control systems of the Group, (namely, of the internal control system on financial information) and to check the appropriate type and integrity of said systems. Additionally, the Audit and Control Committee is charged with overseeing the Internal Audit Department of the Group, approving the budget of the Department and the Internal Audit Plan, the annual report of activities of the Internal Audit Department and supervising the material and human resources thereof, whether internal or external, to discharge its duties.

The Internal Audit Department is directly linked to the Board of Directors, to which it reports, through the Audit and Control Committee, thus ensuring the full independence of its acts.

In accordance with the Internal Audit Charter of the Group, the mission of the Internal Audit function is that of contributing to the good running of the Group, by assuring an independent supervision of the internal control system, and by providing recommendations to the Group that help reduce to reasonable levels the potential impact of the risks that hinder the accomplishment of the objectives of the Organization.

Likewise, according to the Charter, the goals of the Internal Audit function are to promote the existence of appropriate internal control and risk management systems, the homogeneous and efficient application of internal control system policies and procedures which make up such internal control system and to serve as communication channel between the Organization and the Audit and Control Committee, in relation to those matters under the remit of the Internal Audit function.

internal control and risks management systems with regard to financial reporting

(SCIIF, spanish acronym)

Mechanisms comprising the internal control and risks management systems with regard to financial reporting (SCIIF) of the Company

1. Company's control environment

Give information describing the key features of at least:

1.1 Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective SCIIF; (ii) its implementation; and (iii) monitoring.

Board of Directors.

Apart from the matters reserved for the competence of the General Meeting, the Board of Directors is the highest decision-making, supervisory and controlling body of the Group, including being ultimately responsible for the existence and update of an appropriate and effective SCIIF.

The Board of Directors is entrusted with the direction, administration, management and representation of the Group, delegating in general the management of the day-to-day business of INDITEX to the executive bodies and to the management team and focusing on the general supervisory function, which includes guiding the policy of the Group, monitoring the management activity, assessing the management by the senior management, making the most relevant decisions for the company and liaising with the shareholders.

Pursuant to the provisions of the Articles of Association and the Board of Director's Regulations, it is incumbent on the Audit and Control Committee to oversee the process for preparing and releasing the regulated financial information, and monitoring the effectiveness of the SCIIF.

Audit and Control Committee

Among the financial and monitoring duties incumbent on the Audit and Control Committee, it is charged with overseeing the process of preparation and release of the financial information and the effectiveness of the internal control systems of the Group. With this respect, the Committee discharges, inter alia, the following functions:

- To oversee the effectiveness of internal control of the Group, the internal audit, and ERM systems.
- To oversee the process of preparation and release of the regulated financial information and the effectiveness of the internal control systems of the company, and (in particular SCIIF) by checking the suitability and integrity of the same and by discussing with the external auditors of the company the significant weaknesses of the internal control system revealed in the course of the audit.
- To periodically review the risk control and management policy and the management systems, which shall, at least address the different types of risks, the fixing of the risk level which is considered acceptable, the measures foreseen to mitigate the impact of the identified risks, and the systems of information and internal control.
- To review the company' s annual accounts and the periodic financial information that the Board of Directors must provide to the markets and the supervisory bodies, overseeing compliance with the legal requirements and with the correct application of generally accepted accounting principles.
- To inform the Board of Directors about any significant change in the accounting criteria and about risks arising from the balance sheet or from any other source.

Most members of the Audit and Control Committee are independent directors. The Committee meets on a quarterly basis as well as any time it is called by its Chairman. It has met 5 times during FY2014.

Financial Division

The *Dirección General de Finanzas* [Financial Division] (hereinafter, DGF *(Spanish acronym)*) is responsible for the design, implementation and update of an appropriate SCIIF, as provided in the "Procedure for Enterprise Risk Management in respect of financial information". Such procedure is part of the integral risks management system of the Group and it covers exclusively those risks which affect the financial information.

With this respect, DGF sets out and circulates the policies, guidelines and procedures associated with financial information production, and is charged with ensuring the appropriate enforcement thereof within the Group.

Internal Audit

Internal Audit is overseen by the Audit and Control Committee to which it reports. It is charged, inter alia, with supporting the Audit and Control Committee in overseeing the internal control of financial information systems, by performing specific audits about SCIIF, requesting action plans to correct or reduce any weaknesses revealed and by following-up the implementation of the proposed recommendations.

1.2. Existence, especially in the process of drawing up the financial information, of the following elements:

•Departments and/or mechanisms in charge of: (i) the design and review of the organizational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying sufficient procedures for the effective circulation within the company

The Board of Directors is responsible for designing and reviewing the organizational structure and the responsibility lines within the Group. The departments charged with drafting the financial information are found within such structure.

The Nomination and Remuneration Committee is charged with providing and reviewing the criteria to be followed in the recruitment of senior managers. Such body is composed of a majority of independent directors.

It is incumbent on such Committee, inter alia, to report any appointment and/or resignation of senior managers of the Group proposed to the Board of Directors by the chief executive pursuant to the provisions of section 15.2.(e) of the Board of Directors' Regulations.

Senior officers and the Human Resources Division (hereinafter DRRHH, (Spanish acronym)) are charged with describing duties and responsibilities of each area. Additionally, the Compensation Department, reporting to the DRRHH regularly assesses the classification, description and duties of each position. Such functions are disclosed to each of the affected areas.

For the purposes of preparing financial information, the Group has clearly defined authority and responsibility lines. The main responsibility in preparing financial information falls with the DGF.

The DGF is responsible for the existence and appropriate dissemination within the Group, of the internal control policies and procedures required to ensure the reliable drafting of the financial information. Likewise, the DFG schedules the key dates and the reviews to be carried out by each responsible area.

The structure, size and definition of duties and tasks of each position within the financial area are defined by the DGF together with the DRRHH.

To carry out its activity, the DGF is organized in the following departments:

- Administration Department
- Planning and Management Control Department
- Financial Management Department
- Enterprise Risks Management Department
- Tax Department

The Group relies on financial organization structures that meet local requirements in each country where it operates, headed by a Chief Financial Officer who is charged, among other things, with the following:

- Designing and setting local organizational structures fit for the performance of the financial tasks allocated;
- Integrating into the local management the corporate financial policies defined by the Group;
- Adapting corporate accounting and management systems to local requirements;
- Enforcing the procedures which are part of the SCIIF of the Group and ensuring an appropriate segregation of functions at local level;
- Launching and maintaining control forms through corporate IT tools.

• Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating any specific mentions to the recording of transactions and the drafting of financial information), body in charge of investigating breaches and proposing corrective or disciplinary action.

The Board of Directors held on 17 July 2012 approved, after favorable report of the Audit and Control Committee, the Code of Conduct and Responsible Practices of the Inditex Group's (which replaces both the Internal Guidelines for Responsible Practices of the INDITEX Group's Personnel and the Code of Conduct) and the Code of Conduct for Manufacturers and Suppliers (which replaces the Code of Conduct for External Manufacturers and Workshops).

Therefore, the Group's conduct policies are covered in the following codes:

- The Code of Conduct and Responsible Practices.
- The Code of Conduct for Manufacturers and Suppliers.
- The Internal Regulations of Conduct regarding Transactions in Securities (hereinafter, the IRC).

The Code of Conduct and Responsible Practices

The Code of Conduct and Responsible Practices provides the action lines which must be followed by the Group in the performance of its professional duties.

Its goal consists of exacting an ethical and responsible professional conduct from INDITEX and its entire workforce in the conduct of their business anywhere in the world, as a gist of its corporate culture upon which the training and the personal and professional career of its employees are based. For such purposes, the principles and values which shall govern the relationship between the Group and its stakeholders (employees, customers, shareholders, business partners, suppliers and the societies where its business model is implemented) are defined.

The Code of Conduct and Responsible Practices is based upon a number of general principles, inter alia, that according to which the operations of the INDITEX Group shall be developed under an ethical and responsible perspective; all persons, whether natural or legal, who maintain, directly or indirectly, any kind of professional, economic, social or industrial relationships with INDITEX shall be treated in a fair and honourable manner and that according to which, all the activities of Inditex shall be carried out in the manner that most respects the environment, promoting biodiversity preservation and sustainable management of natural resources.

One of the standards covered under the Code of Conduct and Responsible Practices is the "Obligation to Record Transactions", according to which:

"Any and all transactions carried out by Inditex which may have an economic impact shall be clearly and accurately shown on the appropriate records of accounts, as a true representation of the transactions carried out, and they shall be made available to the internal and external auditors.

Inditex's employees shall enter the financial information on the company's systems in a full, clear and accurate manner, so that they would show, as at the relevant date, their rights and obligations in accordance with the applicable regulations. Additionally, the accuracy and integrity of the financial information which, under the prevailing regulations in force shall be disclosed to the market shall be ensured.

Inditex undertakes to implement and maintain an appropriate internal control system on financial reporting, ensuring the regular supervision of the effectiveness of such system.

Accounting records shall be at all times made available to the internal and external auditors. For such purposes, Inditex undertakes to provide its employees with the necessary training for them to understand and comply with the commitments undertaken by the company regarding the internal control on financial information."

In order to ensure compliance with the Code of Conduct and Responsible Practices, there is a Committee of Ethics, composed of:

- The General Counsel and Code Compliance Officer
- The Internal Audit Director
- The Corporate Social Responsibility Director
- The Human Resources Director

The Committee of Ethics may act of its own motion or at the behest of any of INDITEX employees, manufacturer, supplier or any third party involved in a direct relationship and with a lawful commercial or professional interest, further to a report made in good faith.

The Committee of Ethics reports to the Board of Directors through the Audit and Control Committee and has the following duties:

- To supervise compliance with the Code and the internal circulation thereof to the Group's personnel.
- To receive any manner of written instruments with regard to the enforcement of the Code and to send them, where appropriate, to the relevant body or department which may be responsible for dealing with and settling such instrument.
- To monitor and supervise the management and settlement of any file.
- To solve any doubts which may arise, regarding the enforcement of the Code.
- To propose to the Board of Directors, after report from the Audit and Control Committee, any explanation or implementation rule which the enforcement of the Code may require, and at least, an annual report to review its enforcement.
- To oversee the Whistle Blowing Channel and compliance with the Procedure.

In the performance of its duties, the Committee of Ethics shall ensure:

- The confidentiality of all the information and background and of the acts and deeds performed, unless the disclosure of information is required by law or judicial order.
- The thorough review of any information or document that originated its action.
- The commencement of such proceedings that adjust to the circumstances, where it shall always act with independence and full respect of the right of the affected person to be heard as well as of the presumption of innocence.
- The indemnity of any employee as a result of bringing complaints in good faith to the Committee.

Decisions of the Committee of Ethics shall be binding for the INDITEX Group and for employees.

The Committee of Ethics submits a report twice a year, to the Board of Directors, reviewing its proceedings and the enforcement of the Code of Conduct and Responsible Practices.

Additionally, the Audit and Control Committee reports to the Board of Directors, on an annual basis as well as whenever this latter so requires, on the enforcement of the Code of Conduct and Responsible Practices and of the additional documents which comprise the regulatory compliance policy of the group from time to time in force.

The Code of Conduct for Manufacturers and Suppliers

The Code of Conduct for Manufacturers and Suppliers defines minimum standards of ethical and responsible behaviour which must be met by the manufacturers and suppliers of the products commercialized by INDITEX in the course of its business, in line with the corporate culture of INDITEX Group, firmly based on the respect for human and labour rights

The Code, which shall be applied to all manufacturers and suppliers that take part in the purchasing, manufacturing and finishing processes, fosters general principles that define INDITEX's ethical behavior, i.e.: all INDITEX's operations are developed under an ethical and responsible perspective; all persons, individuals or entities, who maintain, directly or indirectly, any kind of employment, economic, social and/or industrial relationship with Inditex, are treated fairly and with dignity; all INDITEX's activities are carried out in a manner that most respects the environment; all manufacturers and suppliers (production centres that are not property of Inditex) fully adhere to these commitments and undertake to ensure that the standards which are set forth in the Code of Conduct for Manufacturers and Suppliers are met.

Manufacturers of goods commercialized by INDITEX are bound to comply with this Code of Conduct for Manufacturers and Suppliers and with the Code of Conduct and Responsible Practices, to the extent that they are applicable to them. Likewise, the remaining suppliers of goods and services of the Group shall enforce both Codes where applicable to them.

IRC

The Board of Directors approved on 20 July 2000, pursuant to the provisions of section 78 of Act 24/1988 of 28 July on the Stock Exchange and consistent rules, the "Internal Regulations of Conduct regarding Transactions in Securities of Inditex and its Corporate Group".

The IRC governs such issues as confidentiality of relevant information, conflicts of interest declarations, transactions in securities of INDITEX and its corporate group by individuals within its scope (affected or related parties), treasury stock and communication of relevant facts.

Two revised texts of the Internal Regulations of Conduct regarding Transactions in Securities were approved by the Board of Directors held on 20 March and 11 December 2003, respectively, for the purposes of adjusting them first to the new obligations introduced by the Financial Act and then to the recommendations included in the Aldama Report; as a result of such review, certain concepts were redefined and control on transactions in securities which might be eventually carried out by Affected Persons was enhanced, among others.

Said revised text was lastly amended further to a resolution of the Board of Directors dated 13 June 2006, for the purposes of adjusting its contents to the provisions of Real Decreto 1333/2005 of 11 November, whereby the Stock Exchange Act in the matter of market abuse was implemented.

Finally, there is a Code Compliance Supervisory Board which reports directly to the Audit and Control Committee of the Board of Directors. Such Supervisory Board is composed of:

- The Chairman and CEO
- The General Counsel
- The Director of the Capital Markets Department, and
- The Head of Human Resources

Such Supervisory Board is responsible for developing procedures and implementing regulations to enforce the IRC. Likewise, within the Code Compliance Supervisory Board there is a Code Compliance Office. The General Counsel of the Inditex Group is the Code Compliance Officer. The Code Compliance Office is charged, inter alia, with enforcing the conduct policies of stock exchanges and the standards and procedures of the IRC on directors, officers, employees and any other person to which the IRC applies.

The proceedings of the companies which are a part of the Group and of all people with access to such information which may be deemed to be relevant information, and namely, financial information, shall adjust to the following principles: regulatory compliance, transparency, collaboration, information, confidentiality and neutrality. Both the Code Compliance Supervisory Board and the Code Compliance Office shall ensure that the above-referred principles are observed in respect of financial information.

With regard to the dissemination of the above-referred regulations, it is incumbent on the Human Resources Department of the Group to circulate a copy of the Code of Conduct and Responsible Practices to any new employees upon their joining the organization.

Likewise, such regulations are available at the corporate web page (www.inditex.com) and on the intranet, and are subject to the appropriate measures regarding disclosure, training and awareness-raising, so that they may be understood and implemented within the whole organization. Additionally, the Code of Conduct and Responsible Practices is also available on the stores TGT in most countries.

With regard to the IRC, the Code Compliance Office keeps a General Documentary Register of all Affected Persons (persons subject to the IRC) and it is bound to inform them that they are subject to the provisions of the IRC and of any breaches and penalties which would arise, where appropriate, from an inappropriate use of Reserved Information.

Likewise, the Code Compliance Office shall inform the Affected Persons that they have been included on the General Documentary Register and about any other issues addressed by *Ley Orgánica* 15/1999, of 13 December on the Personal Data Protection.

• Whistle Blowing Channel, for the reporting to the Audit Committee of any irregularities of a financial or accounting nature, as well as breaches of the Code of Conduct and malpractice within the organization, stating where appropriate, whether reports made through this channel are confidential.

There is a Whistle Blowing Channel available to all employees of the Group, manufacturers, suppliers or third parties with any direct relationship and a lawful business or professional interest, regardless of their tier or geographic or functional location, so that they may report through this Whistle Blowing Channel any breach of Inditex's conduct and regulatory compliance policies which affect the Group, and which arise from any employees, manufacturers, suppliers or third parties with whom the Group has any direct employment, business or professional relationship.

Therefore, any breach and any manner of malpractice may be reported, including those of a financial and accounting nature.

It is incumbent on the Committee of Ethics to oversee the Whistle Blowing Channel and the enforcement of the Whistle Blowing Channel Procedure.

The proceedings of such Channel are implemented in the Whistle Blowing Channel Procedure approved by the Board of Directors last 17 July 2012; such document is available on the corporate intranet.

Reports about any breach or any queries regarding the construction or application of internal conduct and regulatory compliance policies may be sent to the company by post, for the attention of the Committee of Ethics (to Avenida de la Diputación, Edificio INDITEX, 15142 Arteixo, A Coruña); by e-mail to: (comitedeetica@inditex.com), or by fax (+34 981186211). The confidentiality of such reports is ensured

Upon receipt of the report, the Committee of Ethics verifies first whether it falls within its remit. If so, the Committee of Ethics will refer such report to the relevant department so that it would make the appropriate enquiry. Otherwise, the Committee of Ethics will order staying of proceedings.

In light of the findings reached further to the enquiry, the relevant department or departments shall, having heard first the interested party, propose any of the following measures to the Committee of Ethics which will have final say:

- Remedy of the breach, if appropriate,
- Proposal of penalties or relevant measures
- Staying of proceedings, where no breach has been detected.

• Training and refresher courses for personnel involved in preparing and reviewing financial information or evaluating SCIIF, which address, at least, accounting rules, auditing, internal control and risk management

The Training and Development Department of the Group, which reports to the DRRHH, is charged with preparing, together with each of the areas reporting to the DGF and with internal Audit, training and refresher schemes for the different staff members involved in the preparing and overseeing the financial information of each and every company comprising the Group. Such schemes include, both general courses focusing on business expertise and knowledge of the different departments which make up the company, and specific schemes aimed at training and refreshing employees in respect of new regulatory changes in the matter of preparation and supervision of financial information.

- **General Training**

  This training aims at the internal knowledge of each business unit, as well as of each department with their respective activities, functions and duties within the business.

  Pursuant to such training plan, employees begin by working at the stores, getting acquainted with the whole process of running a store. Then, they spend time at the different corporate departments at headquarters to finally visit any of the subsidiaries of the Group abroad.

– **Specific training**

Group employees involved in procedures associated with the drafting of financial information receive regular training and refresher courses focusing mainly on learning about local and international standards governing financial information

Within the financial environment, such training and refresher schemes are organized by the Training and Development Department which reports to the DRRHH:

At the beginning of each year, this Department prepares a "Training Scheme" encompassing the different courses, both external and internal, addressed to employees of the various departments comprising the DGF.

Training courses are provided on an annual basis for all new supervisors of financial areas in each country, in order to train them in respect of the management model of the INDITEX Group, and in the internal control system on financial information implemented by the Group.

Additionally, supplementary courses are taught by internal staff on the operation of financial software tools used in the preparation of financial information.

During FY2014, a seminar headed "Internal Control" has been given to the different corporate supervisors charged with the Group's internal control system on financial information. Issues covered in such seminar included types of control, assessment of their performance and effectiveness and identification of improvement opportunities.

Likewise, the Group has launched during the year a new intranet with all the main courses taught, which are thus available to all the staff from the financial area.

2. Risks assessment in financial reporting

Information on at least:

2.1. Main features of the risk identification process, including error and fraud risks, with respect to:

• Whether the process exists and is documented

Within the Group, the process to identify risks has been documented in the *"Procedure for Enterprise Risks Management in respect of Financial Information"* prepared by the DGF and Internal Audit. This process helps identify and assess, on an annual basis, the risks which may lead to material mistakes in financial reporting.

• Whether the process covers all the goals of financial information (existence and occurrence; integrity; assessment; submission, breakdown and comparison; rights and obligations); whether the information is updated and how often

The above-referred risks management process is based upon five stages:

- Gathering financial information
- Identification of the operation cycles with an impact on financial information
- Assessment or risks of the reporting of financial statements unit
- Prioritization of accounts criticality
- Checking risks versus operational cycles

As a result of such process, a scoping matrix of risks regarding financial information (Scoping Matrix of SCIIF) is updated on an annual basis. This Scoping Matrix allows identifying the material headings of financial statements, assertions or goals of financial information in respect of which any risks may exist, and the prioritization of operational processes which have an impact on financial information.

The assessment process covers all the goals of financial information: (i) existence and occurrence; (ii) integrity; (iii) assessment; (iv) presentation and breakdown; (v) rights and obligations.

Further to the identification of potential risks, they are assessed on an annual basis based upon the management's information and understanding of the business and upon materiality criteria.

Assessment criteria are established (i) from a quantitative perspective in accordance with such parameters as: turnover, size of assets and pre-tax profit and (ii) from a qualitative perspective in accordance with different issues such as transactions standardizing and processes automation, composition, changes versus the previous year, complexity of accounting, likelihood of fraud or error or degree of use of estimates in book recording.

• The existence of a process to identify the consolidation perimeter taking into account, inter alia, the potential existence of complex corporate structures or special purposes vehicles

The Group relies on a Corporate Master of Companies wherein all the companies which are part of the Inditex Group are included. Such master is managed and updated in accordance with the *"Procedure for the Incorporation and Financing of Companies".*

Recorded in such master are on the one hand, general information about companies, such as company name, accounting closing date and currency and on the other, legal details such as the date of incorporation, share capital, list of shareholders, stake percentage, and other relevant information. The Legal Department is responsible for updating the master as regards legal information.

The External Reporting area, which reports to the Planning and Management Control Department determines on a monthly basis the number of the companies which make up the Consolidation Perimeter as well as the consolidation methods which apply to each of the companies included in the above-referred perimeter.

• Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, reputational, environmental, etc.,), to the extent that they might have an impact on financial statements

The process for the assessment of financial information risks includes in addition to the above-referred quantitative and qualitative factors, the main risks identified through the general risk map of the INDITEX Group.

Potential risks identified through the Scoping Matrix of financial information are added to the Risks Map of the Group. Such Map is regularly updated by the Enterprise Risks Management Department (reporting to the DGF) with the assistance of all the involved areas of the organization. Thus, the Group may consider the impact that the remaining risks regarding Business Environment, Reputation, Regulatory risks, Human Resources, Operations, Financial, Technology and IT Systems, Environmental, Governance and Management may have on financial statements.

• Which governing body of the company is charged with overseeing the process

The whole process is overseen and approved on a yearly basis by the Audit and Control Committee.

3. Control activities

Information on the main features if at least the following exist:.

3.1. Procedures to review and authorize financial information and SCIIF description, to be disclosed to stock exchanges, stating who is in charge thereof, as well as the documentation describing the activities and control flows (including those concerning fraud risk) for the different types of transactions which may have a material impact on the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgment, estimates, valuations and projections.

Pursuant to the Board of Directors' Regulations, it is incumbent on the Audit and Control Committee, among other things, to review the annual accounts and the periodic information that the Board of Directors must submit to the markets and their supervisory bodies, overseeing at all times compliance with the legal requirements and the appropriate use in the preparation of such information of generally accepted accounting standards.

Likewise, the above-referred Regulations provide that the Audit and Control Committee will meet on a quarterly basis to review the periodic financial information to be submitted to the Stock Exchanges authorities and the information that the Board of Directors must approve and add to its annual public documentation.

The Group relies on review and authorization mechanisms regarding the financial information on different levels:

- A first level of review carried out by the different local organizational structures
- A second level of corporate review (conducting analytical reviews of financial information reported by the above structures)
- A third level of control of compliance with internal control procedures regarding financial information

Prior to the statement of the annual accounts and to the approval of the half-yearly financial statements, the DGF and External Auditors meet for the purposes of reviewing and assessing the financial information prior to submitting it to the Board of Directors.

The Audit and Control Committee submits this information to the Board of Directors which is responsible for approving it, prior to it being disclosed to the market.

The Group keeps duly documented in the relevant procedures all processes which it deems to entail a risk of a material impact on the preparation of the financial information.

Such procedures include controls which allow giving an appropriate answer to risks associated with the achievement of the goals regarding reliability and integrity of the financial information so as to prevent, detect, reduce and correct the risk of any potential mistakes way in advance.

Additionally, procedures are represented in flow charts and control activities through scoping risks matrixes and controls. Each control activity is overseen by the relevant supervisor and is systematically carried out. Dissemination of procedures, flow charts and matrixes to staff members involved in the drafting of the financial information is carried out through the DGF portal of the Group available on the intranet, where they may be accessed by any member of the financial team. Such portal represents an additional work tool.

Each procedure is allocated to a manager charged with reviewing and updating it. Said updates are duly reviewed and authorized by the head of the area prior to their dissemination via the financial portal.

The following procedures should be underscored in accordance with their relevance, considering the business nature:

- Accounts payable
- Cash
- Stores sales
- Stock management
- Tangible fixed assets
- Taxes
- Accounting closure

Such procedures have been updated during the year, with the addition of new ones, and the adjustment thereof to the new requirements of the control tool.

The Group also relies on procedures governing accounting closing, central purchases units and consolidated financial statements. This last procedure provides a section regarding *"Provisions, Opinions and Estimates"* which covers the main consolidated provisions, opinions and estimates, as well as the review and approval thereof by the DGF.

During financial year 2014, the Group continues implementing the SAP GRC Process Control tool in the different companies of the Group.

The DGF relies on another control tool, which complements the different documented procedures. Such tool consists of a number of indicators (KPIS, "key performance indicators") which aim at evaluating the quality of financial information reported by the relevant managers of the Group companies. Such tool is available to the different units which create information. KPIS are regularly reviewed by members of the different financial departments of companies, with the proposal, where appropriate, of corrective measures and specific action plans and the follow-up thereof.

3.2. Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of functions) supporting the key process of the company regarding the drafting and publication of financial information.

The internal control framework of IT systems of the Group has been defined based upon a catalogue of IT processes (hereinafter, IT) which covers the whole activity associated with each system and a basic risks review associated with such processes. Thus, the internal control framework covers all the risks associated with each and every process.

The Group has an Ethical Hacking area, reporting to the IT Division, which aims at ensuring security of all computer processes by:

- setting and circulating regulations to ensure security, pursuant to the Policy for Information Security (hereinafter, PSI *(Spanish acronym)*).
- carrying out reviews aimed at verifying enforcement of such regulations.

The PSI serves as a benchmark which provides guidelines to be followed by the staff of the Inditex Group, for the purposes of ensuring computer security within all business processes; therefore, they also support the SCIIF. Guidelines provided in the Security Policy address the following issues:

- Assets classification and control
- Security versus human deeds
- Physical security and security of the environment
- Accesses control
- Systems, Communications and Transactions Management

- Systems Development and Update
- Business Continuity Management
- Management of Information Security Incidences
- Regulatory and Legal Compliance.

Additionally, regarding the design and implementation of applications, the Group has defined a methodological framework with different requirements aimed at ensuring that the solution implemented actually meets the functions demanded by users and so that the quality level meets the security standards set out.

Likewise, the Group relies on contingency mechanisms and procedures, both technical and operational, which have been defined to ensure recovery of IT systems in case of lack of availability.

Finally, a Committee for Information Security has been set up in 2014, to monitor and support Security initiatives, fostering the dissemination and awareness-raising of the area.

The following areas are represented in the Committee:

· Administration and Finances

· Internal Audit

· Corporate Development

· International

· Legal

· Corporate Logistics

· Product Diversion Control

· Human Resources

· General Counsel's Office

· Corporate Security

· IT

3.3. Internal control policies and procedures to oversee activities outsourced to third parties as well as the appraisal, calculation or assessment activities commissioned from independent experts, which may have any material impact on financial statements.

As a general rule, the INDITEX Group does not have any process with a relevant impact on financial information outsourced to any third party. The general policy of the Group lies in not outsourcing any activity which might have any material impact on its financial statements.

During FY2014, the following main activities entrusted to third parties have been identified, without their having any material impact on financial statements:

- Valuation of real estate
- Valuation of intangible assets
- Actuarial calculations
- HHRR related services
- Valuation of derivatives

Such services are engaged by the supervisors of the relevant areas, ensuring the technical and legal qualifications and capacity of the individuals or companies hired.

4. Information and communication

Information on the main features if at least the following exist:

4.1. A specific function in charge of defining and updating accounting policies (accounting policies area or department) and of settling doubts or conflicts arising from the construction thereof, which is in regular communication with those in charge of operations within the organization as well as an updated manual on accounting policies disclosed to the units through which the entity operates.

The External Reporting area within the Planning and Management Control Department is responsible for drafting, publishing, implementing and updating the Manual of Accounting Policies of the Group. Such area has, among others, the following duties associated with accounting policies:

- Defining the accounting treatment of the transactions which make up the business of the Group.
- Defining and updating the accounting practices of the Group.
- Addressing accounting doubts raised by any company of the Group.
- Standardizing the accounting practices of the Group.

Such manual covers transactions inherent in the Groups' business and their accounting treatment in accordance with the Group's benchmark accounting framework.

The manual is regularly updated. For such updating procedure, the Consolidation and Reporting area includes all accounting changes arisen during the financial year which were already advanced to those in charge of drafting the financial statements.

The manual and the remaining documentation are available on the corporate intranet.

A process to update the manual was initiated in financial year 2014, and the addition of a great number of case studies is noted.

4.2. Mechanisms for the capture and preparation of financial information in standard format, which are enforced and used by all the units of the company or the Group, supporting the main financial statements and the notes thereto, as well as the disclosure concerning SCIIF.

The process for consolidation and preparation of consolidated financial statements is centralized, falling on the External Reporting area which reports to the Planning and Management Control Department.

The Group relies on IT systems for the drafting of financial information of individual companies, which on the one hand allow the automatic recording of the different transactions, with the standard configuration of individual financial statements of each company within the Group, and on the other hand, provides the information required to draft the consolidated financial statements.

In this respect, for the purposes of reporting financial information, the subsidiaries of the Group use SAP BPC tool wherein the individual financial statements are automatically included. Contemporaneously, transactions and inter-group balances are reconciled through another IT tool. The remaining part of the consolidation process (removal, adjustment, etc.,) is carried out through SAP BPC.

Financial information reported to *CNMV* is drafted based upon consolidated financial statements gathered through the above-referred tool, and based upon certain supplementary information reported by the subsidiaries, required to prepare the annual/half-year report. Contemporaneously, certain specific controls are exerted to confirm integrity of such information.

5. Supervision of the system's operation

Information on the main features of:

5.1. SCIIF supervision activities carried out by the Audit Committee and the existence of an internal audit function charged, inter alia, with supporting the Audit Committee in the monitoring of the internal system, including SCIIF. Likewise, the scope of SCIIF assessment carried out during the fiscal year, and the procedure by which the person in charge of performing the assessment communicates its results, existence of an action plan providing any potential corrective measures and whether the impact of such measures on the financial information has been considered

In particular, with regard to the monitoring activities about SCIIF carried out by the Audit and Control Committee during the year, it has performed, inter alia, the following:

- It has reviewed the annual accounts of the Group and the periodic financial information, this latter on a quarterly basis, to be provided by the Board of Directors to the markets and its supervisory bodies, overseeing compliance with the legal requirements and the appropriate application of the generally accepted accounting standards upon drafting such information.
- It has proposed to the Board of Directors, the terms of the agreement to be executed with auditors, the scope of their professional mandate and, where appropriate, their removal or renewal, overseeing performance of the agreement and regularly assessing their results.
- As part of its monitoring duties regarding the Internal Audit Department, the Committee has approved the annual activities report of such Department, as well as its budget and the annual audit plan.
- It has reviewed the annual audit plan of external auditors, including the audit goals based upon the assessment of financial information risks, and the main areas involved or significant transactions which shall be reviewed during the financial year.
- It has reviewed with the external auditors and with Internal Audit the internal control weaknesses detected, where appropriate, in the course of audit and review assignments. Likewise, both external auditors and Internal Audit regularly report to the Audit and Control Committee the degree of

enforcement of recommendations resulting from such assignments.

It has kept regular meetings with other corporate departments of the INDITEX Group for the purposes of overseeing the effectiveness of internal control systems of the Group, including SCIIF, and verifying their suitability and integrity and the degree of implementation of action plans to meet audit recommendations.

Internal Audit is a corporate function included in the current organizational structure by means of a direct link to the Board of Directors, which ensures a full independence in the performance of its activities. Internal Audit reports to the Audit and Control Committee.

Management of the area is central from headquarters and it relies on representatives at such geographical areas where the presence of the Inditex Group justifies such existence. Additionally, the area is divided into specialized areas, which permits to gather deeper knowledge on risks and processes.

Internal Audit's budget is approved on an annual basis by the Audit and Control Committee which provides for the human and material resources, both internal and external of the Internal Audit area.

Among the goals of the Internal Audit function are the assessment of risk exposure and the suitability and effectiveness of controls vis-à-vis risks identified and namely, those regarding reliability and integrity of financial and operational information.

Based upon the Scoping Matrix of SCIIF Risks, Internal Audit drafts a pluri- annual plan for the regular review of SCIIF of the Group which is submitted to the update and approval of the Audit and Control Committee on an annual basis.

Such pluri-annual plan envisages reviews of SCIIF for the main processes and geographical areas with a material impact on financial statements of the Group. Priority reviews are set in accordance with the risks identified. Suitability of such plan shall be reviewed every year, further to the update of the process to identify and assess financial information risks.

Namely, the design and effective operation of key transactional controls and of general controls on the main software tools involved in the preparation of the financial information, is subject to review, as well as the review of the general control environment.

Additionally, this review is complemented by the execution and review (KRI, key risk indicators) defined by Internal Audit on most critical risks areas, which have been designed to detect and reduce likelihood of risks and mistakes, including those of a financial nature and fraud. Execution of such key risk indicators is centralized for all business units and geographical areas, pursuant to the annual plan.

In the implementation of its proceedings, Internal Audit relies on different audit techniques, mainly interviews, analytical reviews, specific control tests, reviewing both the effectiveness of design and the effective operation thereof, review of the effectiveness of software tools and material tests.

Likewise, Internal Audit carries out certain limited procedures of analytical review on consolidated financial statements for the first and third quarter of the year on consolidated information.

Results of the assignments, together with the corrective measures proposed, where appropriate, are reported to the DGF and the Audit and Control Committee. The implementation of such measures has been subsequently monitored by Internal Audit and reported to the Audit and Control Committee.

5.2. Discussion procedure whereby the auditor, (in accordance with the provisions of the NTA), the internal audit function and other experts may disclose to the senior management and to the Audit Committee or the directors of the company any significant internal control weaknesses identified in the course of the review of the financial statements or any other assignment entrusted. Likewise, existence of an action plan to try and correct or reduce weaknesses observed

Internal Audit regularly reports to the DGF and the Audit and Control Committee the internal control weaknesses identified in the reviews of SCIIF of the Group, as well as the follow-up of the action plans set out to settle or reduce them.

Meanwhile the external asuditors regularly meet with the DGF and Internal Audit, both to gather information and to disclose any potential control weaknesses which they might detect, where appropriate, in the course of their work.

In the course of its meetings, the Audit and Control deals with the potential weaknesses in control which might have an impact on financial statements, requesting, where appropriate, from the affected areas the relevant information to assess any effects on the financial statements.

Section 43.4 of the Board of Directors' Regulations provides that: "The Board of Directors shall endeavor to definitively prepare the accounts in such a manner that they do not give rise to qualifications on the part of the auditor. Nonetheless, when the Board considers that it must maintain its criterion, it shall publicly explain the content and scope of the discrepancy".

To meet the provisions laid down in the above-referred section 43.4, any discussion or different view existing is anticipated in the meetings held between the Audit and Control Committee and the external auditors. Meanwhile, external auditors report, where appropriate, about the main improvement issues on internal control identified as a result of their work. Additionally, the Management reports on the degree of implementation of the relevant action plans set in train to correct or reduce the issues identified.

On the other hand, the Audit and Control Committee meets with the auditors of the individual and consolidated statements for the purposes of reviewing on the one hand the financial statements of the Group and on the other, certain half-yearly financial information that the Board of Directors must provide to the market and its supervisory bodies, overseeing compliance with legal requirements and the appropriate enforcement of generally accepted accounting standards upon preparing such information.

During FY2014, members from the Internal Audit Department have attended five meetings of the Audit and Control Committee and external auditors four meetings.

6. Report of the external auditor

The Group's Management has decided to submit the information about SCIIF included in section F of the Annual Corporate Governance Report for FY2014 prepared by the csompany's Management to the external auditor for review.

Report of the external auditor regarding the review of the information on the SCIIF sent to the markets.

audit and control committee activities report

1. Preliminary

The Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) has been amending its rules on corporate governance in line with the most demanding trends on the subject and in accordance with the good governance codes and, where appropriate, the regulations approved. Among said adjustments and amendments are those affecting the Board of Directors' Regulations, including those aimed at enhancing the tasks of the Audit and Control Committee, to extend its duties or entrust it with new ones.

Further to Act 31/2014, of 3 December, amending the Act on Capital Companies to improve corporate governance, and to the new Good Governance Code of listed companies, approved by resolution of the Board of the *Comisión Nacional del Mercado de Valores* [Spanish SEC] dated 18 February 2015, Inditex has carried out a review and update of its internal regulations to comply with the new legal requirements, the latest recommendations in the area of good governance and the most recent trends on corporate governance. Such process will be completed during the upcoming Annual General Meeting slated to be held on 14 July 2015.

This document, drawn up by the Audit and Control Committee of INDITEX, in the session held on 8 June 2015, is the annual activities report prepared in compliance with the provisions of section 14.2 (o) currently in force of the Board of Directors' Regulations; it describes the main activities carried out by the Audit and Control Committee from 1 February 2014 through 31 January 2015, financial 2014 year-end.

This report has been issued on an annual basis since financial year 2002.

2. The Audit and Control Committee: origin and evolution, regulation and composition

a. Origin and evolution

The Board of Directors of INDITEX held on 20 July 2000 the approval of the Board of Directors' Regulations, under the provisions of section 29.3 of the then prevailing Articles of Association in force, in order to adjust to the guidelines of the report drawn up by the Special Commission for the study of an Ethics Code for corporate governance (the "Olivencia Code").

Section 14 of said Regulations established the Audit and Control Committee (first known as Audit and Compliance Committee), with powers similar to those which were later acknowledged by law, being encompassed by Act 24/1988 of 28 July, governing the Stock Exchange (hereinafter, "LMV"-Spanish acronym), as amended by Act 44/2002, of 22 November on the Reform of the Financial System (hereinafter, the "Financial Act").

Subsequently, the Board of Directors' Meeting held on 20 March 2003 passed the following resolutions:

1) To propose to the General Meeting of Shareholders the amendment of the Articles of Association, with a new wording of section 30, in order to include the regulation of the Audit and Control Committee.

2) To approve the amendment of the Board of Directors' Regulations, in order to enhance the functions of the Audit and Control Committee, with the assumption of new duties and the extension of those already existing.

Thus, the then prevailing Additional Provision Number Eighteen of LMV, (introduced by the "Financial Act"), according to which those issuing companies whose shares were admitted to trading on secondary official securities markets should have an Audit Committee, was enforced, as were the latest trends concerning corporate governance issues of listed companies established by the Aldama Report, laying with the Articles of Association the task of fixing the number of members, the powers of the Committee and the rules governing its proceedings.

It was subsequently resolved by the Board of Directors in the meeting held on 10 June 2004, to approve a new Revised Text of the Board of Directors' Regulations, which would include the provisions of Act 26/2003 of 17 July, amending the Stock Exchange Act and then prevailing Revised Text of the Spanish Corporation Act in force, in order to foster transparency in listed companies (the "Transparency Act") and its implementing regulations. With this new amendment the role of the Audit and Control Committee was once again enhanced, with the addition of a new duty.

The Board of Directors held on 11 December 2007 approved a new Revised Text of the Board of Directors' Regulations, in order to adjust the contents thereof to the Recommendations of the Unified Good Governance Code. This amendment entailed an increase in the duties of the Audit and Control Committee, as it encompassed the Recommendations provided by such Unified Code on this issue.

b. Regulations

The amendment of the Board of Directors' Regulations, the approval of by such body in the meeting held on 13 July 2010, sought to adjust such Regulations to the Articles of Association and extend the maximum number of members of the Audit and Control Committee and of the Nomination and Remuneration Committee.

Finally, the Board of Directors' Regulations were amended in the meeting held last 12 June 2012 for the purposes of encompassing, among others, Recommendations number 39 and 49 (formerly, recommendations number 44 and 54) of the Unified Good Governance Code of Listed Companies, and extending the remit of the Audit and Control Committee.

Section 31 of the Articles of Association currently in force, as amended further to a resolution passed by the Annual General Meeting of Shareholders held on 17 July 2012, provides as follows:

1. "An Audit and Control Committee shall be formed within the Board of Directors made up of a minimum of three and a maximum of seven non-executive directors appointed by the Board itself, a majority of whom must necessarily be independent directors, and out of whom at least one of them shall be appointed taking into account his/her knowledge and expertise in accounting or audit matters or in both

For such purposes, independent directors are understood as those professionals of repute not linked *to the executive team or the significant shareholders and that meet the requirements that ensure their impartiality and objectivity of opinion.*

2. The Chairman of the Audit and Control Committee, who needs to be an independent director, shall be elected for a maximum four-year term, upon expiry of which he shall be replaced. He may be re-elected after expiry of one year of the date of his removal.

3. Without prejudice to any other tasks that it might be assigned from time to time by the Board of Directors, the Audit and Control Committee shall perform the following duties:

(a) To report to the General Shareholders' Meeting on those questions put forward by shareholders regarding matters within the scope of its competence.

(b) To propose to the Board of Directors, in order to be submitted to the General Shareholders' Meeting, the appointment of the external auditors that must review the annual accounts.

(c) To liaise with the external auditors in order to receive information on those matters that could put at risk their independence, so that the Committee may review them, and on any other matter related to carrying out of the audit process, as well as on those other communications envisaged by audit legislation and auditing standards; namely, the Committee should receive from the auditors at all events and on a yearly basis, the written confirmation of their independence vis-à-vis the Company or vis-à-vis those entities directly or indirectly linked thereto, as well as the information on any additional services whatsoever other than those the subject matter of the audit agreement, rendered to the Company or to the entities linked thereto, by such auditors or entities linked to them, pursuant to the provisions of the prevailing regulations from time to time in force.

(d) To supervise the effectiveness of the internal control of the Company, the internal audit, where appropriate, and the risks management.

(e) To supervise the process for preparing and disclosing regulated financial information and the effectiveness of the internal control systems of the Company (namely, the internal control system on financial reporting), checking their appropriateness and integrity and reviewing with the external auditors of the Company any significant internal control weakness revealed in the course of the audit.

(f) To issue on a yearly basis and prior to the issue of the audit report, a report expressing an opinion on the independence of the external auditors of the Company, such report to address at any rate, the rendering of any additional services whatsoever referred to under paragraph (c) above.

4. The Audit and Control Committee shall ordinarily meet quarterly in order to review the periodic financial information that has to be relayed to the Stock authorities, as well as the information that the Board of

5. Directors has to approve and include in the annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions.

6. The management team or the personnel of the Company shall be obliged to attend the meetings of the Committee and to give their help and access to the information at their disposal when the Committee so requests. Likewise, the Committee may require the attendance at its meetings of the Auditors of the Accounts.

7. The Audit and Control Committee may develop and complete in its Regulations the aforementioned rules, in accordance with the provisions of the Articles of Association and with the Law".

Meanwhile, section 14 of the Board of Directors' Regulations reads as follows:

"1. The Audit and Control Committee shall be made up of a number of directors being no less than three and no greater than seven, most of whom shall be independent directors, out of whom at least one shall be appointed taking into account his or her knowledge and expertise in accounting or audit matters or both. The Chairman of the Committee, who shall necessarily be an independent director, shall be elected for a maximum four-year term, upon expiry of which he shall be replaced. He may be re-elected after expiry of one year of the date of his removal.

2. Without prejudice to other tasks it is assigned by the Board, the Audit and Control Committee shall have the following basic responsibilities, which are:

(a) To report to the General Shareholders' Meeting on those questions put forward by shareholders regarding matters within the scope of its competence.

(b) To propose to the Board of Directors, in order to be submitted to the General Shareholders' Meeting, the appointment of the auditors. Furthermore, to propose to the Board of Directors their contractual

conditions, the scope of their professional mandate and, where appropriate, the rescission or nonrenewal of their appointment.

(c) To liaise with the external auditors in order to receive information on those matters that could put at risk their independence, which shall be subject to review by the Committee, and on any other matter related to carrying out of the audit process, as well as on those other communications envisaged by audit legislation and auditing standards; specifically, to receive from the auditors every year written confirmation of their independence vis-à-vis the Company, as well as the information about any manner of additional services, other than those covered under the audit agreement, rendered by said auditors to the Company.

(d) To supervise the fulfilment of the auditing contract, endeavouring for the opinion about the annual accounts and the main contents of the auditor's report to be drawn up in a clear and precise manner and to evaluate the results of each audit process.

(e) To supervise the terms and the observance of the contracts entered into with the external auditors of the Company for the performance of assignments or tasks other than those included in the audit contract.

(f) To issue on a yearly basis and prior to the issue of the audit report, a report featuring an opinion on the independence of the external auditors of the Company, which shall address at all events the rendering of any manner of additional services other than those covered under the audit agreement referred to under paragraph (c) above.

(g) To supervise the Internal Audit Department of the Company and its Group, approving the budget of the Department, the Plan of Internal Audit and the Annual Activities Report, and supervising the material and human resources, whether internal or external, of the Internal Audit Department for the performance of their work. To report on the appointment of the Internal Audit Department Director prior to the corresponding report from the Nomination and Remuneration Committee.

(h) To supervise the process of preparation and release of the regulated financial information and the effectiveness of the internal control systems of the Company, and (in particular that regarding the internal control on the financial information) and, by checking the suitability and integrity of the same and by discussing with the external auditors of the Company the significant weaknesses of the internal control system revealed in the course of the audit.

(i) To periodically review the risk control and management policy and the management systems, which may contain, at least, the different types of risks, the fixing of the risk level which is considered acceptable, the measures foreseen to mitigate the impact of the identified risks and the systems of information and internal control.

(j) To review the Company´s annual accounts and the periodic financial information that the Board must provide to the markets and the supervisory bodies, overseeing compliance with the legal requirements and with the correct application of generally accepted accounting principles.

(k) To inform the Board of Directors about any significant change in the accounting criteria and about risks arising from the balance sheet or from any other source.

(l) To examine compliance with the Internal Regulations of Conduct Regarding Transactions in Securities, with these Regulations, and in general, with the governance regulations of the Company and to make the necessary proposals for their improvement.

(m)To receive information and, where appropriate, to issue reports on the disciplinary measures intended to be imposed on the members of the senior management team of the Company.

(n) To report during the first three months of the year and whenever the Board of Directors so requests on compliance with the Code of Conduct and with any additional documents which make up the prevailing policy on internal regulations compliance, from time to time in force, and to make proposals to the Board of Directors for the taking of steps and adoption of policies aimed at improving compliance with such policy on regulatory compliance.

(o) To draw up and put forward to the Board of Directors an annual report on corporate governance for its approval.

(p) To draw up an annual report on the activities carried out by the Audit and Control Committee itself.

(q) To supervise the functioning of the Company´s web page regarding the provision of information on corporate governance as referred to under Section 40.

(r) To report to the Board of Directors about the creation or, as the case may be, acquisition of shares in special purpose vehicles or entities resident in

jurisdictions considered tax havens, and any other transactions or operations of a comparable nature.

(s) To receive from the head of tax issues of the Company, in order to relay it to the Board of Directors, prior to the statement of the annual accounts and the filing of the Corporate Tax return, information about tax criteria enforced by the Company during the financial year and the degree of compliance with the Code on Best Tax Practices.

(t) To report to the Board of Directors, based upon the information received from the head of tax issues of the Company, on tax.

(u) policies enforced, and in respect of issues which shall be submitted to the Board of Directors for approval, on their tax consequences, where they are deemed to be a relevant factor.

3. The Audit and Control Committee shall ordinarily meet quarterly in order to review the periodic financial information that has to be relayed to the Stock authorities, as well as the information that the Board of Directors has to approve and include in the annual public documentation. Furthermore, it shall meet each time its Chairman calls it to meet, who must do so whenever the Board or the Chairman thereof requests the issuing of a report or the adoption of proposals and, in any case, whenever appropriate for the successful performance of its functions.

4. The management team or the personnel of the Company shall be obliged to attend the meetings of the Committee and to give their help and access to the information at their disposal when the Committee so requests. Likewise, the Committee may require the attendance of its meetings by the Auditors of the Accounts.

5. For the best performance of its functions, the Audit and Control Committee may obtain the advice of external experts, to which purpose the provisions of Section 27 of these Regulations shall apply.

6. The Audit and Control Committee shall report to the Board on the business transacted and the resolutions passed, informing the first Board of Directors held in plenary session after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the Committee meetings shall be put at the Board members' disposal."

Inditex has carried out a review and update of its internal regulations and of the regulation of the Audit and Control Committee to comply with the new legal requirements and the latest recommendations in the area of good governance. Such review is expected to be completed during the upcoming Annual General Meeting.

c. Composition

The Executive Committee of INDITEX held on 27 October 2000 the appointment of the members of the Audit and Control Committee, thus resolving its initial composition.

Said composition was ahead of the provisions subsequently included in the Stock Exchange Act, which required that the Committee be formed by a majority of non-executive directors, and that the Chairman be elected amongst said non-executive directors.

The amendment of section 14 of the Board of Directors' Regulations resolved by the Board in its meeting of 12 June 2012 sought, among other goals, to maintain a consistency yardstick regarding the composition of the Audit and Control Committee, adapting its wording to the recommendations of the Unified Good Governance Code of Listed Companies, which were already put in practice by the Company.

It was resolved by the Board of Directors in the meeting held on 15 July 2014, after report of the Nomination and Remuneration Committee, to appoint Mr Rodrigo Echenique Gordillo (a non-executive independent director) as director and member of the Audit and Control Committee, further to the resignation tendered by Mr Juan Manuel Urgoiti López de Ocaña.

As at 31 January 2015, the composition of the Audit and Control Committee of INDITEX was:

Chair	Ms Irene Ruth Miller
Ordinary members	Mr Nils Smedegaard Andersen
	Mr José Arnau Sierra
	Mr Rodrigo Echenique Gordillo
	Mr Carlos Espinosa de los Monteros Bernaldo de Quirós
	Mr Emilio Saracho Rodríguez de Torres
Secretary (non member)	Mr Antonio Abril Abadín

Four members of the Audit and Control Committee are non-executive independent directors.

The resume of all the directors sitting on the Audit and Control Committee is available at the corporate websiste (www.inditex.com).

3. Activities of the Audit and Control Committee: Sessions held, business transacted, reports and attendees

During financial year 2014, the Audit and Control Committee has met five times, all its members being in attendance.

The main activities of the Audit and Control Committee are summarized below:

Date of meeting	Main business transacted	Reports and motions submitted to the Board of Directors	Inditex's attendees
17/3/2014	– Review of the financial statements of the company. Review of the annual financial report to be disclosed by the Board of Directors to the market and its supervisory boards. – Report on tax policies enforced in the course of the year (Code of Best Tax practices). – Meeting with the external auditors of the company. – Internal Audit: issues within its remit. – Report on the independence of external auditors. – 2013 Annual Corporate Governance Report. – -Report of the Committee of Ethics: summary of proceedings and enforcement of the Corporate Compliance system of the Inditex Group – Half-yearly report (August 2013 January 2014) of the Code Compliance Supervisory Board (CCSB). – Ethical Hacking	– Annual financial information (FY2013). – Report on the independence of external auditors. – 2013 Annual Corporate Governance Report. – 2013 Annual report of the Committee of Ethics on the enforcement of the Corporate Compliance regulations of the Inditex Group and of the activities of the Committee. – Half-yearly report (August 2013 January 2014) of the Code Compliance Supervisory Board (CCSB).	– Mr Pablo Isla Álvarez de Tejera, Chairman and Chief Executive Officer – Mr Ignacio Fernández Fernández, Chief Financial Officer – Mr Carlos Crespo González, Internal Audit Director – Mr Andrés Sánchez Iglesias, Tax Director – Mr Antonio Abril Abadín, General Counsel and Secretary of the Board – Mr Santiago Martínez-Lage Sobredo, Deputy-Secretary of the Board. – Mr Gabriel Moneo Marina, Director of the IT Division
9/6/2014	– Review of the periodic financial information that the Board of Directors must provide to the market and to the supervisory bodies. – Internal Audit: analytical review of 1Q2014 results. – Internal Audit: issues within its remit. – Meeting with the external auditors of the company. – Preparation of the Triple Report on financial, social and environmental issues. – Annual Activities Report of the Audit and Control Committee	– 1Q2014 financial information. – Triple report: financial, social and environmental. – 2013 Annual Activities Report of the Audit and Control Committee	– Mr Pablo Isla Álvarez de Tejera, Chairman and Chief Executive Officer – Mr Ignacio Fernández Fernández, Chief Financial Officer – Mr Carlos Crespo González, Internal Audit Director – Mr Alberto Fernández Ferro, head of IT Internal Audit
14/7/2014	– Risks Map.	– Risks Map.	– Mr Ignacio Fernández Fernández, Chief Financial Officer – Mr Carlos Crespo González, Internal Audit Director. – Ms Martina Fernández Porto, Enterprise Risks Management Director
15/9/2014	– Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory bodies. – Meeting with the external auditors. – Internal Audit: issues within its remit. – Report of the Committee of Ethics: summary of proceedings and enforcement of the Corporate Compliance system of the Inditex Group – Half-yearly report (February July 2014) of the Code Compliance Supervisory Board (CCSB).	– 1H2014 financial information – Report of the Committee of Ethics on the enforcement of Corporate Compliance of the Inditex Group and on the activities of the Committee. – Half-yearly report (February July 2014) of the Code Compliance Supervisory Board (CCSB).	– Mr Pablo Isla Álvarez de Tejera, Chairman and Chief Executive Officer – Mr Ignacio Fernández Fernández, Chief Financial Officer – Mr Carlos Crespo González, Internal Audit Director – Mr Iago Vera Cuartero, and Mr Iván Escudero Rial, members of the operations and distribution area (Zara) – Mr Antonio Abril Abadín, General Counsel and Secretary of the Board.
9/12/2014	– Review of the periodic financial information that the Board of Directors must provide to the market and its supervisory. – Internal Audit: Analytical review 3Q2014 results. – External audit: 2014 audit Plan and meeting with external auditors. – Financial management: Report on Investments Policy. – IT Department: follow-up of projects and risks of the IT area. – Internal Audit: issues within its remit.	– 3Q2014 financial information	– Mr Pablo Isla Álvarez de Tejera, Chairman and Chief Executive Officer. – Mr Ignacio Fernández Fernández, Chief Financial Officer – Mr Carlos Crespo González, Internal Audit Director – Mr Marcos López García, Capital Markets Director – Mr José Manuel Romay de la Colina, Financial Management Director – Ms María Paz Trillo and Mr Paul McAteer, members of the Financial Management Department – Ms Paula Mouzo, member of the Internal Audit Department – Mr Gabriel Moneo Marina, IT Director – Mr Julio Devesa Miramontes, Mr Julio Fernández-Argüelles Lobato and Mr Raúl Amigorena Eguiluz, members of the IT Department

4. Main lines of action

As for the lines of action of the Audit and Control Committee during FY2014, they have revolved around the following aspects:

A. Periodic financial information, annual accounts and auditors' report

The Audit and Control Committee reviews Inditex's economic and financial information prior to the approval thereof by the Board of Directors.

To this end, before drafting the quarterly, half-yearly or annual financial statements, the Audit and Control Committee also meets with the Management of the Company to review the application of the accounting principles, the estimates made while preparing the financial statements, etc.,

Likewise, the Committee, fully comprised of non-executive directors, meets with the external auditors in order to review the annual accounts of the Company and certain periodic financial information, ensuring that the legal requirements are met and that the generally accepted accounting standards are correctly applied.

The Audit and Control Committee reviewed the results for the full financial year 2013 in the meeting held on 17 March 2014, and in the meetings held on 09 June, 15 September and 9 December 2014, the results for the first three quarters of financial year 2014 that the Board of Directors must provide quarterly to the market and to its supervisory bodies, in accordance with the format of the Public Periodic Information ("PPI"), and the pertaining Results Release and Press Release.

Likewise, the individual and consolidated Annual Accounts and Management Report and the Auditors' Report for FY2013 were reviewed, it being verified by the Committee that the latter was unqualified.

B. Efficiency and Independence of Auditors

The Audit and Control Committee reviewed in its meeting dated 17 March 2014 the audit carried out during FY2013, with the attendance of the external auditors, who had been previously called for such purposes.

The work done by the external auditors consisted of the audit of the consolidated financial statements of the Group as at 31 January 2014 and the audit of the individual financial statements of certain companies within the Group also as at 31 January 2014; likewise during FY2014 the auditors issued a limited review on the financial statements.

In addition, the major issues were also reviewed, pointing out different areas: international and domestic scope, accounting issues and other less significant topics.

The report on the independence of external auditors of the Company was approved by the Audit and Control Committee on 17 March 2014; such report also covered the rendering of additional services other than the audit of financial statements.

C. Internal Audit

The Internal Audit Director and the external auditors attended the meetings of the Audit and Control Committee held throughout FY2014 and played an active part therein.

In such meetings, the Committee was duly informed about different issues of its remit. The Audit and Control Committee oversaw the activity of the Internal Audit Department, and approved its budget and its activities report.

D. External Auditors

Following best practices on corporate governance, the members of the Audit and Control Committee met on 17 March, 9 June and 15 September 2014 with the external auditors in the absence of the management of the Company to transact different issues of its remit.

Additionally, external auditors attended the meeting held on 9 December 2014, upon special invitation of the Audit and Control Committee, to address in detail the audit plan for financial year 2014.

E. Risks Map

The Audit and Control Committee acknowledged the Risks Map in the meeting held on 14 July 2014.

F. Annual Corporate Governance Report

The Audit and Control Committee held on 17 March 2014 the approval of the Annual Corporate Governance Report for FY2013, drawn up as regards its format, contents and structure, pursuant to the provisions of Circular 5/2013 of 12 June of CNMV.

Such report was submitted by the Committee to the Board of Directors, which approved it on 18 March 2014 and was subsequently sent to CNMV as a relevant fact.

G. "Triple Report": financial, social and environmental

The Committee gave a favourable report to the Sustainability Report also known as "Triple Report" for financial year 2013 in the meeting held on 9 June 2014. Such Sustainability Report provides information about the activities of Inditex and its corporate Group over the last years and especially in financial year 2013, regarding three areas of the Group: financial, social and environmental.

Such Report was verified by SGS ICS Ibérica, SA, in accordance with ISO 19011 and in line with the principles established in the G4 Guide to Sustainability Reporting of the Global Reporting Initiative ("GRI"), the principles established in the International Integrated Reporting Framework, and AA1000 Accountability Principles Standard 2008 (AA1000APS). As stated in the Report, the results of this verification demonstrated that the application level (In Accordance – Exhaustive) declared for the GRI Guide (G4) is appropriate.

Equally, a selection of relevant indicators was reviewed by KPMG Asesores in accordance with standard ISAE 3000. This selection of indicators was produced based on Inditex's annual materiality analysis, carried out in conjunction with stakeholders.

H. Review of the reports of the Committee of Ethics

The Audit and Control Committee reviewed and approved the annual report of the Committee of Ethics for financial year 2013 in the meeting held on 17 March 2014, as well as the half-yearly report of the Committee of Ethics for the first half of financial year 2014, in the meeting held on 15 September 2014.

Such reports cover, among other things, the enforcement of the Code of Conduct and Responsible Practices and the Code for Manufacturers and Suppliers, with a breakdown of the reports received by the Committee of Ethics, the measures taken and the resolutions issued by said body; the outcome of the supervision of the Manual on Criminal Risks Prevention of the Inditex Group and the measures taken to implement the Corporate Compliance system, both at domestic and international level (disclosure and circulation of the Corporate Compliance system; proceedings regarding acceptance of the Code of Conduct and Responsible Practices and training in the area of the Corporate Compliance system).

I. Review of the reports of the Code Compliance Supervisory Board and the Code Compliance Office

The Audit and Control Committee reviewed the quarterly reports issued by the Code Compliance Office regarding the incidences arisen in respect of compliance with the Internal Regulations of Conduct regarding Transactions in Securities (IRC) pursuant to the provisions of section 10.2.4 thereof, as well as the half-yearly reports issued by the Code Compliance Supervisory Board regarding measures taken to promote knowledge and ensure compliance with the provisions of the IRC, pursuant to the provisions of section 10.1.4 thereof.

J. Annual Report of the Audit and Control Committee

The Committee drew up its annual activities report on June 2014. Such report is included in the 2013 Annual Report and is available at www.inditex.com

5. Main relationships of the Audit and Control Committee

A. With the Annual General Meeting

The Chair of the Audit and Control Committee is available to the shareholders at the Annual General Meeting in order to address those questions therein raised by the same with regard to matters within its remit, pursuant to the provisions of the Law, the Articles of Association and the Board of Directors' Regulations.

B. With the Board of Directors

At the beginning of each meeting of the Board of Directors, the Chair of the Audit and Control Committee reports on the main business transacted in the last meeting held by said Committee.

C. With the Nomination and Remuneration Committee

Directors sitting on the Audit and Control Committee also sit on the Nomination and Remuneration Committee.

D. With the Chairman and Chief Executive Officer and the Senior Management

For the purposes of allowing the Audit and Control Committee to be directly apprised of the major business concerns, the Committee encourages the presence in its sessions of the Chairman and Chief Executive Officer and of the officers and supervisors of the company, so that they would explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent in its meetings.

E. With the General Counsel's Office

The General Counsel and Secretary of the Board, in his capacity as Code Compliance Officer, regularly informs the Audit and Control Committee on the degree of compliance with the Internal Regulations of Conduct regarding Transactions in Securities, and in general, on the degree of enforcement of the rules of the company on corporate governance.

Additionally, the General Counsel and Secretary of the Board, in his capacity as Chairman of the Committee of Ethics regularly advices the Audit and Control Committee on the enforcement of the Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers; the outcome of the supervision of the Manual on Criminal Risks Prevention of the Inditex Group and the proceedings undertaken to implement the Corporate Compliance system.

F. With the Internal Audit Department

Internal Audit is a centralized function included in the current organizational structure by means of a direct link to the Board of Directors to which it is functionally subordinated through the Audit and Control Committee.

The Director of the Internal Audit Department is responsible for the Internal Audit function.

The Director of the Internal Audit Department regularly reports to the Audit and Control Committee, which is the main recipient of the results achieved by the Internal Audit function, about the assignments performed in the different areas of the auditing activity.

Meanwhile, the Audit and Control Committee oversees the Internal Audit Department, approving its budget, the Internal Audit Plan, its annual activities report and the resources of the Department to carry out its tasks as well as the contents of its proceedings.

G. With the external auditors

The relationship of the Board of Directors of the company and the external auditors of the Group is channelled through the Audit and Control Committee.

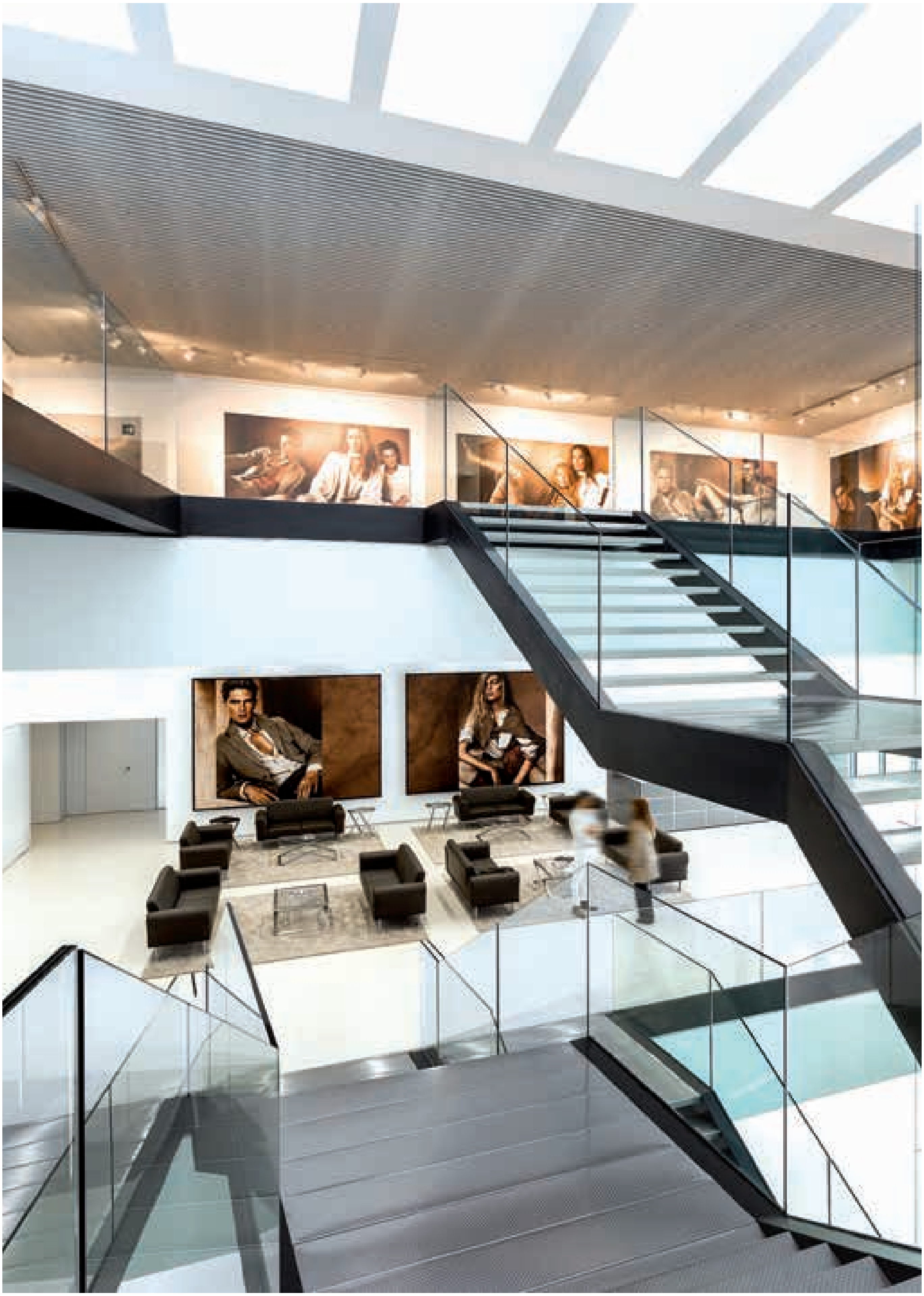
External auditors attend the meetings of the Committee wherein is reviewed the Periodic Financial Information which the Board of Directors needs to approve and disclose on a half-yearly basis.

In addition, the Committee proposes to the Board of Directors the appointment of the external auditors, the terms for their engagement, the scope of their professional mandate and their revocation or non renewal; it liaises with them; it oversees the enforcement of the audit contract; it evaluates the results of each audit and supervises the terms and enforcement of those contracts entered into with the auditors for the performance of assignments other than those covered by the audit contract, pursuant to the provisions of section 14 of the Board of Directors' Regulations.

H. With the external advisors

In order to receive advice in connection with the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the company's expense. The assignment entrusted to such external advisors must necessarily address specific issues of certain weight and complexity that the above-referred directors might face in the discharge of their duties.

Uría & Menéndez law firm provided advice on the review of the internal regulations and of the regulation of the Audit and Control Committee to adjust them to the new regulatory requirements, the latest recommendations in the good governance area and the most recent trends on corporate governance.



nomination and remuneration committee activities report

1. Preliminary

The Board of Directors of INDUSTRIA DE DISEÑO TEXTIL, S.A. (INDITEX, S.A.) has been amending its rules on corporate governance in line with the most demanding trends on the subject and in accordance with the good governance codes and, where appropriate, the regulations approved. Among said adjustments and amendments are those affecting the Board of Directors' Regulations, including those aimed at enhancing the tasks of the Nomination and Remuneration Committee, to extend its duties or entrust it with new ones.

Further to Act 31/2014, of 3 December, amending the Act on Capital Companies to improve corporate governance, and to the new Good Governance Code of listed companies, approved by resolution of the Board of the *Comisión Nacional del Mercado de Valores* [Spanish SEC] dated 18 February 2015, Inditex has carried out a review and update of its internal regulations to comply with the new legal requirements, the latest recommendations in the area of good governance and the most recent trends on corporate governance. Such process will be completed during the upcoming Annual General Meeting stated to be held on 14 July 2015.

This document, drawn up by the Nomination and Remuneration Committee in the session held on 8 June 2015, is its annual activities report, which describes the activities carried out by the Nomination and Remuneration Committee from 1 February 2014 through 31 January 2015, financial 2014 year-end.

This report has been issued on an annual basis since financial year 2005.

2. The Nomination and Remuneration Committee: origin and evolution, regulations and composition

a. Origin and evolution

The Board of Directors of INDITEX held on 20 July 2000 the approval of the Board of Directors' Regulations, in order to adjust to the guidelines of the report drawn up by the Special Commission for the study of an Ethics Code for corporate governance (the "Olivencia Code").

Section 15 of said Regulations established the Nomination and Remuneration Committee, entrusting it with the relevant duties pursuant to the above-mentioned Olivencia Code.

The Board of Directors' Meeting held on 20 March 2003 passed the following resolutions:

1) To propose to the General Meeting the amendment of the Articles of Association, with a new wording of article 32, in order to include the regulation of the Nomination and Remuneration Committee.

2) To approve the amendment of the Board of Directors' Regulations, clarifying and standardizing some of the duties of the Committee.

It was subsequently resolved by the Board of Directors in the meeting held on 10 June 2004, to approve a new Revised Text of the Board of Directors' Regulations, whereby the duties of the Nomination and Remuneration Committee were enhanced, as it required the Committee to give a report on employment agreements of the staff that include golden parachute clauses or severance agreements, before they are subscribed.

Afterwards, the Board of Directors held on 11 December 2007 the approval of a new Revised Text of the Board of Directors Regulations in order to adjust the contents thereof to the Recommendations of the Unified Good Governance Code of Listed Companies. This amendment entailed an increase in the duties of the Nomination and Remuneration Committee, as it encompassed the Recommendations provided by such Unified Code on this issue.

b. Regulations

The amendment of the Board of Directors' Regulations, approved by the Board in the meeting held on 13 July 2010, sought to adjust such regulations to the wording of the Articles of Association and extend the maximum number of members sitting on the Nomination and Remuneration Committee and on the Audit and Control Committee.

Finally, the Board of Directors' Regulations were amended in the meeting held on 12 June 2012 for the purposes of encompassing, among others, recommendations number 39 and 49 (formerly, recommendations number 44 and 54) of the Unified Good Governance Code of Listed Companies, and extending the remit of the Nomination and Remuneration Committee.

Section 32 of the Articles of Association, as amended further to a resolution passed by the Annual General Meeting of Shareholders held on 17 July 2012, provides as follows:

1. "A Nomination and Remuneration Committee shall be formed within the Board of Directors, made up of a minimum of three and a maximum of seven non-executive directors, a majority of whom shall be independent directors.

For such purposes, independent directors are understood as those that meet the requirements referred to under the second paragraph of section 31.1.

2. The Chairman of the Nomination and Remuneration Committee shall be appointed by the Board of Directors out of its independent members.

3. Without prejudice to any other tasks that it might be assigned from time to time by the Board of Directors, the Nomination and Remuneration Committee shall have at least the following basic responsibilities:

(a) To report on the proposals to appoint directors prior to their appointment by the General Meeting of Shareholders or, where appropriate, by the Board of Directors through the co-option procedure;

(b) To report on the appointment of the internal offices (Chairman, Deputy Chairman(s), CEO,

Secretary and Deputy Secretary) of the Board of Directors;

(c) To propose to the Board the members that must form part of each one of the Committees;

(d) To draw up and review the criteria that must be followed for the selection of the senior management of the Company and to report on the appointment or removal of the managers reporting directly to the Board of Directors, including the CEO;

(e) To report annually to the Board on the assessment of the performance of the senior management of the Company, especially of the CEO and his remuneration;

(f) To report on the systems and on the amount of the annual remuneration of directors and senior management and to prepare the information to be included in the annual public information regarding the remuneration of the directors.

4. The Nomination and Remuneration Committee shall meet, ordinarily, once a year, in order to prepare the information on the remunerations of the Directors that the Board of Directors must approve and include in the public annual documents. Moreover, it shall meet each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within the scope of its competences and, in any case, whenever it is thought fit for the successful performance of its functions.

5. The request for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made by the Chairman, Directors, senior management or the shareholders of the Company.

6. The Board of Directors may develop and complete the above-referred rules in its Regulations, pursuant to the provisions of the Articles of Association and of the Law."

Meanwhile, section 15 of the Board of Directors' Regulations, reads as follows:

1. "The Nomination and Remuneration Committee shall be made up of a number of non-executive directors being no less than three and not greater than seven, most of whom shall be independent directors. The Chairman of the Nomination and Remuneration Committee shall be appointed out of its independent members.

2. Without prejudice to other tasks that are assigned to it by the Board and to the remaining duties reserved to it by these Regulations, the Nomination and Remuneration Committee shall have the following basic responsibilities, which are:

(a) To draw up and check the criteria that must be followed for the composition of the Board of Directors in addition to selecting the candidates.

(b) To advise on the proposals for nominations of directors and, in case of independent directors, to submit said proposals to the Board of Directors for approval, prior to the nomination by the General Meeting of Shareholders or, where appropriate, by the Board of Directors for the co-optation procedure.

(c) To advise on the nomination of the internal offices of (Chairman, Deputy Chairman, CEO, Secretary and Vice-Secretary) of the Board of Directors.

(d) To propose to the Board the members that must form part of each one of the Committees.

(e) To advise on the appointment and dismissal of senior managers as proposed by the chief executive to the Board of Directors.

(f) To annually advice the Board on the evaluation of the performance of the chief executive of the Company, and also of the Nomination and Remuneration Committee itself.

(g) To propose the remuneration policy for directors and senior managers to the Board, and to ensure compliance with the remuneration policy set forth by the Company.

(h) To report to the Board, before it holds its meeting, on those contracts of the personnel that include golden-parachute clauses, for those cases that imply dismissal or changes in control.

(i) To prepare and submit to the Board of Directors for approval the annual report on directors´ compensation.

(j) To advise in relation to the transactions that involve or may involve conflicts of interest, the transactions with related persons or those transactions that imply the use of corporate assets and, in general, about the matters included in Chapter IX of these Regulations.

(k) To draw up and keep up to date a contingency plan to fill in the vacancies of key positions within the Company and its Group.

(l) To ensure that when filling up any new vacancies and when appointing new Directors the recruitment process should conform to the prohibition of any manner of discrimination.

(m) To propose to the Board the individual remuneration of executive directors and the remaining terms and conditions of their employment agreements.

3. Requests for information addressed to the Nomination and Remuneration Committee shall be made by the Board of Directors or its Chairman. Likewise, the Committee must consider the suggestions made.

4. The Nomination and Remuneration Committee shall meet each time that the Board or its Chairman requests the issuing of a report or the adoption of proposals within the scope of its competences and, in any case, whenever is suitable for the successful performance of its functions. In any event, it shall meet once a year to prepare the information about the directors' remuneration that the Board has to approve and to include in its annual public documentation.

5. The Nomination and Remuneration Committee shall report to the Board on the business transacted and the resolutions passed, informing the first Board of Directors held in plenary session after its meetings, of its activity and of the work done. Furthermore, a copy of the minutes of the Committee meetings shall be put at the Board members' disposal."

Inditex has carried out a review and update of its internal regulations and of the regulation of the Nomination and Remuneration Committee to comply with the new legal requirements and the latest recommendations in the area of good governance. Such review is expected to be completed during the upcoming Annual General Meeting.

c. Composition

The Executive Committee of INDITEX held on 27 October 2000 the appointment of the members of the Nomination and Remuneration Committee, thus resolving its initial composition.

The amendment of section 15 of the Board of Directors' Regulations approved by the Board on 12 June 2012 adapted its wording to the contents of recommendation 49 (formerly recommendation 54) of the Unified Good Governance Code of Listed Companies. Such recommendation had already been put in practice by the Company.

The Board of Directors resolved in the meeting held on 15 July 2014, after report of the Nomination and Remuneration Committee, to appoint Mr Rodrigo Echenique Goardillo (a non-executive independent director) as director, member of the Nomination and Remuneration Committee and Chairman thereof, further to the resignation tendered by Mr Juan Manuel Urgoiti López de Ocaña from the Board of Directors and from the Nomination and Remuneration Committee and the resignation of Mr Carlos Espinosa de los Monteros Bernaldo de Quirós from the office of Chairman of such Committee, as he had exceeded at the time of his re-election by the Annual General Meeting of 15 July 2014, the maximum period permitted to qualify as independent director, pursuant to the provisions of sec. 529 *duodecis* of LSC and the 2nd Transitional Provision of Order ECC/461/2013.

As at 31 January 2015, the composition of the Nomination and Remuneration Committee of INDITEX was the following:

Chairman	Mr Rodrigo Echenique Gordillo
Ordinary members	Ms Irene Ruth Miller
	Mr Nils Smedegaard Andersen
	Mr José Arnau Sierra
	Mr Carlos Espinosa de los Monteros Bernaldo de Quirós
	Mr Emilio Saracho Rodríguez de Torres
Secretary (non member)	Mr Antonio Abril Abadín

Four members of the Nomination and Remuneration Committee are non-executive indepedent directors.

The resume of all members ofn the Nomination and Remuneration Committee is available at the corporate websiste (www.inditex.com).

Section A.2 of the Annual Report on Remuneration of Directors available at www.inditex.com provides detailed information on the Nomination and Remuneration Committee.

3. Activities of the Nomination and Remuneration Committee: Sessions held, business transacted, reports and attendees

During financial year 2014, the Nomination and Remuneration Committee has met five times, all its members being in attendance.

The main activities of the Nomination and Remuneration Committee are summarized below:

Date of meeting	Main business transacted	Reports and motions submitted to the Board of Directors	Inditex's attendees
17/3/2014	– Remuneration of the Chairman and Chief Executive Officer. – Annual Report on the Remuneration of Directors for financial year 2013.	– Motion regarding the remuneration of the Chairman and Chief Executive Officer – 2013 Annual Report on the Remuneration of Directors to be submitted to the Annual General Meeting.	
9/6/2014	– Acknowledgement of resignation tendered by an independent director – Report on the motion to re-elect a director – Motion to appoint an independent director – 2013-2016 Long Term Performance Cash Plan – Annual Activities Report of the Nomination and Remuneration Committee and Annual Remuneration Report for FY2013.	– Report on the resignation tendered by a director. – Report on the motion to re-elect a director prepared by the Board of Directors to be submitted to the Annual General Meeting. – Motion to appoint a non-external independent director raised to the Board of Directors to be submitted to the Annual General Meeting. – Report on the 2013-2016 Long Term Performance Cash Plan – 2013 Annual Activities Report of the Nomination and Remuneration Committee.	– Mr Pablo Isla Álvarez de Tejera, Chairman and Chief Executive Officer – Mr Ignacio Fernández Fernández, Chief Financial Officer
14/7/2014	– 2013-2016 Long Term Performance Cash Plan – Resignation tendered by the Chairman of the Nomination and Remuneration Committee. – Report on the appointment of the Chairman of the Nomination and Remuneration Committee. – Resignation tendered by the Lead Independent Director. – Report on the appointment of the Lead Independent Director.	– Report on the 2013-2016 Long Term Performance Cash Plan – Report on the resignation tendered by the Chairman of the Nomination and Remuneration Committee – Report on the appointment of the Chairman of the Nomination and Remuneration Committee. – Report on the resignation tendered by the Lead Independent Director – Report on the appointment of the Lead Independent Director.	– Mr Pablo Isla Álvarez de Tejera, Chairman and Chief Executive Officer – Mr Ignacio Fernández Fernández, Chief Financial Officer – Mr Antonio Abril Abadín, General Counsel and Secretary of the Board
15/9/2014	– List of beneficiaries of the second cycle of the long term performance shares plan addressed to members of management, including the Chairman and Chief Executive Officer and other employees of the Inditex Group.	– List of beneficiaries of the second cycle of the long term performance shares plan addressed to members of management, including the Chairman and Chief Executive Officer and other employees of the Inditex Group	– Mr Pablo Isla Álvarez de Tejera, Chairman and CEO – Ms Begoña López-Cano Ibarreche, Human Resources Director – Mr Ignacio Fernández Fernández, Chief Financial Officer
9/12/2014	– Resignation from office: placement of Board member's office at the Board of Directors' disposal. – Annual assessment of the performance of the Board of Directors, the Independent Directors, the "affiliate" director, the Deputy Chairman, the Supervision and Control Committees and the performance of duties by the Chief Executive Officer – Report of the Human Resources Department	– Report on the placement of Board member's office at the Board of Directors' disposal. – Findings of the assessment of the performance of the Board of Directors, Directors, the Supervision and Control Committees and the performance of duties by the Chief Executive Officer.	– Mr Pablo Isla Álvarez de Tejera, Chairman and CEO – Ms Begoña López-Cano Ibarreche, Human Resources Director – Ms Belén Montenegro Borrás, Ms Rocio Casal Comendador and Ms Eva Ferreiro Figueiras, members of the Human Resources Department

Additionally, after expiry of financial year 2014, the following proceedings should be noted:

- The review of the employment relationship of the Chairman and Executive Director and of the basic terms and conditions of the agreements and remuneration policies of senior management of the Inditex Group.
- The motion raised to the Board of Directors regarding the remuneration of the Chairman and Executive Director for the discharge of senior management duties for financial year 2015, in respect of the amount and other terms thereof. Such motion was approved by the Board of Directors on 17 March 2015.
- The motion regarding the Annual Report on the Remuneration of Directors for financial year 2014 to be raised to the Board of Directors for approval and subsequently put to the advisory say-on-pay vote at the Annual General Meeting.

4. Main lines of action

As for the lines of action of the Nomination and Remuneration Committee during FY2014, they have revolved around the following aspects:

A.Remuneration policy

A.1. Remuneration of the Chairman and Chief Executive Officer

The Nomination and Remuneration Committee, after considering that the goals for financial year 2013 had been attained, raised a motion to the Board of Directors regarding the determination of the annual variable remuneration for the Chairman and Chief Executive Officer for financial year 2013 (received in financial year 2014).

Likewise, the Committee submitted a motion to the Board of Directors on the remuneration of the Chairman and Chief Executive Officer for the discharge of senior management duties for financial year 2014. This motion covered: the fixed remuneration for 2014, the annual variable remuneration of the year and the yardsticks based upon which the amount thereof would be determined, upon expiry of the financial year and consideration of the level of attainment of such yardsticks; the pluri-annual variable remuneration agreed in 2013 and the yardsticks based upon which the amount thereof would be determined upon expiry of the accrual period and the contribution to the Money Purchase Pension Scheme Plan for 2014.

Such motions were approved by the Board of Directors on 18 March 2014.

A.2. Drafting of the Annual Report on Remuneration of Directors for FY2013

Pursuant to the prevailing regulations then in force and to the Recommendations of the Unified Good Governance Code of Listed Companies, and on the advice of consultant Towers Watson, the Committee approved on 17 March 2014 the Annual Report on the Remuneration of Directors for FY2013.

Such report was submitted by the Committee to the Board of Directors, which approved it on 18 March 2014 and was subsequently sent to the CNMV as a relevant fact. Subsequently, such report was put to the advisory say-on-pay vote of the Annual General Meeting last 15 July 2014, with a 98.90% of votes for.

A.3. Long Term Performance Plan

The list of beneficiaries of the second cycle of the Long Term Performance Shares Plan was acknowledged by the Nomination and Remuneration Committee.

B. Appointments

B.1. Composition of the Board of Directors

In the meeting held on 9 June 2014, the Nomination and Remuneration Committee gave a favourable report to the motion raised by the Board of Directors on the re-election of Mr Carlos Espinosa de los Monteros Bernaldo de Quirós as "affiliate" director, and prepared the motion to appoint Mr Rodrigo Echenique Gordillo as non-executive independent director to be submitted by the Board of Directors to the Annual General Meeting.

The relevant reports of the Nomination and Remuneration Committee were made available to the shareholders at the corporate website (www.inditex.com) upon calling the Annual General Meeting.

B.2. Composition of the Board Committees

The Nomination and Remuneration Committee raised to the Board of Directors the motion to re-elect Mr Carlos Espinosa de los Monteros Bernaldo de Quirós and to appoint Mr Rodrigo Echenique Gordillo as members of the Executive Committee, the Audit and Control Committee and the Nomination and Remuneration Committee.

B.3. Chairman of the Nomination and Remuneration Committee

The Committee gave a favourable report to the appointment of Mr Rodrigo Echenique Gordillo as Chairman of the Audit and Control Committee, following the resignation from such office tendered by the former Chairman, Mr Carlos Espinosa de los Monteros Bernaldo de Quriós, having exceeded at the time of his re-election by the Annual General Meeting of 15 July 2014, the maximum period permitted to qualify as independent director, pursuant to the provisions of sec. 529 *duodecis* of LSC and the 2nd Transitional Provision of Order ECC/461/2013.

B.4. Lead Independent Director

The Committee gave a favourable report to the appointment of Mr Nils S. Andersen as Lead Independent Director, following the resignation tendered by Mr Carlos Espinosa de los Monteros Bernaldo de Quirós from such office, having exceeded at the time of his re-election by the Annual General Meeting of 15 July 2014, the maximum period permitted to qualify as independent director, pursuant to the regulations referred to in paragraph B.3 above.

C. Assessment

Pursuant to the provisions of article 32.3.e) of the Articles of Association and section 15.2.f) of the Board of Directors' Regulations and the Recommendations of the Unified Good Governance Code of Listed Companies, the Nomination and Remuneration Committee assesses on an annual basis the performance of the Board of Directors, the Audit and Control Committee, the Nomination and Remuneration Committee, and the performance of the Chairman and Chief Executive Officer. Additionally, during financial year 2014, the individual performance of the Independent Directors, the "Affiliate" Director, members of the Audit and Control Committee and of the Nomination and Remuneration Committee and of the Deputy Chairman, have also been assessed. The findings of such assessment are submitted to the Board of Directors.

The result of the assessment carried out in FY2014 is very positive in respect of the assessed topics. Mention should be made, among others, of the qualifications and structure, the duties, readiness and effectiveness and the planning and organization of the meetings of the Board of Directors, the Audit and Control Committee and the Nomination and Remuneration Committee, as well as the contribution and performance of the Independent Directors and of the Chairman and Chief Executive Officer.

D. Report on its activities

On 9 June 2014, the Committee drew up its annual activities report, which is included in the 2013 Annual Report and is available at www.inditex.com

5. Main relationships of the Nomination and Remuneration Committee

A. With the Board of Directors

At the beginning of each session of the Board of Directors, the Chairman of the Nomination and Remuneration Committee reports on the main business transacted in the last meeting of the Committee.

B. With the Audit and Control Committee

Directors sitting on the Nomination and Remuneration Committee also sit on the Audit and Control Committee.

C. With the Chairman and Chief Executive Officer and the Senior Management

For the purposes of allowing the Nomination and Remuneration Committee to be directly apprised of the major business concerns, the Committee encourages the presence in its sessions of the Chairman and Chief Executive Officer and of the officers and supervisors of the Company, so that they would explain their view on certain issues directly linked with the field of responsibility of the Committee and which are recurrent in its meetings.

D. With the Lead Independent Director

Mr Niels S. Andersen is the Lead Independent Director as well as a member of the Nomination and Remuneration Committee.

E. With the Human Resources Department

In order to keep the Nomination and Remuneration Committee duly and permanently informed, the Human Resources Division regularly informs the

Committee on the changes, if any, in the global remuneration systems, on market researches on the pay of senior management, on the annual pay adjustments and on the review of the adjustment guidelines for each country, on a summary of the annual adjustments carried out and on the global programmes for the detection and development of potential in the matter of personnel and succession plans.

F. With the external advisors

In order to receive advice in connection with the performance of their duties, non-executive directors may request that legal, accounting, financial or other experts be engaged at the Company's expense.

The assignment entrusted to such external advisors must necessarily address specific issues of certain weight and complexity that the above-referred directors might face in the discharge of their duties.

During financial year 2014, the Committee has been advised by external consultant Towers Watson in order to prepare the Annual Report on the Remuneration of Directors for FY2013.

Additionally, Uría & Menéndez law firm provides advice on the review of the internal regulations and on the regulation of the Nomination and Remuneration Committee to adjust them to the new regulatory requirements, the latest recommendations in the good governance area and the most recent trends on corporate governance.

GRI indicators

verification of the audit of Global Reporting Initiative indicators

SGS

INDEPENDENT VERIFICATION REPORT

1. SCOPE

SGS ICS Ibérica, S.A. (hereinafter, SGS) has carried out, at the request of INDITEX, S. A. (hereinafter, INDITEX), the Independent Verification of the information relating to practices regarding Human, Social and Environmental Resources corresponding to the financial year ending on 31st January 2015 and contained in the Annual Report 2014 (hereinafter, the Report).

The scope of the Independent Verification includes the text and data contained in the Report. Information and/or data referred to and not entered in the Report is not included.

2. INDEPENDENCE

The information contained in the Report as well as its preparation is the exclusive responsibility of INDITEX.

SGS has not participated in or advised INDITEX in the preparation of the Report. It has limited itself to acting as an independent verifier, confirming for this purpose the suitability of the contents.

The content of the present Independent Verification Report and the opinions contained therein are the exclusive responsibility of SGS.

3. VERIFICATION

For the independent verification of the Report, the SGS methodology has been used, which consists of auditing procedures according to ISO 19011 and following the principles established in the Guide for the Preparation of Sustainability Reports (G4) *of Global Reporting Initiative (GRI)* (hereinafter, the Guide).

Our work of independent verification has consisted of the formulation of questions to certain Departments of INDITEX involved in the drawing up of the Report, as well as the application of certain analytical procedures and review tests by sampling described below:

- Meetings with the staff of different departments of the Inditex Group so as to discover the management principles, systems and approaches applied.
- Verification of the indicators included in the Report, their correspondence with those recommended by the Guide and the applicability thereof.
- Review of the minutes of the Social Council of INDITEX corresponding to the fiscal year ended as of 31st January 2015.
- Verification, by means of review tests on the basis of the selection of a sample, of the quantitative and qualitative information corresponding to the GRI indicators and their proper compilation from the data supplied by the sources of information from the Inditex Group. These tests have been carried out at the central headquarters of the Inditex Group in Spain.
- Review of the information relative to the management approaches applied.
- The verification of the quantitative and qualitative information corresponding to the "indicators" mentioned in the foregoing point, from INDITEX' own management systems.
- In particular, for this verification the data of the financial area have been evaluated through the audit certification of the annual accounts of INDITEX, audited by Deloitte, S.L.

4. TEAM

The SGS team responsible for the Independent Verification was made up of:

- Ms. Carlota Abalo Sinde.
- Ms. Laura López Sanjurjo.

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SGS

INDEPENDENT VERIFICATION REPORT

5. AREAS OF IMPROVEMENT

We have additionally presented our recommendations relating to the areas of improvement to the Management of Inditex so as to consolidate the processes, programmes and systems linked with the management of the GRI Indicators. The most relevant recommendations refer to:

- ✓ Progress in the coverage of the GRI indicators focusing on Human Resources, Environment and Occupational Health and Safety areas, as most of the GRI indicators related to that area reflect mainly Inditex operations in Spain.
- ✓ Enforcement of systems for annually gathering GRI indicators, although a good progress in terms of systems has to be highlighted.

6. STRONG POINTS

- Social perspective has been improved and developed compared to the previous fiscal year and it has progressed remarkably.
- A significant effort has been carried out in the areas of Human Resources and Environment.

7. CONCLUSIONS

From the scope, the methodology, the analytical procedures and the tests by review through sampling carried out, we can conclude that:

- The Report has been prepared in accordance with the demands of the G4 Guide.
- The conclusions which are derived from the tests carried out, with the scope described in sections 1 and 3 above, have not shown up any significant errors.
- The "Level of Application *GRI*" declared by INDITEX (*In Accordance-Exhaustive*) is appropriate.

8. RESPONSIBILITIES

- The Management of the Inditex Group has been responsible for drawing up the Report, as well as for the definition of the contents.
- The responsibility of the verification team was to issue an Independent Verification Report in accordance with the rules of independence required.
- The scope of the Independent Verification is substantially less than that of an Audit. Therefore, we do not give any audit opinion on the Report.

10th JUNE 2015

Carlota Abalo Sinde

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KPMG Asesores S.L.
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28046 Madrid

Independent Assurance Report to the Management of Industria de Diseño Textil, S.A.

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

We performed a limited assurance review on the non-financial information contained in the Annual Report of Industria de Diseño Textil, S.A. (hereinafter Inditex) for the year ended 31 January 2015 (hereinafter "the Report"). The information reviewed corresponds to the economic, environmental and social indicators with the ☑ symbol: G4-10, G4-EC1, G4-EN3, G4-EN15, G4-EN16, G4-EN17, G4-EN23, G4-LA12, G4-LA16, G4-HR10,G4-HR12, G4-PR1, AF7, AF8, AF14, and AF16.

Inditex management is responsible for the preparation and presentation of the Report in accordance with the Sustainability Reporting Guidelines version 4.0 (G4) of the Global Reporting Initiative, as described in item G4-32 of the chapter entitled "GRI Indicators" of the Report.. Management is also responsible for the information and assertions contained within the Report; for determining its objectives in respect of the selection and presentation of sustainable development performance; and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived.

Our responsibility is to carry out a limited assurance engagement and, based on the work performed, to issue a report. Data corresponding to previous years have not been the object of review. We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000, "Assurance Engagements other than Audits or Reviews of Historical Financial Information", issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Performance Guide on the revision of Corporate Responsibility Reports of the Instituto de Censores Jurados de Cuentas de España (ICJCE). These standards require that we plan and perform the engagement to obtain limited assurance about whether the Report is free from material misstatement and that we comply with the independence requirements included in the International Ethics Standards Board for Accountants Code of Ethics which outlines detailed requirements regarding integrity, objectivity, confidentiality and professional qualifications and conduct.

The extent of evidence gathering procedures performed in a limited assurance engagement is less than that for a reasonable assurance engagement, and therefore also the level of assurance provided. This report should by no means be considered as an audit report.

Our limited assurance engagement work has consisted of making inquiries to Management, primarily to the persons responsible for the preparation of information presented in the Report, and applying the following analytical and other evidence gathering procedures:

- Interviews with relevant staff concerning Inditex's policy and strategy application on sustainability.
- Interviews with relevant Inditex staff responsible for providing the information contained in the Report.
- Analysing the processes of compiling and internal control over quantitative data reflected in the Report, regarding the reliability of the information, by using analytical procedures and review testing based on sampling.

2

- Reading the information presented in the Report to determine whether it is in line with our overall knowledge of, and experience with, the sustainability performance of Inditex.
- Corroborating that the financial information reflected in the Report was taken from the annual accounts of Inditex, which were audited by independent third parties.

Our multidisciplinary team included specialists in social, environmental and economic business performance.

Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the data included in the Annual Report of Industria de Diseño Textil S.A., for the year ended 31 January 2015, have not been reliably obtained, that the information has not been fairly presented, or that significant discrepancies or omissions exist, nor that the Report is not prepared, in all material respects, in accordance with the Sustainability Reporting Guidelines version 4.0 of the Global Reporting Initiative as described in item G4-32 of the chapter entitled "GRI Indicators" of the Report.

Under separate cover, we will provide Inditex management with an internal report outlining our complete findings and areas for improvement.

KPMG Asesores, S.L.

(Signed)

José Luis Blasco Vázquez

12 June 2015

GRI indicators

This Annual Report has been defined and elaborated in accordance with the comprehensive option of the new G4 Guidelines from the Global Reporting Initiative (GRI). For the elaboration of this report, Inditex has used the G4 principles for defining report content:

- **Stakeholders participation:** Inditex identifies and keeps a constant dialogue with its stakeholders. By doing this, the Group is able to describe its further response to its stakeholders' expectations and interests.
- **Sustainability strategic context:** Inditex contributes, or pretends to do so in the future, to the improvement of the economic, environmental and social trends, advances and conditions, at a local, regional or global level, all of them interconnected.
- **Materiality:** Inditex covers those aspects and indicators which best reflect the organisation's most significant social, environmental and economic impacts, or those which could be substantially influential on its stakeholders' evaluations and decisions.
- **Exhaustiveness:** the scope of the indicators Inditex is using and the definition of the information's scope must be enough to reflect the social, economic and environmental significant impacts and to allow that stakeholders are able to evaluate the Group's performance during the fiscal year.

In accordance with the principles established in the G4 Guide, this report's content has been determined from a materiality analysis, aimed at identifying the economic, environmental and social impacts of Inditex's value chain and their influence in its stakeholders' decisions.

As a result of consulting its stakeholders, Inditex has identified 30 relevant issues which are the foundations of this Annual Report, as reflected in the G4 Guide indicators. In this way, Inditex responds to those issues that are of interest for the Group's different stakeholders.

In addition to the material main indicators, those indicators that are specific to the textile and footwear sector, which Inditex helped draft, have also been included and are identified as follows:

SPECIFIC INDICATOR FOR THE SECTOR

16 of the GRI indicators identified in the materiality analysis carried out by Inditex were analysed by KPMG auditors, pursuant to regulation ISAE 3000. These indicators can be found in the GRI index and are marked with this symbol: ☑

Global Compact Principles

Inditex adheres to the U.N. Global Compact. In the GRI index of this Report, which also doubles as a Report on Progress, the different parts of the document related to each of the Global Compact principles are indicated.

- **Principle 1.** Businesses should support and respect the protection of internationally proclaimed human rights.
- **Principle 2.** Businesses should make sure that they are not complicit in human rights abuses.
- **Principle 3.** Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining.
- **Principle 4.** Businesses should uphold the elimination of all forms of forced and compulsory labour.
- **Principle 5.** Businesses should uphold the effective abolition of child labour.
- **Principle 6**. Businesses should uphold the elimination of discrimination in respect of employment and occupation.
- **Principle 7.** Businesses should support a precautionary approach to environmental challenges.
- **Principle 8.** Businesses should undertake initiatives to promote greater environmental responsibility.
- **Principle 9.** Businesses should encourage the development and diffusion of environmentally friendly technologies.
- **Principle 10.** Businesses should work against corruption in all its forms, including extortion and bribery.

General basic contents

Strategy and analysis

	Page	Omissions	External verification		Description	Global Compact
G4-1	8, 9		Yes, page 296		Statement from the most senior decision-maker	
G4-2	14, 28, 250, 253, 254		Yes, page 296		Description of key impacts, risks and opportunities, including an assessment of the performance of the supply chain	

Organisational profile

	Page	Omissions	External verification		Description	Global Compact
G4-3	275		Yes, page 296		Name of the organisation	
G4-4	18-25		Yes, page 296		Primary brands, products and services	
G4-5	193		Yes, page 296		Location of the organisation's headquarters	
G4-6	12, 13, 18 Retail formats, 247-249		Yes, page 296		Countries in which relevant activities are carried out	
G4-7	133, 134		Yes, page 296		Nature of ownership and legal form	
G4-8	12, 13, 247-249		Yes, page 296		Markets served	
G4-9	2, 3, 156		Yes, page 296		Scale of the organization	
G4-10	96-97, 100, 156 Due to the company's activity, the number of contracts is not reported as it is not considered a relevant indicator; on the other hand, an exhaustive control of the suppliers working for the organisation is carried out. The breakdown of employees per type of contract and per shift is currently reported in Spain. At the end of this financial year these data were not available for the scope of this Report. The company is working on a system to integrate information in a consolidated database. This indicator is expect to be included by 2017.		Yes, pages 296 and 298	☑	Details of organisation's employees and external workers	Principle 6
G4-11	70% of Inditex employees are covered by a collective agreement (there were no significant changes to this indicator on a country level from 2013).		Yes, page 296		Percentage of employees covered by collective bargaining agreements	Principle 3
G4-12	2, 37-39, 44-49, 156		Yes, page 296		Description of the supply chain	
G4-13	2, 44, 191, 237-242		Yes, page 296		Significant changes during the year	
G4-14	251, 252		Yes, page 296		Precautionary principle	
G4-15	8, 55, 61, 63, 73, 80, 81		Yes, page 296		External principles or initiatives to which the organisation subscribes or endorses	
G4-16	53, 61-63, 66,67		Yes, page 296		Main memberships of associations	

Material aspects and coverage

	Page	Omissions	External verification		Description	Global Compact
G4-17	228 Composition of the Inditex Group		Yes, page 296		Entities included in the financial consolidation and included within the boundaries of this report	
G4-18	4, 30, 31, 228 Composition of the Inditex Group		Yes, page 296		Definition of the content and scope of the report and the application of GRI principles	
G4-19	31, 174-175		Yes, page 296		Material aspects identified	
G4-20	30-33, 174-175 The contents of the Annual Report are defined based on the materiality analysis. This analysis takes into account the different stages of Inditex's value chain in order to identify the most relevant internal and external aspects. The Material Aspects identified within the organization by means of this focus are also material for all entities that form part of the Inditex Group.		Yes, page 296		Coverage within the organisation	
G4-21	30-33, 174-175		Yes, page 296		Coverage outside the organisation	
G4-22	There were no significant changes that led to a redrafting of the information. The details of any changes in information with a timescale or organizational scope different to that of previous years are described along with the data in question.		Yes, page 296		Restatement of information provided in previous reports	
G4-23	191, 238-240		Yes, page 296		Significant changes in the coverage or scope of the report	

	Page	Omissions	External verification	Description	Global Compact

Participation of stakeholders

	Page	Omissions	External verification	Description	Global Compact
G4-24	30		Yes, page 296	Stakeholders related to the organisation	
G4-25	30, 153 Inditex performs a detailed analysis of its stakeholders with the aim of identifying the impact of its activities on stakeholders and developing a strategy aimed at attaining sustainability in its processes.		Yes, page 296	Base for selection of stakeholders	
G4-26	30, 55, 59, 153, 175, 180, 266		Yes, page 296	Approaches to engagement of the stakeholders, including the frequency of contacts by type and category of stakeholders	
G4-27	30, 31, 59, 174, 175		Yes, page 296	Approaches to engagement of the stakeholders, including the frequency of contacts by type and category of stakeholders	

Report profile

	Page	Omissions	External verification	Description	Global Compact
G4-28	192 The Annual Report reflects the Inditex Group's economic, social and environmental performance in the year 2014, which extends from 1 February 2014 to 31 January 2015.		Yes, page 296	Reporting period	
G4-29	June 2014		Yes, page 296	Date of most recent previous report	
G4-30	192		Yes, page 296	Reporting cycle	
G4-31	314		Yes, page 296	Contact point for questions regarding the report	
G4-32	4		Yes, page 296	GRI index in relation to the chosen "in accordance" option	
G4-33	4		Yes, page 296	External assurance of the report	

Governance

	Page	Omissions	External verification	Description	Global Compact
G4-34	133-137, 138-139, 145-149		Yes, page 296	Governance structure	
G4-35	145-150, 153, 240, 241		Yes, page 296	Delegation of authority from the highest governance body to decision-makers and other employees	
G4-36	149, 150, 282, 283		Yes, page 296	Executive-level positions or positions with responsibility for economic, social and environmental topics	
G4-37	30, 153		Yes, page 296	Processes for consultation between stakeholders and the Board of Directors	
G4-38	138,139, 142, 147,148		Yes, page 296	Composition of highest governance body	
G4-39	141		Yes, page 296	Report whether the chairman of the maximum body of government is also an executive officer, and the reason for this arrangement	
G4-40	142, 143, 145, 147		Yes, page 296	Selection and appointment of the members of highest governance body	
G4-41	149, 150		Yes, page 296	Procedures for avoiding conflict of interests in the highest governance body	
G4-42	138, 251, 252 Additional information available on the Inditex website Our principles: http://www.inditex.com/en/our_group/our_approach Sustainable management: http://www.inditex.com/en/sustainability/managing_sustainability		Yes, page 296	Highest governance body and senior executives' role in the development, approval and updating of the organisation's vision, mission, values, strategies, policies and objectives	
G4-43	131, 132, 142, 143, 145		Yes, page 296	Highest governance body's collective knowledge of economic, environmental and social topics	
G4-44	138, 144, 145, 291		Yes, page 296	Work of the maximum body of government	
G4-45	30, 31, 138, 243, 251-253		Yes, page 296	Procedures of the highest governance body for supervising the identification and management of the economic, environmental and social performance, and its role in applying the processes of due diligence in consultations with stakeholders	
G4-46	255-259		Yes, page 296	Highest governance body's role in supervising the effectiveness of the management of risks and opportunities in economic, environmental and social topics	

	Page	Omissions	External verification	Description	Global Compact
G4-47	144, 149, 277, 280		Yes, page 296	Frequency of highest governance body's supervision of impacts, risks and opportunities in economic, environmental and social topics	
G4-48	30, 137 The Board of Directors is the body in charge of reviewing and approving the Annual Report		Yes, page 296	Highest body responsible for reviewing and approving the report	
G4-49	141, 145		Yes, page 296	Procedures for reporting critical concerns to the highest governance body	
G4-50	153, 179, 180, 280, 289		Yes, page 296	Matters of crucial interest reported to the highest governance body	
G4-51	148, 217, 290, 291 For more information please consult the Annual Report on Board Member Remuneration (sections A.1.1., A.1.2., A.1.3. and A.1.4.) available at www.inditex.com		Yes, page 296	Remuneration policies for the highest governance body and senior executives, and their relationship with economic, environmental and social performance	
G4-52	290 For more information please consult the Annual Report on Board Member Remuneration (sections A.2.1., A.2.3. and A3) available at www.inditex.com		Yes, page 296	Procedure for determining the remuneration of the highest governance body and senior executives, indicating whether independent consultants are used	
G4-53	290 For more information please consult the Annual Report on Board Member Remuneration (sections A.1.3., A.3. and D.3) available at www.inditex.com		Yes, page 296	Report on how stakeholders' opinions and expectations have been taken into account in remuneration policies	
G4-54	101, 148		Yes, page 296	Remuneration ratio in the organisation	
G4-55	101, 148		Yes, page 296	Increase in remunerations in the organisation	

Ethics and integrity

G4-56	33, 41-43, 152, 153 Code of Conduct and Responsible Practices: http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices		Yes, page 296	Description of the values, principles, standards and norms of behaviour such as codes of conduct and codes of ethics	Principle 10
G4-57	152, 153, 266		Yes, page 296	Internal and external procedures for seeking advice on lawful and ethical behaviour	Principle 10
G4-58	152, 153, 266		Yes, page 296	Internal and external procedures for reporting behaviours contrary to ethics or law or that affect the organisation's integrity	Principle 10

Specific basic contents

Economy

ECONOMIC PERFORMANCE

G4-DMA	96, 203, 204, 206-208		Yes, page 296	General information on the management focus	
G4-EC1	114-115, 169, 170		Yes, pages 296 and 298	Direct economic value generated and distributed	
G4-EC2	29, 84 Inditex Sustainability Strategy: http://www.inditex.com/en/sustainability Despite the fact that its direct activity does not have a significant impact on climatic change, Inditex implements energy-efficient activities and measures to mitigate such a risk.		Yes, page 296	Financial implications and other risks and opportunities for the organization's activities due to climate change	
G4-EC3	101, 213, 214		Yes, page 296	Restrictions to the organization's obligations due to social benefits programmes	
G4-EC4	206-208 During this reporting period no significant government assistance was received in the form of subsidies, awards, holiday entitlements or export credit assistance.		Yes, page 296	Financial assistance received from governments	

INDIRECT ECONOMIC IMPACTS

G4-DMA	113 Improving community welfare		Yes, page 296	General information on the management focus	
G4-EC7	114-115, 120, 166, 169-170		Yes, page 296	Development and impact of the investment in infrastructures and types of services	

	Page	Omissions	External verification	Description	Global Compact
G4-EC8	114, 115, 116-119, 120-129		Yes, page 296	Significant indirect economic impacts and their scope	

Subcategory: supply chain

CODE OF CONDUCT

	Page	Omissions	External verification	Description	Global Compact
AF1	51, 152 Code of Conduct and Responsible Practices: http://www.inditex.com/ en/our_group/our_approach/code_conduct_responsible_practices Code of Conduct for Manufacturers and Suppliers: http://www. inditex.com/en/sustainability/suppliers/code_conduct Compliance Programme: http://www.inditex.com/en/ sustainability/suppliers/compliance_programme		Yes, page 296	Contents and coverage of the code of conduct	
AF7	38, 45 The Code of Conduct for Manufacturers and Suppliers is applicable to 100% to Inditex's suppliers and manufacturers. More information about the identification of the supply can be found on the Inditex website: http://www.inditex.com/en/sustainability/suppliers/code_conduct		Yes, pages 296 and 298	Parties and personnel involved in compliance with the code of conduct	

AUDITING PROCESS

	Page	Omissions	External verification	Description	Global Compact
AF2	38-39, 56-59,152,153 Compliance Programme: http://www.inditex.com/en/sustainability/suppliers/compliance_programme		Yes, page 296	Parties and personnel involved in compliance with the code of conduct	
AF3	38-39, 47-49 Social auditing process: http://www.inditex.com/en/sustainability/suppliers/csr_audits		Yes, page 296	Compliance auditing process	
AF8	44, 48, 49, 156		Yes, pages 296 and 298	Number of audits performed and percentage of workplaces audited	

COMPLAINTS PROCEDURES

	Page	Omissions	External verification	Description	Global Compact
AF4	152, 153		Yes, page 296	Policy and procedures for receiving, investigating and responding to grievances and complaints	

CAPACITY BUILDING

	Page	Omissions	External verification	Description	Global Compact
AF5	39, 46, 47, 56, 59, 98-100 Inditex offers specific training courses on aspects of sustainability to its employees. The Group also provides training programmes for auditors and suppliers on aspects of the Code of Conduct and environmental issues.		Yes, page 296	Strategy and scope of the efforts to strengthen the capacities of management, workers and other staff to improve social and environmental performance	

COMMERCIAL RELATIONS

	Page	Omissions	External verification	Description	Global Compact
AF6	39, 44, 50, 56, 57 Inditex's Code of Conduct for Manufacturers and Suppliers includes the standards and requirements that suppliers must meet in order to form part of Inditex's supply chain. It is available on the website: http://www.inditex.com/en/sustainability/suppliers/code_conduct		Yes, page 296	Policies for the supplier selection, management and termination	
AF17	48, 56, 58, 59		Yes, page 296	Number and location of workplaces covered by the code of conduct	

DETECTION OF NON-COMPLIANCE

	Page	Omissions	External verification	Description	Global Compact
AF9	49, 51		Yes, page 296	Incidents of non-compliance with legal requirements or collective bargaining agreements concerning wages	
AF10	49, 51		Yes, page 296	Incidents of non-compliance with overtime standards	
AF11	49, 51		Yes, page 296	Incidents of non-compliance with standards on pregnancy and maternity rights	
AF12	49, 51		Yes, page 296	Incidents of non-compliance regarding the use of child labour	
AF13	49, 51		Yes, page 296	Incidents of non-compliance with gender discrimination standards	
AF14	49, 51		Yes, pages 296 and 298	Breaches of the code of conduct	
AF15	50, 51		Yes, page 296	Analysis of the data derived from audits of code compliance	

CORRECTIVE ACTIONS PLANS

	Page	Omissions	External verification	Description	Global Compact
AF16	56		Yes, pages 296 and 298 ☑	Corrective practices applied to remedy incidents of non-compliance	

Environment

MATERIALS

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	70, 72, 74, 85, 93		Yes, page 296	General information on the management focus	
G4-EN1	70, 72, 74, 85, 90 Inditex distributes the finished fashion items (clothing, footwear, accessories) and home textiles it purchases from its suppliers. Nevertheless, Inditex works hard to promote the efficient use of materials in its supply chain via the use of more sustainable fibres, packaging and distribution of its products in line with its standard, ZNormativa, and waste management by means of its Waste Reduction Plan.	Not available in numerical data on weight or volume. Inditex is working to improve its systems in order to include this indicator by 2017.	Yes, page 296	Materials by weight or volume	Principles 7 and 8
G4-EN2	79, 85, 90, 164		Yes, page 296	Percentage of the materials used that are recycled materials	Principle 8
AF18	74, 75		Yes, page 296	Programmes for replacing organic-based adhesives and primers with water-based adhesives and primers	
AF19	74, 75		Yes, page 296	Practices for supplying safer alternative substances than those on the list of restricted substances, including the description of systems associated with their management	
AF20	70, 72-74, 93		Yes, page 296	List of preferential materials from the viewpoint of the environment used in apparel and footwear products	

ENERGY

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	83, 84, 90, 157-159		Yes, page 296	General information on the management focus	
G4-EN3	156, 157-159		Yes, pages 296 and 298 ☑	Internal energy consumption	Principles 7 and 8
G4-EN4	77, 160		Yes, page 296	External energy consumption	Principle 8
G4-EN5	157-159		Yes, page 296	Energy intensity	Principle 8
G4-EN6	77, 83, 84, 157-159		Yes, page 296	Reduction of energy consumption	Principles 8 and 9
G4-EN7	84, 85, 90, 91, 157-159		Yes, page 296	Reductions in energy requirements of products and services	Principles 8 and 9
AF21	156, 158		Yes, page 296	Amount of energy consumed and percentage of that energy from renewable sources	

WATER

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	83, 90, 165		Yes, page 296	General information on the management focus	
G4-EN8	83, 165		Yes, page 296	Total water intake by source	Principles 7 and 8
G4-EN9	165 Water supplied to all the centres for use both in processes and for consumption comes from public, authorised supply networks with the result that Inditex has no impact on protected habitats.		Yes, page 296	Water sources that have been significantly affected by water intake	Principle 8
G4-EN10	90		Yes, page 296	Percentage and total volume of recycled and reused water	Principle 8

BIODIVERSITY

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	72, 73, 76, 83, 93		Yes, page 296	General information on the management focus	
G4-EN11	Not reported	Not applicable. The lands owned by Inditex are not located adjacent to or within protected natural spaces or areas of high biodiversity, and therefore the Group does not generate significant impacts on biodiversity.	Yes, page 296	Own, leased, managed and adjacent, contained installations or those located in protected and unprotected areas of great value for biodiversity	Principle 8

	Page	Omissions	External verification	Description	Global Compact
G4-EN12	72, 73, 76, 83, 93		Yes, page 296	Own, leased, managed and adjacent, contained installations or those located in protected and unprotected areas of great value for biodiversity	Principle 8
G4-EN13	Not reported	Not applicable. Inditex distributes the finished fashion items (clothing, footwear, accessories) and home textiles it purchases from its suppliers, and therefore there are no protected or restored habitats related to the company's activity.	Yes, page 296	Habitats protected or restored	Principle 8
G4-EN14	Not reported	Not applicable. Inditex distributes the finished fashion items (clothing, footwear, accessories) and home textiles it purchases from its suppliers, and therefore there are no habitats that are affected by its operations.	Yes, page 296	Number of IUCN red list species with habitats in areas affected by operations according to extinction risk	Principle 8
EMISSIONS					
G4-DMA	83, 84, 160, 161		Yes, page 296	General information on the management focus	
G4-EN15	160, 161		Yes, pages 296 and 298 ☑	Direct emissions of greenhouse effect gases (scope 1)	Principles 7 and 8
G4-EN16	160, 161		Yes, pages 296 and 298 ☑	Indirect emissions of greenhouse effect gases when producing energy (scope 2)	Principles 7 and 8
G4-EN17	160		Yes, pages 296 and 298 ☑	Other indirect emissions of greenhouse effect gases (scope 3)	Principles 7 and 8
G4-EN18	156, 160, 161		Yes, page 296	Intensity of emissions of greenhouse effect gases	Principle 8
G4-EN19	84,85, 90, 160, 161		Yes, page 296	Reduction of emissions of greenhouse effect gases	Principles 8 and 9
G4-EN20	90 Plans have been set up to replace air conditioning equipment in the already existing stores with the more efficient class A systems to ensure there are no gasses that are destructive to the ozone layer.		Yes, page 296	Emissions of ozone-depleting substances	Principles 7 and 8
G4-EN21	162	SO_2, NO_x and CO emissions have been reported. The rest of the emissions envisaged in this indicator are not produced or are not produced in significant amounts, since Inditex's main activity is the distribution of fashion items. Any particle emissions resulting from transport are generated by the transport companies themselves and not by Inditex. Nevertheless, Inditex promotes a better management and control of these emissions by means of a tool which enables such emissions to be calculated according to GHG Protocol. The Group also drafts improvement plans to reduce emissions.	Yes, page 296	Nox, sox and other significant atmospheric emissions	Principles 7 and 8
EFFLUENTS AND WASTE					
G4-DMA	76, 77, 163-165		Yes, page 296	General information on the management focus	
G4-EN22	76, 77, 165 www.wateractionplan.com/ (section "Technical training to achieve zero discharge/results")		Yes, page 296	Total water discharge according to quality and intended use	Principle 8
G4-EN23	"156, 163-165 None of the waste generated is disposed of through deep-well injection or stored in-situ.		Yes, pages 296 and 298 ☑	Total weight of waste according to type and treatment method	Principle 8
G4-EN24	During the reporting period no significant accidental discharges were recorded.		Yes, page 296	Total number and volume of significant spills	Principle 8
G4-EN25	Inditex does not transport, import or export any of the hazardous waste products included in the Basel Convention in any of the countries where it performs its activities.		Yes, page 296	Weight of waste transported, imported, exported of treated considered hazardous by virtue of annexes i, ii, iii and viii of the basel2 convention, and percentage of waste transported internationally	Principle 8

	Page	Omissions	External verification	Description	Global Compact
G4-EN26	69, 76 The water consumed by Inditex is discharged by means of sanitation networks, in all cases with the appropriate administrative authorization. In case of irregularities, Inditex analyses the causes and looks for pertinent solutions. Therefore, there are no water bodies or related habitats significantly affected by discharges or run-off generated by the organization. In relation to the Group's suppliers and due to the commitment undertaken in November 2012 towards "zero discharge" of hazardous chemicals in 2020, Inditex works with its suppliers within its Master Plan for Water Management in the Supply Chain. In 2014, water discharges from plants belonging to the Group's main suppliers were analysed with special attention to the 11 priority chemical groups. The results of these analyses are available for consultation at http://www.wateractionplan.com/ (section "Technical training to achieve zero discharge/results").		Yes, page 296	Identification, size, protection status and biodiversity value of water masses and related habitats significantly affected by discharges and run-off from the organisation	Principle 8
PRODUCTS AND SERVICES					
G4-DMA	69-73, 83-87		Yes, page 296	General information on the management focus	
G4-EN27	84, 85, 90, 157-162		Yes, page 296	Mitigation of the environmental impact of products and services	Principles 7, 8 and 9
G4-EN28	79, 85 Packaging materials on to the market are recovered at the end of its life cycle for recycling by authorized managers in those countries where there are Integrated Systems for Packaging Management.		Yes, page 296	Percentage of products sold and packaging materials reclaimed at the end of their useful life, according to product category	Principle 8
COMPLIANCE WITH REGULATIONS					
G4-DMA	Inditex's environmental policy: http://www.inditex.com/en/sustainability/environment		Yes, page 296	General information on the management focus	
G4-EN29	Inditex recorded no significant fines or sanctions through the available channels in 2014.		Yes, page 296	Monetary value of significant fines and number of nonmonetary sanctions due to incidents of non-compliance with environmental legislation and regulations	Principle 8
TRANSPORT					
G4-DMA	84, 85, 160		Yes, page 296	General information on the management focus	
G4-EN30	84, 85, 160		Yes, page 296	Significant environmental impacts of the transport of products or other goods and materials used in the organization's activities, as well as staff transport	Principle 8
ENVIRONMENTAL ASSESSMENT OF THE SUPPLIERS					
G4-DMA	38, 39, 47-51		Yes, page 296	General information on the management focus	
G4-EN32	48, 49, 74, 76, 77, 156, 168		Yes, page 296	Percentage of new suppliers examined according to environmental criteria	Principle 8
G4-EN33	70, 71, 76		Yes, page 296	Real and potential significant negative environmental impacts in the supply chain and measures in this respect	Principle 8
MECHANISMS FOR ENVIRONMENTAL COMPLAINTS					
G4-DMA	152, 153 In the Code of Conduct, Inditex undertakes to minimize environmental during the life cycle of its products. With a view to guaranteeing compliance with the Code, three channels for contact have been established (mail, e-mail and fax). http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices		Yes, page 296	General information on the management focus	
G4-EN34	152, 153 All communications received by means of the website's customer services are passed on to the relevant department. Moreover, the Environmental Department receives any suggestions, queries or comments at the following address: medioambiente@inditex.com		Yes, page 296	Number of environmental complaints submitted, dealt with and resolved using formal complaint mechanisms	Principle 8

Social performance

Working practices and decent work

EMPLOYMENT					
G4-DMA	96, 100, 101		Yes, page 296	General information on the management focus	

	Page	Omissions	External verification	Description	Global Compact
G4-LA1	96 During 2014, in Spain some 22,231 women left the organization, of which 73% were aged under 30, while 22% were aged 30-50 and 5% over 50. In the case of men, some 6,089 left the organization, of which 63% were aged under 30, while 33% were aged 30-50 and 4% over 50.	Data on the number of new employee hires broken down according to age, gender and region was not available at the time of writing of this Report. This indicator is expect to be included by 2017.	Yes, page 296	Number and rate of employee hires and turnover, broken down according to age group, gender and region	Principle 6
G4-LA2	100, 101 The Group provides the same social benefits for temporary workers as to part- and full-time employees.		Yes, page 296	Social benefits provided for full-time workers not offered to temporary or part-time workers, broken down according to significant locations of operations	
G4-LA3	100 During 2014, in Spain some 2,287 women took maternity leave. A total of 98.7% of these women returned to work following that leave. In the case of men, a total of 93.4% (335 men) returned to work following paternity leave.		Yes, page 296	Return to work and retention rates following parental leave, broken down according to gender	Principle 6
AF22	100 Employment quality		Yes, page 296	Policy and practices concerning the employment of temporary and part-time workers	
AF23	100 Employment quality		Yes, page 296	Policy regarding work at home	
AF24	Inditex carries out analysis and control of the level of compliance with its Sustainability Strategy achieved by suppliers by means of the Group's Code of Conduct for Manufacturers and Suppliers Compliance Programme.		Yes, page 296	Policy on the use and selection of work agencies, including adhesion to the relevant ILO Conventions	

WAGES AND WORKING HOURS

	Page	Omissions	External verification	Description	Global Compact
AF25	Inditex does not adhere to any wage deduction policy or practice beyond those stipulated by law.		Yes, page 296	General information on the management focus	
AF26	100 Employment quality		Yes, page 296	Policy on working hours, including the definition of overtime and actions for preventing excessive overtime or compulsory overtime	

WORKER-MANAGEMENT RELATIONS

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	100, 101		Yes, page 296	General information on the management focus	
G4-LA4	The collective agreements in force do not set out a minimum period for the formal notification of any organizational changes that take place within Inditex. However, when relevant events take place, prior notice is given in line with the provisions of the law in force (art. 41 of the Workers' Statute).		Yes, page 296	Minimum notice periods for operative changes and whether these are included in collective agreements	Principle 3
AF29	Some 37% of Inditex's work centres have workers' representatives (There have been no significant changes in this indicator on a national level in comparison with 2012).		Yes, page 296	Percentage of workplaces in which there are one or more independent unions	
AF30	The Group does not participate in representative bodies that do not involve the trade unions.		Yes, page 296	Percentage of workplaces in which, in the absence of a union, there are committees formed by workers and members of the management, according to country	

HEALTH AND SAFETY AT WORK

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	102, 103		Yes, page 296	General information on the management focus	
G4-LA5	The existing committees represent all workers on the same level (management and employees) and all agreements are confirmed by management.		Yes, page 296	Percentage of workers represented in formal joint management-worker health and safety committees, established to help to control and advise on occupational health and safety programmes	
G4-LA6	102, 103		Yes, page 296	Injury rates, occupational illnesses, days lost, absenteeism and number of work-related fatalities victims according to region and gender	
G4-LA7	102, 103 In general, no workers were identified as being involved in activities with a high accident rate or high risk of specific diseases.		Yes, page 296	Workers whose profession is subject to a high incidence or risk of illness	
G4-LA8	All committees have reached agreements related to worker health and safety. During 2014, Inditex had reached agreements in force on an international and national scale with trade unions which covered aspects such as personal protective equipment, periodic inspections, training and education, complaints mechanisms, and so on.		Yes, page 296	Health and safety issues covered in formal agreements with the unions	
AF31	102, 103		Yes, page 296		

	Page	Omissions	External verification		Description	Global Compact
TRAINING AND EDUCATION						
G4-DMA	98, 99		Yes, page 296		General information on the management focus	
G4-LA9	99 The 2014 Report shows a positive evolution of the level of commitment to reporting on this indicator with the publication of information on training hours in the form of country-level statistics. Thus, this indicator is expected to be fully incorporated by 2017.	Breakdown according to gender and employee type not available. Inditex is working to improve its systems in order to include this indicator by 2017.	Yes, page 296		Average hours of skills training each year per employee, broken down according to gender and employee category	Principle 6
G4-LA10	46, 47, 99, 100, 102 The average age of Inditex employees is 28 years, meaning that the Group is not facing the need to develop programmes to assist employees at the end of their professional careers in the near future.		Yes, page 296		Skills management programmes and lifelong learning to foster the employability of workers and help them to manage the end of their professional careers	
G4-LA11	100, 101	Breakdown according to gender and employee type not available. Inditex is working to improve its systems in order to include this indicator by 2017.	Yes, page 296		Percentage of employees receiving regular performance and development reviews, broken down according to gender and professional category	Principle 6
DIVERSITY AND EQUAL OPPORTUNITIES						
G4-DMA	96, 102, 105		Yes, page 296		General information on the management focus	
G4-LA12	96, 100, 139, 146, 156 Inditex reports data on members of its Board of Directors in the Corporate Governance Report submitted to the Spanish regulatory body, the CNMV.	Breakdown according to gender and age group not available. Inditex is working to include the breakdown of staff by age group by 2017.	Yes, pages 296 and 298	☑	Composition of the organs in government and breakdown of payroll by professional category and sex, age, belonging to minorities and other diversity indicators	Principle 6
AF27	102		Yes, page 296		Policy and actions to protect worker rights during pregnancy and maternity	
AF32	102		Yes, page 296		Actions for dealing with discrimination for reasons of gender and to give opportunities to promoting female workers	
EQUAL PAY BETWEEN MEN AND WOMEN						
G4-DMA	100-102		Yes, page 296		General information on the management focus	
G4-LA13	Not reported	Ratio between men and women's base salaries not available. At the time of writing Inditex was working to generate this indicator. This indicator is expect to be included by 2017.	Yes, page 296		Ratio of base salary of men to women, broken down according to professional category and significant locations of operation	Principle 6
ASSESSMENT OF SUPPLIERS WORKING PRACTICES						
G4-DMA	47- 49		Yes, page 296		General information on the management focus	
G4-LA14	48, 49, 156		Yes, page 296		Percentage of new suppliers examined according to criteria on labour practices	
G4-LA15	56, 57, 66, 67, 156		Yes, page 296		Significant real and potential negative impacts in labour practices in the supply chain, and measures taken	
COMPLAINT MECHANISMS CONCERNING WORKING PRACTICES						
G4-DMA	43, 152, 153		Yes, page 296		General information on the management focus	
G4-LA16	152		Yes, pages 296 and 298	☑	Number of complaints related to working practices submitted, dealt with and resolved by formal complaint mechanisms	

Human rights

	Page	Omissions	External verification		Description	Global Compact
INVESTMENT						
G4-DMA	41-43, 54, 55, 141-143		Yes, page 296		General information on the management focus	
G4-HR1	44, 45, 48-51, 56, 156		Yes, page 296		Number and percentage of significant investment contracts and agreements including clauses on human rights or that have undergone human rights screening	Principle 2

	Page	Omissions	External verification	Description	Global Compact
G4-HR2	46, 47, 53, 58, 59 In 2014 more than 1,298,000 hours of training were provided for factory workers on equality and pyscho-social issues. Both the Code of Conduct and Responsible Practices of the Inditex Group, applicable to 100% of Inditex's employees, and the Code of Conduct for Inditex Manufacturers and Suppliers are articulated based on Inditex's corporate culture, which affects all operations and suppliers of the Group, firmly founded on compliance with human rights.		Yes, page 296	Hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including percentage of employees trained	Principle 1

NON-DISCRIMINATION

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	41-43, 50-53, 59, 64-67, 102		Yes, page 296	General information on the management focus	
G4-HR3	51, 152, 153 No incidents of discrimination were recorded among Inditex Group employees during 2014.		Yes, page 296	Number of discrimination incidents and corrective actions taken	Principle 6

FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	41-43, 50-53, 61, 62, 64-67		Yes, page 296	General information on the management focus	
G4-HR4	41-43, 49, 50, 64-67 Inditex's Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses the level of compliance with worker freedom of association, and is applicable to all of the Group's operators and suppliers. The table on page 51 shows percentage compliance in this area on the part of suppliers already subjected to audits that formed part of Inditex's supply chain in 2014.		Yes, page 296	Identification of significant centres and suppliers in which freedom of association and the right to collective bargaining may be breached or at risk, and measures taken to defend these rights	Principle 3

CHILD LABOUR

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	41-43, 56-57, 64-67		Yes, page 296	General information on the management focus	
G4-HR5	41-43, 64-67 Inditex's Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses the level of compliance with worker freedom of association, and is applicable to all of the Group's operators and suppliers. The table on page 51 shows percentage compliance in this area on the part of suppliers already subjected to audits that formed part of Inditex's supply chain in 2014.		Yes, page 296	Identification of centres and suppliers with a significant risk of incidents of child labour, and measures taken to contribute to abolishing child labour	Principle 5

FORCED LABOUR

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	41-43, 54-57, 64-67		Yes, page 296	General information on the management focus	
G4-HR6	41-43, 64-67 Inditex's Code of Conduct for Manufacturers and Suppliers Compliance Programme assesses the level of compliance with worker freedom of association, and is applicable to all of the Group's operators and suppliers. The table on page 51 shows percentage compliance in this area on the part of suppliers already subjected to audits that formed part of Inditex's supply chain in 2014.		Yes, page 296	Centres and suppliers with a significant risk of incidents of forced labour, and measures taken to contribute to eliminating all forms of forced labour	Principle 4

ASSESSMENT OF SUPPLIERS WITH RESPECT HUMAN RIGHTS

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	41-43, 44, 48, 49, 50-53		Yes, page 296	General information on the management focus	
G4-HR10	48, 49, 156, 168		Yes, pages 296 and 298 ☑	Percentage of new suppliers examined according to human rights criteria	Principle 2
G4-HR11	45, 51, 56, 57, 64-67, 168		Yes, page 296	Significant real and potential negative impacts in the area of human rights, in the supply chain, and measures taken	Principle 2

COMPLAINTS MECHANISMS FOR HUMAN RIGHTS ISSUES

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	41-43, 152, 153		Yes, page 296	General information on the management focus	
G4-HR12	152		Yes, pages 296 and 298 ☑	Number of complaints related to human rights submitted, dealt with and resolved by formal complaint mechanisms	Principle 1

Society

LOCAL COMMUNITIES

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	113, 116, 120, 124, 129		Yes, page 296	General information on the management focus	

	Page	Omissions	External verification	Description	Global Compact
G4-SO1	44, 66, 114, 115, 120-123		Yes, page 296	Percentage of centres with implemented development programmes, impact assessments and local community engagement	Principle 1
G4-SO2	44, 76		Yes, page 296	Operations centres with significant potential or real negative effects on local communities	Principle 1
AF33	115, 116 Humanitarian aid, 120 Social welfare, 124 Education, 129		Yes, page 296	Priorities of investment strategy in communities	
AF34	115, 169		Yes, page 296	Amount of investment in worker communities, according to location	

FIGHT AGAINST CORRUPTION

G4-DMA	152, 153 The Inditex Code of Conduct and Responsible Practices and the Code of Conduct for Manufacturers and Suppliers deal with the prevention of all forms of corruption. These internal regulations are available on the website: http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices		Yes, page 296	General information on the management focus	
G4-SO3	Code of Conduct and Responsible Practices includes the prevention of all forms of corruption. This standard is applicable to 100% of the Group's business units and is available on the Inditex website at: http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices		Yes, page 296	Percentage and number of centres analysed for risks related to corruption and significant risks detected	Principle 10
G4-SO4	152, 153 Inditex's Code of Conduct and Responsible Practices, applicable to 100% of the Group's employees, deals with the prevention of all forms of corruption and correct internal dissemination of the code among all employees. It is available on Inditex's website at: http://www.inditex.com/en/our_group/our_approach/code_conduct_responsible_practices	Total figures and percentage of employees and board members that have received training on issues of corruption broken down according to region and employee type not available. At the time of writing Inditex was working to generate this indicator. This indicator is expect to be included by 2017.	Yes, page 296	Policies and procedures of communication and training on the fight against corruption	Principle 10
G4-SO5	In the period covered by this report, no incidents of corruption were recorded in the organization.		Yes, page 296	Confirmed cases of corruption and measures taken	Principle 10

PUBLIC POLICY

G4-DMA	42, 43, 66, 67		Yes, page 296	General information on the management focus	
G4-SO6	The Code of Conduct and Responsible Practices expressly indicates that "Any relationship that the Inditex Group may have with any governments, authorities, institutions and political parties shall be based upon the principles of legality and neutrality. Contributions, whether in cash and/or in kind that might be made by the company, where applicable, to any political parties, institutions and public authorities, shall always be made in accordance with the current legislation in force and ensuring the transparency thereof; for such purposes, a previous report of the Legal Department evidencing that any such contributions are lawful, shall be required".		Yes, page 296	Value of the political contributions according to country and recipient	Principle 10

ASSESMENT OF THE SOCIAL REPERCUSSION OF SUPPLIERS

G4-DMA	41-44		Yes, page 296	Información general sobre el enfoque de gestión	
G4-SO9	41-44, 168		Yes, page 296	Percentage of new suppliers examined according to social impact criteria	
G4-SO10	44, 45, 51, 56, 57, 64-67, 166, 168		Yes, page 296	Significant and potential negative impacts for society in the supply chain, and measures taken	

COMPLAINTS MECHANISMS IN THE AREA OF SOCIAL IMPACT

G4-DMA	152, 153		Yes, page 296	General information on the management focus	
G4-SO11	152, 153		Yes, page 296	Number of complaints related to social impacts submitted, dealt with and resolved by formal claim mechanisms	

Customer health and safety

CUSTOMER HEALTH AND SAFETY

G4-DMA	70, 71, 74, 75, 78		Yes, page 296	General information on the management focus	

	Page	Omissions	External verification	Description	Global Compact
G4-PR1	74, 75, 78		Yes, pages 296 and 298 ☑	Percentage of significant product and service categories whose impact in the area of safety and health have been assessed in order to promote improvement	
G4-PR2	No significant incidents of non-compliance with standards related to the impact of products on customer health and safety were recorded in 2014.		Yes, page 296	Number of complaints related to social impacts submitted, dealt with and resolved by formal claim mechanisms	

PRODUCT AND SERVICE LABELLING

	Page	Omissions	External verification	Description	Global Compact
G4-DMA	38, 39, 70, 71		Yes, page 296	General information on the management focus	
G4-PR3	39, 69-71 Product health and safety standards are in general application and mandatory for the whole of the Group's production (100%).		Yes, page 296	Type of information required by organisation procedures related to information and the labelling of products and services, and percentage of significant product and service categories subject to said requirements	
G4-PR4	No significant incidents of non-compliance with standards related to product information or labelling or voluntary codes were recorded in 2014.		Yes, page 296	Number of incidents of non-compliance with regulations and voluntary code regarding information and the labelling of products and services, broken down by outcome type	
G4-PR5	110		Yes, page 296	Results of customer satisfaction surveys	

The **Annual Report 2014** provided information under the terms of the triple –economic, social and environmental- dimension.

The Annual Report 2014 is fully available on the corporate web site, **www.inditex.com**, where additional useful information may also be accessed.

The English translation of this report has been reviewed by the Centre for Business and Public Sector Ethics of Cambridge (United Kingdom)

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